

HOUSING

1. Introduction

1.1 This paper focuses on housing in Lewisham. In particular, it looks at:

- The housing market in Lewisham
- Lewisham Council's housing strategy
- Examples of best practice and other suggestions
- Conclusion and further questions

1.2 The challenge for the Commission is to identify where they feel the Council and its partners could improve the cost and quality of housing in the borough to decrease poverty and mitigate against its effects. The Commission could also consider wider recommendations that might form part of a national or London-wide lobbying strategy for the borough on housing issues.

2. The housing market in Lewisham

2.1 Although house prices in the borough are currently lower than the London average, the median house price is still 14 times greater than the median income in the borough and rents are rising fast. Affordability is an issue across all types of tenure¹.

Housing supply

2.2 The major challenge for Lewisham, as for London and for most parts of the UK, is supply, with housebuilding in the capital only now picking up after decades at an all-time low. The report of the London Housing Commission, *Building a New Deal for London* (2016) found that a dramatic increase in housebuilding is the only long-term solution to the capital's housing crisis.² It is also vital that the need for new homes is balanced with the need for new commercial and recreational spaces to support the borough's growing population.

2.3 In a recent report, *New Civic House Building*, the housing charity Shelter argues that the current system, where public land is sold to the highest bidder, discourages developers from competing to provide more affordable homes.³ This kind of 'speculative housebuilding' adds only gradually to the housing stock because it prioritises maintaining margins over delivering volume.

2.4 Instead, Shelter calls for a new wave of 'civic housebuilding' which seeks 'to benefit the people who will live in them, and the communities that they are part of'. This new model requires six central features to be in place:

- A clear, evidence-based vision for high quality development
- A focused delivery agency, with the necessary powers and resources to implement the vision
- Land invested or acquired at low enough prices to allow for the vision to be realised
- Finance – particularly patient capital, which is prepared to take a long-term position
- Planning – a process of design that involves the community directly and ensures accountability
- Construction – well built, by a range of builders and techniques, providing local jobs.

2.5 How land is put into a development scheme is key to Shelter's approach. Shelter contends that public bodies should use partnership models where public land is invested as equity or

¹ See Appendix with data on housing presented to Commission on 27 February

² http://www.ippr.org/files/publications/pdf/building-a-new-deal_LHC-final_March2016.pdf?noredirect=1

³ <https://civichousebuilding.org/>

held as freehold, so the land remains in long-term ownership. Revenue is then generated from rents, ground rents or development profits from sales. Past examples of this kind of model in London include the building programmes of organisations such as Peabody or the Guinness Trust.

- 2.6 In the meantime, commentators agree that continued intervention by government – at national, city and borough level – is necessary to ensure that a significant proportion of housing is genuinely affordable and that the standard of private rented accommodation is improved.

The private rented sector

- 2.7 With housing supply failing to keep pace with demand and the decline of social rented stock, the private rented sector (PRS) is increasingly important as a tenure choice for households on low incomes. In fact, the PRS has doubled in size over the last decade. Residents living in private rented accommodation are disproportionately young, with over half under the age of 34 and a further 35% aged 35 to 49. A third of PRS households in Lewisham are families with children.
- 2.8 Private rents in Lewisham are still below the inner London average but are rising faster than elsewhere in London. Median market rents increased by over 40% between 2011 and 2016. Many tenants pay more than half their income in rent. Even residents in receipt of housing benefit often struggle to cover rental costs, since Local Housing Allowance (LHA) rates have been frozen until 2020.
- 2.9 Affordability is not the only challenge for tenants in the private rented sector. Assured Shorthold Tenancies (ASTs) offer little security of tenure and fixed periods of as little of 6 months. Many Lewisham residents live in poor quality rental properties and may be reluctant to report problems for fear of revenge evictions.

Homelessness

- 2.10 The Council has a duty to provide temporary accommodation to families who have been made homeless. Evictions from private rented sector accommodation account for more than half of Lewisham's homelessness acceptances and the majority (57%) of households accepted as homeless are female single parents and their dependents.
- 2.11 There are currently over 1,800 Lewisham homeless households in temporary accommodation, a 96% increase since 2011. There has been a 44% reduction in available lets over the same period. Many families who are evicted from the PRS end up in so-called nightly paid temporary accommodation, which is often both unsuitable for families and costly for the Council. Of the 1,814 Lewisham households in temporary accommodation at the end of January 2017, 485 (27%) were in nightly paid accommodation. In 2015/16, nightly paid accommodation cost the council £3.9m.
- 2.12 The 2016 Homelessness Reduction Bill places new duties on local authorities to prevent homelessness, but offers no new financial support for councils and does nothing to increase the number of available properties. The Council already struggles to source a sufficient supply of accommodation for those in priority need and is often forced to place people outside the borough.

