

Consultation on Intermediate Housing

August 2020

COPYRIGHT

**Greater London Authority
August 2020**

Published by
Greater London Authority
City Hall
The Queen's Walk
More London
London SE1 2AA

enquiries 020 7983 4000
minicom 020 7983 4458

Photographs ©

Copies of this report are available
from www.london.gov.uk

CONTENTS

1. Introduction	3
Purpose and structure of this consultation	4
2. Background and policy context	6
What is intermediate housing?	6
London’s intermediate housing requirements	8
Intermediate housing delivery in London	9
National policy on intermediate housing	9
Current Mayoral policy on intermediate housing	10
3. Affordability and delivery	12
Affordability of new shared ownership homes	12
Improving the ongoing affordability of shared ownership	13
The role of intermediate housing in supporting recovery from Covid-19	15
Increasing delivery of intermediate rent	15
Discounted market sale	16
Right to Shared Ownership	18
Other forms of affordable home ownership	19
4. Eligibility, prioritisation and allocation	20
Reviewing eligibility thresholds	20
Targeting shared ownership effectively	21
Prioritisation and allocation of intermediate housing	22
Moving between shared ownership homes	23
5. Supporting London’s key workers	25
Defining key workers	26
Prioritising key workers for intermediate homes	27
Protecting existing key worker homes in London	28
Developing new key worker homes in London	30
6. Improving data on intermediate housing	31
Data on who is accessing intermediate homes	31
Data on intermediate housing stock and staircasing	32
Data on equalities impacts of intermediate housing policies	33

7. Index of questions	34
Chapter 3: Affordability and delivery	34
Chapter 4: Eligibility, prioritisation and allocation	35
Chapter 5: Supporting London's key workers	35
Chapter 6: Improving data on intermediate housing	36
8. How to respond	38
9. Glossary	39
10. Other formats and languages	42

1. Introduction

London's way of life has changed significantly in the last few months. The Covid-19 pandemic has had, and will continue to have, wide-ranging impacts on public health, the economy and the way Londoners live and work. Both the measures to contain the virus, and the wider economic consequences of these, have underlined the urgency of ensuring that all Londoners can access a safe and secure home that they can afford.

In order to achieve this, many more genuinely affordable homes need to be built in the capital, in particular homes at social rent levels. On coming to office, the Mayor was clear that he would use his investment and planning powers to deliver homes that he considered to be genuinely affordable to Londoners. As part of this, he moved away from an approach which had seen rents for many new affordable homes for low income households set much higher than traditional social rents and instead focussed on delivering homes for these Londoners at social rent levels. Strong progress is being made in this area, with more homes at social rent levels started in 2019/20 than in any other year since housing was devolved to London. The current crisis means that there is an even more pressing need for these homes, and securing funding from the Government through the next Affordable Homes Programme to accelerate progress is a key priority for the Mayor.

However, while delivering homes at social rent levels remains at the heart of the Mayor's housing strategy and his priorities for housing market recovery in light of the likely economic impacts of Covid-19, there are also many Londoners who are unlikely to be able to access these homes and can afford rents above social rent levels, but who still struggle with housing costs. 'Intermediate housing' as it is often referred to plays a valuable role in supporting these Londoners.

Improving provision of intermediate housing is likely to support those Londoners who are looking to build a life and a career here and want to buy their own home, as well as young families looking for a stable home near to school and work. Many of these households include key workers who fulfil vital functions across the city.

The current context has brought into starker relief the role intermediate housing should play in London's future housing market as the city recovers from the impacts of Covid-19. This also includes looking again at how intermediate housing can support key workers to move to, and remain in, London, to support resilience against current and future crises.

However, while intermediate housing is likely to continue playing an important role in future affordable housing delivery in London – not least because of the Government's likely continued focus on affordable home ownership - there are challenges with this type of

housing. These challenges need to be addressed if intermediate housing is to effectively meet housing need and support housing market recovery.

First, rising house prices have been making it more difficult to build shared ownership homes that are affordable to many Londoners, particularly in the most expensive parts of the capital. A shortage of funding for affordable homes means delivering alternatives – such as intermediate rent – is challenging.

Second, some Londoners who live in shared ownership homes report dissatisfaction with rent levels and service charges and the costs of increasing their equity through increasing the share of their home (known as staircasing). The number of people staircasing to 100 per cent ownership appears to be reducing in London. This suggests growing affordability issues, threatening the role that shared ownership plays in generating income that housing associations can reinvest into new homes at social rent levels.

