



Newham London

National Crisis, Local Action:
Making a real difference in housing

Making a real difference in housing

Decent housing is the bedrock of people's lives and neighbourhood stability. Yet housing is the most ineffective market in the UK. Every day we hear more about the cost of living crisis and nowhere is this more apparent than in housing. Families are living in unsuitable accommodation in the private rented sector – forced to pay higher rents or deal with the upheaval of moving every year. Working people can't afford to buy their own home and vulnerable households are left without stable accommodation.

These are problems nationwide, but they are intensified by Newham's circumstances. The private rented sector makes up 40 per cent of our housing stock and it has doubled in the past decade, almost entirely at the cost of owner occupation. High demand for accommodation has led to a race to the bottom. Fierce competition means landlords are able to maximise profits by converting family homes into houses of multiple occupation (HMOs). That leads to cramped and sub-standard living conditions and makes the shortage of family homes even worse. As one of the poorest places in the UK, rising prices place home ownership far beyond the reach of local people.

Like our residents, as a local authority we're under real financial pressure. But we're stepping in to support local people to make better lives, and to shape our community. In Newham we're doing this by building resilience: not simply managing poverty, but making changes so our residents can achieve their ambitions and thrive.

The failure of the market to deliver and the scale of the challenge we face means that Newham, and local authorities in a similar position, is justified in taking bold steps to intervene and reshape the market so that it works for local people. In the past local authorities have restricted themselves to work on social housing, but with fewer social homes available and problems that spread across sectors we know we must take a broader approach. We are working across

tenures to drive up the offer across the borough; from supporting people to find social housing, to helping people get that first foot on the ladder of home ownership. Our vision is for housing that supports people to achieve their aspirations and builds a stable community.

Newham has led the field in housing innovation. It was our borough that defended local authorities' right to prioritise time on the waiting list for social housing and won the Ahmad judgement in the House of Lords. That landmark case enabled us and other boroughs to develop an allocations scheme tailored to local need. We now prioritise those in work or contributing through care responsibilities or being in the armed forces.

We were the first place in the country to introduce mandatory borough-wide licensing for the private rented sector. And we were early to invest in alternatives to costly temporary accommodation through our Local Space scheme.

This paper accompanies the launch of the latest element in our strategy to create real housing options for local people. Through making the best use of our borrowing powers our cutting-edge new scheme will lead to the building of at least 3,000 new high quality homes in the private rented sector.

The paper also outlines how this innovation fits with our overall plans to change housing in Newham and offer everyone the chance of a decent home.

Ownership out of reach

- The average house price in Newham is now more than eight times the average household income.¹
- The average deposit paid by first time buyers in London is now a staggering £64,000.²

Rocketing rents

- The average London rent rose at 2.8 times the rate of the average salary in 2013; but in Newham rents rose 5.6 times as fast as salaries.³
- In Newham more than a third of people claiming housing benefit are in employment, and this increases to 43 per cent for people living in the private rented sector. Salaries are simply no longer covering housing costs.⁴

Shrinking supply for workers

- The way social housing has been traditionally allocated has put it at risk of becoming segregated as fewer and fewer people living in social homes are in work. Only 34 per cent of our housing waiting list said they were working more than 17 hours a week in 2011.⁵

Declining social housing stock

- The increased discounts for Right to Buy mean that hundreds of social homes will be lost every year in Newham. Because of Government discounts, properties are being sold for as little as £25,000 with barely any return to the Council in order for us to build replacement properties.
- Between 35 per cent and 45 per cent of properties sold under Right to Buy end up being rented privately, a third of which will rely on housing benefit. We estimate that former social properties being rented out privately add an additional £4.7m onto the housing benefit bill a year in Newham alone.

¹Average house price from April 2013 – June 2013: £228,216 (Land Registry, 2013) compared to average household income of £26,363 (CACI, 2013)

²Council of Mortgage Lenders figures, August 2013

³Average rents calculated by Valuation Office Agency, September 2013. Average salary calculated by CACI, July 2013.