3. Lewisham Council's housing strategy

- 3.1 Lewisham's housing strategy, *Homes for Lewisham*⁴, is driven by four key objectives:
1. Helping residents at times of severe housing need
 2. Building the homes our residents need
 3. Greater Security and quality for private renters

⁴<https://www.lewisham.gov.uk/mayorandcouncil/aboutthecouncil/strategies/Documents/HousingStrategy2015.pdf>.

4. Promoting health and wellbeing by improving our residents' homes

Building new homes

- 3.2 The Council has a commitment to securing 2,000 new affordable homes in the borough by 2018, of which at least 500 will be new Council homes. The Council is exploring a wide range of approaches to bring forward new homes, including use of estate regeneration, land sales, community land trust, joint ventures and close working relationships with the borough's housing associations.
- 3.3 Plans for a community land trust at Brasted Close in the south of the borough have recently been approved by Lewisham Mayor and Cabinet.⁵ The plans have been developed with London Community Land Trust (CLT) and Lewisham Citizens. The CLT homes will be for sale and will be priced according to local earnings to ensure that local people are able to live in the local area.⁶ The contract signed by new residents stipulates that future sales are also linked to local earnings, ensuring that prices remain affordable.
- 3.4 Lewisham is also committed to supporting the development of new models of private renting. A key aim is to support the development of a more stable, higher quality PRS offer by professional landlords. This supports households who do not qualify for social housing but cannot access home ownership.
- 3.5 The Council is also beginning to investigate building homes for a 'Living Rent' (a measure of affordable rent based on local income and housing costs) with longer-term tenancies. The Besson Street Scheme in New Cross, for example, aims to build high quality, secure PRS homes let at a range of rents. The plans are for the Council to participate in a Joint Venture vehicle, which will allow it to invest public land in a new way. The scheme is designed to create 250 new homes, 65% of which would be let at market rent (with rent increases capped in line with inflation) and 35% at Living Rent. These homes will provide more certainty for renters, with the removal of lettings fees and clarity about future rent increases. Income generated through these schemes will be re-invested in social and affordable housing.

Interaction with the PRS

- 3.6 Local authorities' have a duty under the Housing Act 2004 to review housing conditions in their area and are responsible for enforcement of standards in the private rented sector. However, a report on standards in the private rented sector by the LGiU and the Electrical Safety Council, argues that council's resources to comprehensively enforce standards will always be limited.⁷ The best performing landlords are normally quickest to join voluntary accreditation and registration schemes, and professional landlord bodies. The challenge is that landlords who do not comply with legal standards are unlikely to engage voluntarily. As Councils lack the means to systematically identify private rented properties in their area, the report argues that their approach to enforcement is necessarily reactive in most cases. The majority of private rented units in Lewisham, as in London as a whole, are owned by landlords with only one or two properties in their portfolio, making it difficult to influence landlord behaviour.⁸
- 3.7 The Housing Act 2004 also allows local authorities to introduce selective licensing schemes for private landlords, intended to address poor standards and anti-social tenants.⁹ Such schemes have primarily been developed with the need to tackle problems in areas of low

⁵<http://councilmeetings.lewisham.gov.uk/documents/s48798/Brasted%20Close%20Housing%20Development.pdf>

⁶ The average of median incomes using data published by the Office or National Statistics in November each year.

⁷ <https://www.lgiu.org.uk/wp-content/uploads/2013/09/House-Proud-how-councils-can-raise-standards-in-the-private-rented-sector-.pdf>

⁸ [https://www.cml.org.uk/news/news-and-views/characteristics-of-london-landlords/.](https://www.cml.org.uk/news/news-and-views/characteristics-of-london-landlords/)

⁹ <http://researchbriefings.parliament.uk/ResearchBriefing/Summary/SN04634>

housing demand in mind, although the Act also allows for selective licensing in some other circumstances. Since 1 April 2015, local authorities have to seek confirmation from the Secretary of State for any selective licensing scheme that covers more than 20% of their geographical area or affects more than 20% of privately rented homes. This has made it more difficult to introduce new borough-wide licensing schemes.