Third, while social housing is governed by a legal framework which determines allocation according to housing need, processes for allocating intermediate housing across London are varied. Some local authorities operate waiting lists and have detailed allocation policies, while others use a first-come, first-served approach. This can make it challenging for households to understand how to access these homes and risks those who would most benefit from these homes missing out.

Purpose and structure of this consultation

To ensure that intermediate housing is well-placed to support recovery from the impacts of Covid-19 and meet the housing needs of those Londoners who are unlikely to access homes at social rent levels, this consultation seeks views on some potential policy changes which could help to build on the current role of intermediate housing in London, while addressing the challenges outlined above. Subject to the outcome of the consultation, changes could be implemented through the Mayor's planning powers or the next Affordable Homes Programme.

Box 1: The Affordable Homes Programme

The Mayor's Affordable Homes Programme sets out the capital funding offered by the Greater London Authority (GLA) for the delivery of affordable homes in London. It describes the types of homes the Mayor funds, and the conditions which recipients of the funding must meet. The total amount of funding available and the number of homes which should be delivered through the Affordable Homes Programme is subject to a negotiation between the Mayor and the Government. The current programme runs from 2016 to 2023 and totals £4.8 billion.

Funding guidance for the current programme can be found here:

<https://www.london.gov.uk/what-we-do/housing-and-land/homes-londoners-affordable-homes-programme-2016-21>.

As London is reliant on the Government to fund affordable homes, London's housing policies need to respond effectively to national priorities, which are likely to continue to include a strong focus on affordable home ownership in the future. The GLA wants to use the evidence gathered through this consultation to ensure that intermediate housing is working as effectively as possible in London's unique context and housing market, as well as to further understand what the implications of the Covid-19 pandemic might be for intermediate housing.

Chapter 2 of this document provides further context on intermediate housing. Chapters 3 to 5 set out some of the challenges and potential reforms in more detail. Chapter 6 highlights gaps in data and chapter 8 explains how to respond to this consultation. A glossary of key terms is provided at the end of the document.

This consultation is accompanied by a Housing Research Note which sets out the evidence base on intermediate housing in London. All 'GLA analysis' referred to in this paper is outlined in the Housing Research Note.

2. Background and policy context

What is intermediate housing?

- 2.1 Intermediate housing is traditionally defined as affordable housing which is targeted at people who are unlikely to access homes at social rent levels, but who are not able to afford to buy or rent an adequate home on the open market. Intermediate housing is normally secured in perpetuity (i.e. it is always re-let or re-sold as affordable housing) or with a provision for any public funding to be reinvested in new affordable housing if homes are sold privately. Access to intermediate housing in London is limited to households who have earnings under certain income thresholds, and who meet other criteria set by the GLA. More detail on these thresholds and criteria can be found in chapter 4 of this consultation.
- 2.2 Intermediate housing differs from social housing as it is not governed by a legal framework which determines who it is allocated to and how rents are set¹. In addition, intermediate rented housing is usually rented on a fixed term tenancy (generally for around three years) whereas social housing is normally offered on a 'lifetime tenancy' basis.
- 2.3 Intermediate housing in London is delivered either with the support of funding through the Affordable Homes Programme, or as part of affordable housing requirements in planning applications. Those homes delivered with GLA funding must comply with all the requirements of the Affordable Homes Programme, as set out in the Affordable Housing Capital Funding Guide². Other intermediate homes are delivered through the planning system in line with the policies set out in the London Plan (Intend to Publish version) and in local borough plans.
- 2.4 There are many types of intermediate housing available in London. They fall into two broad categories:
- **affordable home ownership** to support households to purchase their own home, and
 - **intermediate rent** to support those who would struggle to afford private rents but could afford more than social rents.
- 2.5 The two types of intermediate homes preferred by the Mayor are London Shared Ownership (referred to throughout this consultation as 'shared ownership') and London Living Rent. These, along with other common types of intermediate housing, are summarised in Box 2.

¹ Social housing allocations are governed by Part 6 of the Housing Act 1996 (as amended). Further details can be found here: <https://commonslibrary.parliament.uk/research-briefings/sn06397/>

² Greater London Authority, Affordable Housing Capital Funding Guide, accessed Jul 2020:

<https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/affordable-housing-capital-funding-guide>

Box 2: Types of intermediate housing

The Mayor's preferred types of intermediate homes

London Shared Ownership: affordable home ownership homes where purchasers buy a proportion of the home (generally a minimum of 25 per cent) with a mortgage and deposit and pay rent on the rest. Regardless of the share purchased, the purchaser is liable for maintenance of the entire home. Purchasers also have the option to increase the amount they own (a process known as staircasing) and ultimately own the whole property. When an occupant increases their share of the property, a proportion of the public subsidy which has gone into it is returned to the GLA to support the delivery of affordable homes. In many cases, surplus made by the housing provider is reinvested in other affordable homes, including social housing.