Newham's Council Tax and Benefits data

⁵London Borough of Newham consultation on social housing allocations 2011

Making a real difference in housing

A new kind of private rented sector

Our ambition, agreed in February 2014, is to facilitate the building of at least 3,000 new properties to offer high quality, secure private rented accommodation to local people. Our innovative new model will drive up standards locally, but will also allow us to generate income to invest in housing and developing our local community.

The state currently spends more than £100m a year in the private rented sector in Newham through housing benefit. But those landlords have no incentive to increase supply or invest that money locally. Our model will harness that resource to build more homes.

Newham has established a local authority owned company that will, over the next 13 years, build at least 3,000 new homes for rent, and buy at least a further 500 existing properties – often from poor quality landlords who are selling because they can't meet our standards. We are ambitious to create even more new homes than that. The Council will invest so that the scheme provides good numbers of affordable properties. Our current modelling suggests almost one third will be affordable and this will include the majority of the three-bedroom properties.

This will be a new offer in the private rented sector – a stable, reliable and high quality home to rent in the borough. Residents will be able to rent a home from a good landlord they can trust, with longer-term security of tenure through five year leases and clarity over future rent rises. Our hope is that this encourages other landlords to follow suit and raise their own standards.

The scheme will provide rented homes to a wide range of people: from working families who are looking for a better deal in the private rented sector to homeless households we want to support to stay in the area. We will be seeking to

prioritise low income working households for the affordable properties. These are the households who will benefit most from the reduced rent. Subsidised rent at 80 per cent of market rates will save a family earning the average Newham salary with two children in a three bedroom property around £210 a month, compared to renting on the open market.

To finance the programme of development the Council will provide loans to the company. This is a commercial investment; we know that over time there is a profit to be made, even from a scheme that offers tenants a better deal. We'll use those profits to reinvest in new housing. This makes more sense than the current system of paying out millions in housing benefit but seeing nothing in return. Why should we accept the status quo when we can generate a surplus to reinvest? That new source of income will also support us as we deal with massive and ongoing cuts to our grant from Government, so that we can continue to protect public services for local people.

NewShare – a chance to own

Our NewShare scheme gives residents who are working hard and earning a wage, but are unable to save tens of thousands of pounds for a deposit or borrow enough to buy a property, the opportunity to own their home from day one. It's a shared equity arrangement with the Council. We provide an equity loan of up to half: buyers then get a mortgage and a 5 per cent deposit for the remaining value of the property. That deal offers a real chance for our lower income residents to own. We're working towards providing up to 1,200 properties.

We're targeting our support where it makes the most difference so priority is given to those who are already on our housing waiting list, are renting from a social housing provider, or who are

members of the armed forces. Alongside helping local people onto the housing ladder the scheme will free up houses in the social sector for other residents on the waiting list.

NewShare compares favourably to the Government's Help to Buy scheme. In fact, most Newham households would struggle to get a mortgage at all under the Government scheme. With monthly costs as low as £700, NewShare is a genuine option for many Newham families. It also offers more choice: buyers can choose new build, street properties or Council void properties offering a range of prices and sizes, including family homes.

As residents pay off the loan to the Council and the value of the house rises, we will have more funds to reinvest and help another family.

With NewShare and our investment in new private rented properties, we'll be significantly increasing the availability of affordable family homes at a time when government funding for new supply has plummeted. By building properties with this new model we'll protect that investment and prevent it being lost through the Right to Buy.

Case study

Patricia is a nurse and is married with two children. Her family weren't able to buy their own home on the open market but through our pilot NewShare scheme they were supported to move into a three bedroom property in July 2012. The family are now happily living in the new award-winning Sherwoods development. Because Patricia and her family had been living in a socially rented housing association property, that home was made available for another family on the housing waiting list. Patricia said:

“Buying with NewShare has made it possible for us to still live in London and in good quality housing that would have otherwise been out of our reach.”