- 3.8 The Council has recently introduced a targeted landlord licensing scheme to drive up quality in the private rented sector. Under the scheme, any private landlord operating a private rented flat in multiple occupation above commercial premises (e.g. flats above shops) will need to apply for a license. All income raised will be reinvested in the scheme to continue to improve standards in the private rented sector. Lewisham is currently offering a reduced rate to encourage private landlords to obtain a license quickly. Evidence shows that large houses in multiple occupation (HMOs), which are already subject to mandatory licensing, provide more satisfactory housing than small HMOs, suggesting that licensing does help to improve standards.

Homelessness prevention

- 3.9 Homelessness in Lewisham is largely driven by evictions from the private rented sector. Lewisham's housing team aims to move residents at risk of eviction from the PRS into alternative, more secure, private rental accommodation before tenancies are terminated. The team also uses Discretionary Housing Payments (DHP) to help those affected by the benefit cap and works closely with the Lewisham Credit Union to provide bridging loans to households to prevent homelessness.
- 3.10 In 2016, the Council secured £1m of 'Trailblazers' funding from the Department of Communities and Local Government for a pilot to develop a deeper understanding of the early signs of housing need and to embed homelessness prevention across council services and external partners. This project aims to increase the number of households accessing housing support before reaching crisis point.
- 3.11 The Council expects to work with 1,000 households at risk of homelessness as part of the project. It will build on existing data sharing projects across Council departments to identify households at risk of homelessness using key indicators such as financial hardship, housing instability and personal crisis. It will use one-to-one support to enable residents to access and maintain sustainable PRS accommodation. It will offer financial capability training, mediation services to support people to stay in current accommodation and targeted resources such as rent deposit schemes. This will complement existing support offered by the Council's Housing Options Team and by our housing association partners, especially Lewisham Homes and Phoenix.

New forms of temporary accommodation

- 3.12 In addition to its homelessness prevention work, the Council is working to improve the quality of temporary accommodation it offers and to relieve budgetary pressures by making less use of more expensive bed and breakfast and "nightly paid" accommodation. Some residents can be supported to find their own housing in the private rented sector. This will enable families to have greater choice and control over where they live. The Council has also recently adopted a policy that allows it to secure an offer of suitable accommodation in the private rented sector (PRS) to homeless households. The policy prioritises households with the highest needs for housing in the borough, by identifying the circumstances where the Council would not normally make a PRS offer.
- 3.13 The Council is also pioneering other new forms of temporary accommodation. In 2016, it completed a scheme for a pop-up village in Ladywell, known as PLACE/Ladywell. This development provides high quality temporary accommodation on vacant Council land, while plans for the land's longer-term regeneration are being developed. There are 24 temporary

homes for families registered as homeless with the ground-floor space for community and enterprise use. All units exceed the current space standard requirements by 10%.

- 3.14 The housing was almost entirely constructed in a factory using modular design, and then installed on site. This meant the build was completed in two thirds of the time of traditional construction with a 20% reduction in project costs, ensured waste was minimised and the impact on the local neighbourhood was significantly reduced. The intention is for the structure to remain on the Ladywell site for no more than four years, after which it will be deconstructed, moved and reconstructed elsewhere in the borough.
- 3.15 PLACE/Ladywell is the first building of its kind delivered by a local authority for temporary accommodation. The development has won multiple awards and has attracted praise from across housing organisations in London. The Council's Mayor and Cabinet have just approved a budget for a similar development for 35 homes for temporary accommodation on a site in Deptford.¹⁰

4. Examples of best practice and other suggestions

Building new homes

- 4.1 The Commission noted at its first meeting that it was unrealistic to expect the Council to build enough houses to solve the crisis in availability and prices of housing.
- 4.2 The number of homeless households in temporary accommodation in London increased from nearly 36,000 in 2011 to over 53,370 by the end of September 2016.¹¹ It is estimated that between 200,000 and 250,000 people are living in temporary accommodation. This raises questions of whether the necessary numbers of homes could be built in London alone or whether they may be scope to build new villages and cities instead.
- 4.3 The 2014 Wolfson Economics Prize, for instance, asked the question "How would you deliver a new Garden City which is visionary, economically viable, and popular?"¹² The winning submission argued for doubling the size of 40 existing towns by adding garden city extensions.¹³ Each extension would consist of green, walkable neighbourhoods with primary schools, business uses, and local shops with connections to city centres by tram links. One in five homes would be classed as affordable housing and some sites would be handed over to self-builders. These plans are based on existing models in Scandinavia, the Netherlands and Germany.
- 4.4 Shelter's short-listed submission to the Wolfson Economics Prize 2014 developed an 'equity partnership' approach.¹⁴ This model would see landowners put their land into a business partnership as equity over the long term, benefitting from rising values year after year – rather than taking a one-off windfall payment.