London Shared Ownership differs from shared ownership in the rest of the country in that providers who receive GLA funding are expected to commit to the measures set out in the Mayor's Shared Ownership Service Charges Charter (see Chapter 3 for more details). The eligibility income threshold in London is also higher.

London Living Rent: intermediate rented homes for which rents are set at or below benchmarks published by the GLA, which are based on a third of local household incomes. Rents rise in line with inflation (CPI³) each year, and on re-let must be reset at no higher than the updated benchmarks. Tenants of London Living Rent homes are offered the opportunity to purchase the home on a shared ownership basis within 10 years.

Other types of intermediate homes

Discounted market rent: intermediate rented homes for which rents are usually based on a proportion of the market rent, e.g. 70 per cent of market rent. Rent increases can vary from scheme to scheme or location to location, and on re-let rents are normally reset at the same proportion of current market rents. In London, these homes are largely provided within Build to Rent developments.

Discounted market sale: affordable home ownership homes which purchasers buy at a discounted price. The discount can be based on incomes but is more often set in relation to market values, e.g. 80 per cent of market value. The purchaser owns the entire home, but the discount must be passed on to the next purchaser.

Shared equity: affordable home ownership homes which are usually offered in estate regeneration projects to support leaseholders to return to an estate. A loan is provided against the property, which must be repaid either within a fixed number of years or upon sale of the property.

³ The Consumer Price Index (CPI) is a measure of inflation based on the prices of consumer goods and services. More information on CPI and how it is calculated can be found here:

<https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/november2019>

London's intermediate housing requirements

- 2.6 The GLA's Strategic Housing Market Assessment (SHMA), published in 2017, sets out detailed estimates of London's housing requirements from 2016 to 2041⁴.
- 2.7 The SHMA estimates that between 2016 and 2041, 11,869 intermediate homes need to be delivered in London each year. While good progress is being made in delivering all types of affordable housing, many more affordable homes, including intermediate homes, need to be delivered to meet London's housing need in coming years⁵.
- 2.8 When assessing housing need, the SHMA states that households require intermediate housing if they can afford more than London Affordable Rent but cannot afford private rents. Such households are considered to be in 'intermediate housing need', in that their housing costs are likely to be unsustainable. These households may need to live in a certain borough or area of London (to be close to work or family for example) but may struggle to afford local rents. This is likely to be particularly acute in prime inner London boroughs where there are many employment opportunities but where rents and house prices are very high⁶.
- 2.9 The SHMA also identifies those who are not satisfied with their current home and expect to be able to buy their own home one day as requiring intermediate housing. Households in this category are likely to have higher incomes than those households described above and may be able to afford private rents but often lack the deposit required to get onto the housing ladder⁷. While the private rented sector may meet their needs currently, they may choose to leave London to pursue home ownership in future if they are unable to achieve this aim within the capital⁸.
- 2.10 The households identified in paragraphs 2.8 and 2.9 above encompass a broad range of incomes, generally between around £30,000 to £90,000⁹. The median household income of households purchasing shared ownership homes in 2017/18 was £47,000¹⁰. By comparison, the median working age income of households in London in that year was £45,000¹¹. More detail can be found in the Housing Research Note accompanying this consultation.

⁴ Greater London Authority, Strategic Housing Market Assessment, 2017

⁵ Greater London Authority, Affordable housing statistics, 2018/19

(<https://www.london.gov.uk/what-we-do/housing-and-land/increasing-housing-supply/affordable-housing-statistics>) accessed January 2020

⁶ Greater London Authority, Housing in London 2019, 2019 (Chart 3.1 and Chart 4.3)

⁷ Greater London Authority, Intermediate Housing: the evidence base, 2020

⁸ Resolution Foundation, London Stalling, 2018

⁹ Greater London Authority, Intermediate Housing: the evidence base, 2020

¹⁰ Ibid

¹¹ Ibid

- 2.11 It is important to note that there is likely to be some crossover between these two groups, with households who struggle to afford high rents still aspiring to buy their own home one day. GLA analysis suggests that just under half of those households purchasing a shared ownership home in 2017/18 could not afford private rent¹².