Making a real difference in housing

Private rented sector licensing – standing up for tenants

The private rented sector in Newham now makes up 40 per cent of our housing stock and plays a vital role in providing homes for our residents. But the market is overheated, with intense competition for cheaper rents at the bottom. This means that Newham has some very bad private rented conditions. Two men sleeping in a walk-in freezer; whole families living in a single room; and people living in unheated sheds in back gardens. These kinds of cramped conditions inevitably lead to anti-social behaviour with tenants unable to look after properties or dispose of waste properly and causing disturbance to neighbours.

After years of attempting to use traditional enforcement methods we piloted a new approach and, following its success, in January 2013 we became the first local authority in the country to introduce a cross-borough licensing scheme for all private rented properties. For the first time all landlords must adhere to a basic set of standards. These are designed to maintain properties in good working order, ensure tenants are not involved in anti-social behaviour and to avoid overcrowded conditions. Licensing gives landlords and tenants alike clear rules on what they must do to maintain a legal tenancy.

This ground-breaking scheme gives us an unprecedented opportunity to turn around the housing offer for thousands of residents. We are tackling dodgy landlords on behalf of local people and letting residents know that the Council will support them and protect their rights. A more stable and high quality private rented sector will lead to better community relations and less of the anti-social behaviour that can blight our neighbourhoods.

We're creating a sea-change in the culture of renting in Newham. We have now licensed almost 80 per cent of all privately rented properties in

the borough – more than 30,000 homes – which means that all of those properties must now meet standards laid out in the terms of the licence. The sheer scale of the private rented sector means change will take time. But we've already made more than 2,000 enforcement visits and are in the process of prosecuting 150 landlords for housing-related offences. The licensing regime allows us to crack down on the worst landlords but have a light touch with those who are running a professional operation. The success of our scheme has led many other local authorities up and down the country to follow our lead. Given this success we are disappointed that the Government has recently raised the issue of 'tighter' geographic restrictions on local authorities' ability to introduce selective licensing.

The scheme has given us invaluable insight into the state of the private rented sector and has exposed a host of poor practice and illegal activity. The informal nature of the market suggests a significant number of landlords are not paying proper taxes. A licensing scheme that means local authorities understand the extent and workings of their private rented sector opens up a range of opportunities for more effective enforcement.

But we know that it's not only landlords who can run a sham business and exploit people in housing need. Our next step is tackling lettings agents in the borough who are increasingly ripping off our residents and failing to maintain the properties they manage. Our Fair Letting team has reviewed all lettings agents in the borough and found that 80 per cent are non-compliant with the law on their first visit. We are now exploring options for the local authority to take a more active role in the lettings market in order to increase the good quality provision available in the borough.

Case study

Our enforcement officers visited a house in East Ham which hadn't been licensed by the landlord. A mother was living there with her two children, one of whom was just a toddler. Officers found the property in a dangerous state of repair:

- There was no balustrade on the staircase posing the risk that one of the children could fall from the staircase.
- The kitchen sink was unstable and broken
- The toilet was not in working order
- There was no fire detection or fire doors to the appropriate rooms.

The managing agent had refused to fix the property so we served an Improvement Notice requiring the landlord and managing agent to tackle the problems in this house. When they refused, we carried out the improvements ourselves and charged them for the work. The landlord has now been put on a short one-year licence which means we will be checking the property more frequently.



Social Housing Allocations – rewarding contribution

Social housing is an important social resource that provides secure and affordable accommodation for thousands of families. But it is a scarce one which is dwindling as massive Right to Buy discounts mean properties are taken out of the social stock. As it has become scarcer the way it is allocated has become increasingly important. Unfortunately, in the past allocations have created a race to the bottom where people are encouraged to emphasise their vulnerability. Not only does this mean that growing numbers of people living in social housing are unemployed – risking the creation of a culture of worklessness in some areas – but it also creates tension with those in work on low incomes who feel excluded from the benefits it can bring.