Developments in the Private Rented Sector

- 4.5 There are calls nationally for greater regulation of the private rented sector, most notably in the form of rent control. However, this can take many different forms, each with different

¹⁰<http://councilmeetings.lewisham.gov.uk/documents/s49626/New%20Homes%20Programme%20Update.pdf>

¹¹ Mayor of London, Housing in London 2017 report

¹² The Wolfson Economics Prize is the second largest economics prize in the world after Nobel, awarding £250,000. The Prizes are funded by the Charles Wolfson Charitable Trust, which has appointed Policy Exchange to run a competition to award them. <https://policyexchange.org.uk/the-wolfson-economics-prize-2017/>

¹³ <https://www.theguardian.com/society/2014/sep/03/wolfson-winner-green-belt-development>

¹⁴https://england.shelter.org.uk/professional_resources/policy_and_research/policy_library/policy_library_folder/report_wolfson_economics_prize_2014

advantages and drawbacks.¹⁵ The University of Cambridge compared international rental markets along the following lines in their 2012 report, with three different levels for the strength of regulation for each:¹⁶

- Initial rent setting
- Rent increases during a tenancy
- Length of a lease
- Capacity to get a property back during lease
- Capacity to sell/transfer to other tenure
- Enforcement or eviction if contract broken

- 4.6 Generation Rent¹⁷ for instance argues for a form of rent control where a monthly maximum rent is calculated. This would be set at half of the annual council tax band for a house and landlords could charge more but everything over the maximum would be subject to 50% surcharge. The surcharge would go into a ring-fenced fund for social house building. Local authorities would set the maximum rent based on understood property values.
- 4.7 There are concerns that the introduction of rent controls would negatively impact the private rented sector. The London Fairness Commission suggested that the introduction of rent caps may discourage investment in the building of homes for rent.¹⁸ Another concern is that regulation of rent levels without proper enforcement of quality standards could lead landlords to stop investing to maintain their properties.
- 4.8 Other developments in the private rented sector include the introduction of homes let at a 'living rent'. The Mayor of London introduced funding for homes to be let out at London Living Rent (LLR) levels in his Homes for Londoners Affordable Homes Programme 2016-2021 Funding Guidance.¹⁹ The GLA's funding is expected to support starts for at least 90,000 new affordable homes in London through to 2021, and at least 58,500 of these will be a combination of LLR and shared ownership. For the purposes of this funding, LLR is an intermediate affordable housing product with locally specified rents. It is a Rent to Buy product with sub-market rents on time-limited tenancies. This model should help households on average income levels to save for a deposit to buy their own home. Eligibility for LLR is restricted to existing private and social renters with a maximum household income of £60,000, without sufficient current savings to purchase a home in the local area.

Homelessness prevention

- 4.9 The successful prevention of homelessness relies as much on identifying people at risk of homelessness well enough in advance as offering them effective support once they have been identified.
- 4.10 Some Councils are using insights from behavioural sciences to improve their interactions with residents. Wealden District Council changed the letters it sends to residents with rent arrears to encourage early contact with its housing officers.²⁰ As a result, the average contact time between the first letter and contact had been reduced from 46 days to 21 days. This has reduced the number of tenants in arrears, increased income for Wealden Council with reduced enforcement and compliance costs.

¹⁵ <http://blog.shelter.org.uk/2015/01/should-i-support-rent-control-the-devil-is-in-the-detail/>

¹⁶ <http://www.lse.ac.uk/geographyAndEnvironment/research/london/pdf/The-Private-Rented-Sector-WEB%5b1%5d.pdf>

¹⁷ <http://www.generationrent.org/rentcontrol>

¹⁸ <http://londonfairnesscommission.co.uk/>

¹⁹ <https://www.london.gov.uk/sites/default/files/homesforlondoners-affordablehomesprogrammefundingguidance.pdf>

²⁰ <http://www.local.gov.uk/our-support/efficiency-and-income-generation/demand-management/case-studies-category/council-tax-2>


- 4.11 Ealing Council used behavioural insights for a pilot scheme to help families at risk of homelessness to look for a new home for themselves, if they are able to.²¹ The intention is to show that it is *normal* for people to look for their own home – one that they can afford – and then to make doing so as *easy* as possible. Early indications are that fewer of the pilot group went on to become customers of the Housing team.
- 4.12 Croydon Council changed its support for families with financial difficulties, including those at risk of homelessness, after it started implementing the benefit cap and changes to council tax credit.²² Data analysis was used to identify customers by their cost and debt to the council. Many customers were known to multiple council services, so the journeys of 30 of them through council services linked to temporary accommodation were examined in detail. This highlighted opportunities to bring together existing support arrangements to promote household independence through an aligned financial, training/work and housing support offer, and to build a new coordinated way of working. Critically, the support provided by Croydon required the customer to take ownership of the process and to take positive steps to improve their position.
- 4.13 Croydon's Gateway programme was implemented in 2015 and by February 2016, the Gateway and Welfare division had helped over 1,100 of the most severely affected families to avoid homelessness, 5,400 people to become more financially independent and 587 residents to find employment. The programme won a prize at the 2016 London Homelessness Awards as well as being shortlisted for a 2017 LGC award for innovation.

5. Conclusion and further questions

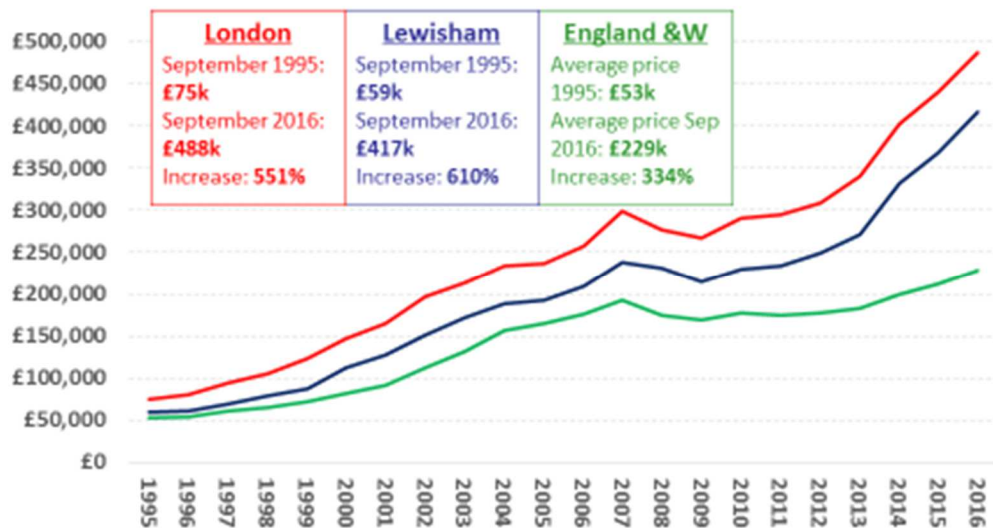
- 5.1 The above offers a snapshot of the complexities of London's housing market and outlines some of the limits to what local authorities can do to tackle the main problems. Lewisham is already doing some innovative work with its house building programme and temporary accommodation offer. Meanwhile, other local authorities are piloting a range of approaches to identify and support residents at risk of homelessness, which could be considered in Lewisham. Furthermore, there are also calls for broader changes to national policy that the Commission could focus on.
- 5.2 Given this picture, the Commission could consider the following questions:
- *Are there regional or national solutions that the Commission think are worthwhile exploring? Should changes to the regulation of the private rented sector be investigated further? Should ideas for new cities or towns be explored alongside plans for housing developments in London?*
 - *Should the Council explore development models to build for rent? What forms of development could be explored: living rent, models of land sharing, joint venture models with private developers?*
 - *What can be done to support residents at risk of homelessness? Is it worth examining in detail how other Councils identify families at risk of homelessness? Can insights from behavioural sciences be used to improve the impact of the support on offer? Could the Council improve its work with partners such as housing association and organisations in the voluntary sector in this area?*

²¹ <http://www.local.gov.uk/ealing-helping-residents-self-serve>

²² <https://secure.croydon.gov.uk/akscroydon/users/public/admin/kabatt.pl?cmte=CAB&meet=45&href=/akscroydon/images/att6785.pdf>



Housing Costs



House Price Increase over past 21 years has been more pronounced in Lewisham than London as a whole. The average house price in London is now more than 10 times average income. The average house price in Lewisham is more than 11 times the average income.