Newham has been at the forefront of the campaign for change to make housing allocations

fairer. In 2009 the House of Lords upheld our decision to prioritise the time residents spend on the waiting list in the Ahmad ruling. In 2012 we became one of the first councils in the country to recognise employment and contribution to the community in our allocations scheme.

It's not right that social housing has become a tenure of last resort and that it is not being used more effectively to help and support residents across the community. Thanks to Newham's scheme, just under half of our choice based lettings are now to people in housing need who are also working on low incomes or contributing to their community in another way.

Our allocations scheme is rewarding residents working on low incomes, as well as creating mixed communities where work is the norm. These are still households with significant housing needs. But our system changes the culture of housing and public service in the borough.

Case study



Terry Crosby signed up for the Army in Newham, the place his family are from. After a distinguished career serving for almost 30 years he returned to life as a civilian. When Terry left the army he wanted to move back to where he grew up, but he struggled to find somewhere to live. He said: “I was always under the impression that the Government had a covenant to help the armed forces. Sadly the British Government don't. [...] Over 12 per cent of the homeless are actually ex-soldiers. A lot struggle because it's hard to re-integrate back into civilian life after being in the military.”

Terry was one of the first members of the military to benefit from Newham's new allocations scheme which recognises the contribution made by the armed forces. He said: “If it hadn't been for the change in Newham's housing policy I'd probably still be waiting for a home.”

Making a real difference in housing

Local Space – better options for people who are homeless

Cuts to housing benefit are making housing in Newham increasingly unaffordable, even for those in work. Since the Coalition Government reduced support for low income people to pay their rent local authorities across London have seen an increase in the number of people who approach us as homeless. In Newham we currently receive between 350 and 400 homeless applications each month.

Newham and other London boroughs have received a great deal of media criticism for making housing offers outside of the borough to homeless people. It is our duty to find accommodation for people who find themselves homeless that is secure and affordable. We always work to find somewhere local, and we understand the impact that moving to a new area has on a family. But the sad truth is there aren't enough affordable properties to offer everyone a home in Newham. Families who rely on housing benefit only have access to the bottom 30 per cent of the market and we find that even then many landlords are unwilling to accept benefit recipients.

In 2006, we introduced an innovative approach to reducing our use of expensive temporary accommodation. We established the Housing Association Local Space using a small number of council properties. Local Space then used this asset to fund the purchase of further properties; taking our resource of temporary accommodation to almost 1,500. Many of our homeless households can stay in this decent accommodation in Newham while we work together for a longer-term housing solution.

In the longer-term these properties will either generate a surplus which can be reinvested into supply or the properties will be turned into social housing resulting in a substantial benefits saving.

We do all we can to secure accommodation for our homeless residents locally, but where that is not possible because suitable long-term accommodation is not available, we are working to give residents more choice over their next options.

Our Vision for the Future

In Newham we have a strong vision for housing that helps build stable communities and enables residents to reach their aspirations. Through our innovative plans we're moving towards that vision.

In the future Newham will be a place where businesses want to invest and families want to put down roots. Neighbourhoods will be clean and well looked after as landlords, tenants and homeowners take pride in their area. The private rented sector will be professional, well-run, and fully licensed. Landlords and tenants will understand their rights and responsibilities, both will get a fair deal. Lettings agencies will also play by the rules and make the transactions between landlords and tenants easier and fairer. Private rented properties will be well-managed and pleasant places to live for all residents.

We'll be seeing a significant increase in the number of new properties available to rent and the private rented vehicle will offer the gold standard of private tenancies – high quality accommodation with a reliable landlord and excellent management.

At the same time, residents will have more choice with their housing options. Families will be helped to own their own home in a market which has, up until now, failed those without access to huge deposits, even when they can afford monthly mortgage repayments.

More tenants in our social housing will be in work – balancing communities and sending a clear message that Newham supports residents who are trying hard and contributing to their community and protects people in tough times.

www.newham.gov.uk