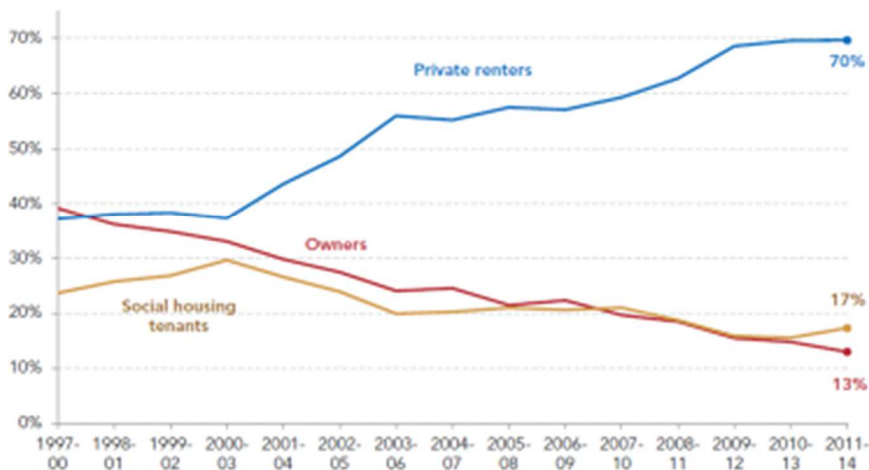
Source: Land Registry

Average House Price



Figure 26: Change in tenure among low to middle income households aged under-35: London 1997-2000 - 2011-14

Three-year averages



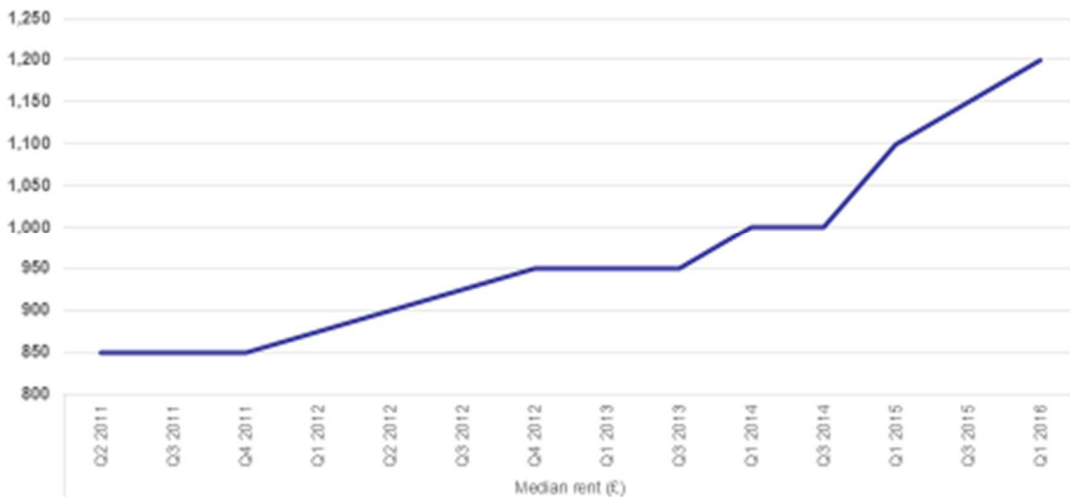
Over the same period there has been a rapid expansion in the number of Households renting in the private sector, especially among younger people

Source: The Resolution Foundation

Changing Tenure across London



Median monthly rent Q2 2011 – Q1 2016

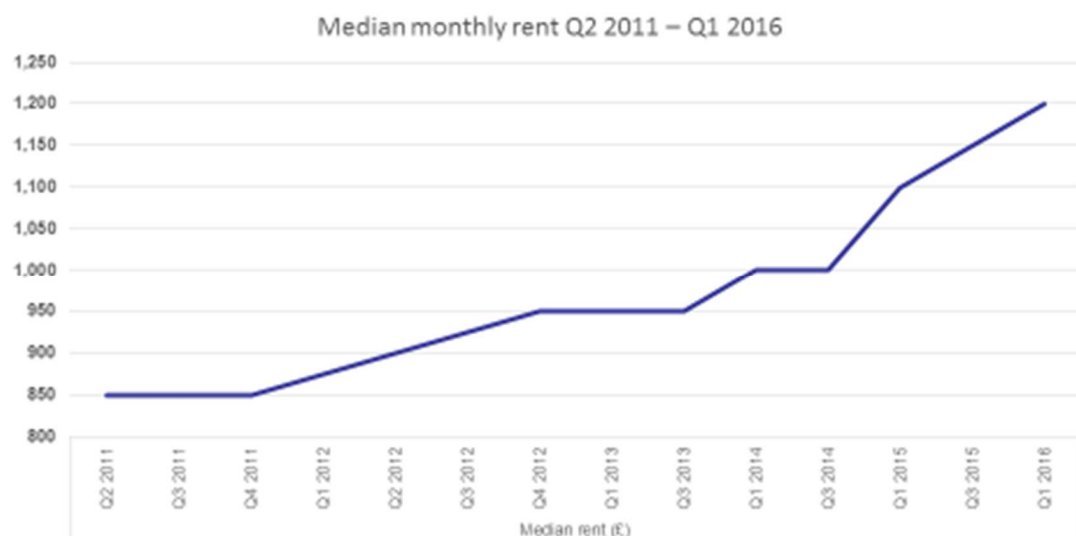


The Median Market Rent in Lewisham increased by over 40% between 2011 and 2016.

Source: Valuation Office Agency

Monthly Rent - Lewisham





The Median Market Rent in Lewisham increased by over 40% between 2011 and 2016.

Source: Valuation Office Agency

Monthly Rent - Lewisham



Between 2005 and 2011 rent prices and weekly earnings followed a broadly similar trend. Since 2011 rent prices have surged ahead of earnings, and house prices have increased at an even faster rate.

Source: Resolution Foundation

The Cost of Housing





The Median Market Rent in the borough significantly exceeds the maximum Housing Benefit that can be claimed.

Source: Valuation Office Agency, Inner London Housing allowance

The Cost of Housing - Lewisham



Tenure	Monthly cost	Estimated Gross Income Required
Social Rent	£373	£15,077
Living Rent	£969	£34,000
Median Household Income in Lewisham		£35,900
Shared Ownership (50%)	£1,296	£56,861
Median Market Rent	£1,348	£57,052
Outright Ownership (Resale)	£1,642	£73,765
Outright Ownership (New Build)	£1,894	£86,352

Only Social and Living Rent are under 35% of the net income of the median household income in Lewisham.

The Cost of Housing - Lewisham





UK households renting in the Private Sector are substantially more likely to be spending over a third of their net household income on housing.

Source: Joseph Rowntree Foundation

Affordability of Housing - UK

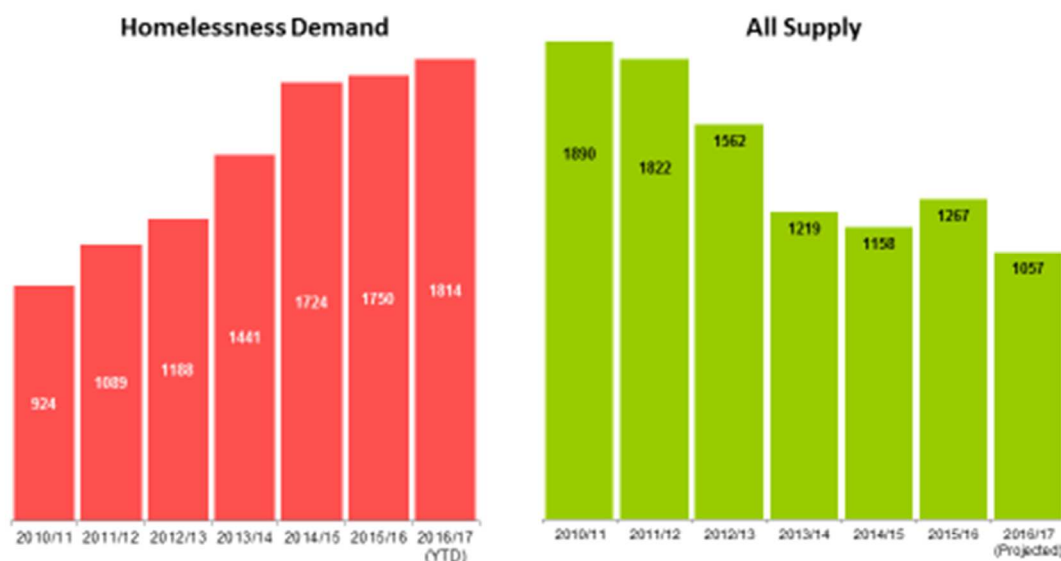


	2012/13	2013/14	2014/15	2015/16
Homeless due to assured shorthold tenancy termination/other	34%	41%	54%	55%
Exclusion by parents, friends or relatives	44%	36%	32%	30%
Harrassment, mortgage/rent arrears/leaving care	6%	9%	4%	5%
Violent breakdown of relationship	6%	4%	5%	4%
Other - emergency homeless /sleeping rough, etc.	10%	10%	5%	6%

As prices increase, the proportion of households accepted as homeless due to loss of a PRS property has also increased

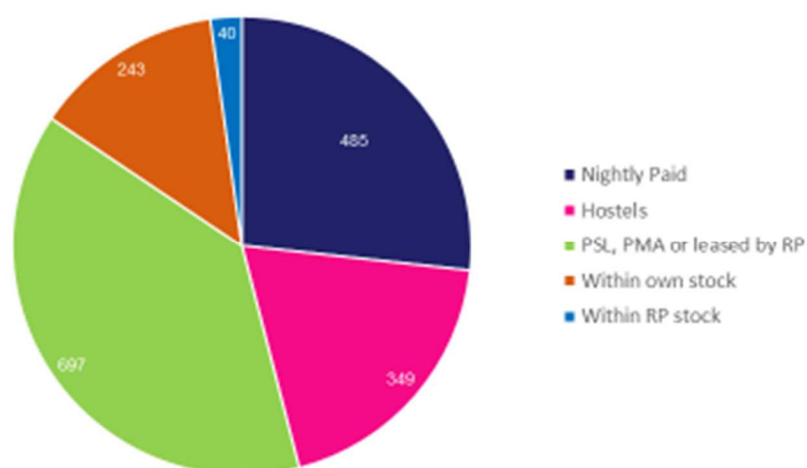
Increasing Homelessness - Lewisham





96% increase in numbers in Temporary Accommodation between 2011 and 2017, and a 44% reduction in available lets in the same period

Demand & Supply - Lewisham



1,814 households in Temporary Accommodation at the end of January 2017, of which 485 in Nightly Paid accommodation

Temporary Accommodation - Lewisham

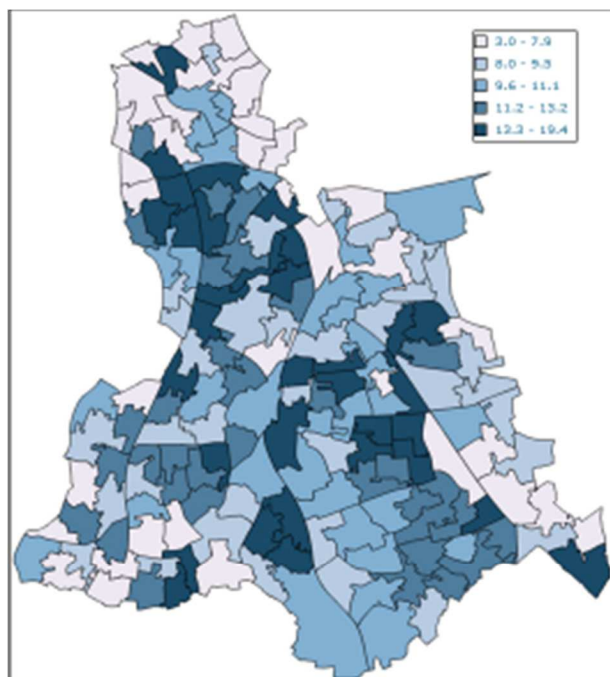


Unit Type	Households	Average of current rent debit	Eligible LHA	Shortfall	Potential Weekly Recharge
Shared	83	£305.39	£204.08	£101.31	£8,408.36
Self Contained - 1 Bedroom	138	£282.84	£211.34	£71.50	£9,866.42
Self Contained - 2 Bedroom	111	£358.42	£268.47	£89.95	£9,984.33
Self Contained - 3 Bedroom	110	£436.90	£310.00	£126.90	£13,959.20
Self Contained - 4 Bedroom	40	£502.05	£413.84	£88.21	£3,528.56
Self Contained - 5 Bedroom	3	£567.00	£517.69	£49.31	£147.93

	Net Cost of Nightly Paid Accommodation
2011/12	574,113
2012/13	622,638
2013/14	1,524,211
2014/15	3,498,444
2015/16	3,934,759

The cost of nightly paid accommodation has increased massively over the past 5 financial years.

Nightly Paid Accommodation Costs



England: 10.6%
London : 10.6 %
Lewisham: 10.5%

Factors that contribute to Fuel poverty include income and housing related factors such as accommodation type and tenure. The fuel poverty distribution shows a different pattern to income based measures due to the importance of the housing related factors.

2014 sub-regional fuel poverty data: low income high costs Indicator

Office for National Statistics, 2016

Fuel Poverty