Intermediate housing delivery in London

- 2.12 The Housing Research Note which accompanies this consultation sets out in detail the delivery of intermediate housing in recent years. The data shows that the number of intermediate homes started in London has increased in recent years. This growth has largely been driven by shared ownership homes, reflecting both its popularity amongst Londoners as well as the national policy context which has tended to favour affordable home ownership over intermediate rent.
- 2.13 Shared ownership is also popular amongst housing providers as it requires less up-front public subsidy than other forms of intermediate housing and it can generate financial returns which can be reinvested into social housing. This has been increasingly important over the last decade as the funding from central Government for affordable housing has reduced¹³.
- 2.14 In June 2019, the Mayor published the 2022-2032 Affordable Housing Funding Requirement for London, a piece of research conducted jointly with the G15 and other senior representatives from the affordable housing sector¹⁴. The report assessed the amount of grant funding required to deliver 32,500 new affordable homes a year between 2022 and 2032. It found that £4.9 billion of grant funding was required per year to deliver these homes, with 70 per cent social rent homes, 20 per cent shared ownership homes and 10 per cent intermediate rent homes. This would represent a seven-fold increase on current funding levels.

National policy on intermediate housing

- 2.15 While the Mayor has responsibility for setting London's planning and investment policies on affordable housing, these have to be developed within the national policy and legislative context, which in recent years has tended to prioritise affordable home ownership.
- 2.16 The Government's National Planning Policy Framework (NPPF) published in 2018 includes a requirement for at least 10 per cent of affordable homes on each development to be made available as affordable home ownership¹⁵. More recently, the Government consulted on proposals for First Homes, a type of discounted market sale product which would be targeted at first time buyers. More detail can be found in Chapter 2.

¹² Greater London Authority, Intermediate Housing: the evidence base, 2020

¹³ House of Commons Library, Stimulating housing supply – Government initiatives (England), May 2019

¹⁴ GLA, [The 2022-2032 Affordable Housing Funding Requirement for London](#), May 2019 report

¹⁵ Ministry of Housing, Communities and Local Government, National Planning Policy Framework, February 2019. This requirement excludes Build to Rent, self-build and/or specialist and supported housing developments.

- 2.17 The Government has also used its investment powers to promote affordable home ownership, particularly shared ownership homes. The Government's current Affordable Homes Programme which began in 2016 was presented as 'a decisive shift towards support for home ownership', with an ambition for 88 per cent of homes to be delivered as shared ownership¹⁶. This position also informed the Government's approach to negotiations with the Mayor on London's affordable housing funding settlement for London in 2016.
- 2.18 More recently the Government has consulted on proposals to reform the shared ownership model, including allowing owners to staircase in smaller increments and making it easier for shared owners to sell their home¹⁷. The Mayor welcomed the Government's focus on improving the experience of shared owners but is keen to ensure that the changes do not lead to increased transactions costs for owners, and that changes to the resales process do not lead to more homes being sold on the open market (rather than re-sold again as shared ownership homes).
- 2.19 The Government has also outlined initial proposals for bringing forward a new Right to Shared Ownership for tenants of rented homes delivered through the next AHP, which would give these tenants the option to buy a share of their home (from a minimum of 10 per cent) and increase this in the future¹⁸. More detail on this is set out in Chapter 3.

Current Mayoral policy on intermediate housing

- 2.20 The Mayor's influence over intermediate housing policy in London is primarily via his planning and investment powers, however all policies have to operate within the national policy context described above. Given this, there are three main ways in which the Mayor can influence intermediate housing delivery in London:
- **London Housing Strategy:** the Mayor has a statutory requirement to publish a housing strategy for London, and this includes his aims and policy objectives on intermediate housing¹⁹;
 - **London Plan:** this sets the strategic planning framework for London and allows the Mayor to influence the level and type of intermediate housing delivered through the planning system²⁰; and
 - **Affordable Homes Programme:** this allows the Mayor some flexibility to use funding secured from the Government to support and increase delivery of his preferred types of intermediate housing in London²¹.

¹⁶ Ministry of Housing, Communities and Local Government, Shared Ownership and Affordable Homes Programme 2016 to 2021: guidance, September 2016

¹⁷ Ministry of Housing, Communities and Local Government, Making home ownership affordable: discussion paper, August 2019

¹⁸ Inside Housing, Government will introduce shared ownership Right to Buy scheme, 17 October 2019 (<https://www.insidehousing.co.uk/news/news/government-will-introduce-shared-ownership-right-to-buy-scheme--63719#:~:text=Government%20will%20introduce%20shared%20ownership%20Right%20to%20Buy%20scheme,-News17%2F10&text=Under%20the%20plans%2C%20housing%20association,share%20in%20increments%20over%20time.>)

¹⁹ Greater London Authority, London Housing Strategy, 2018

²⁰ Greater London Authority, London Plan (Intend to Publish), 2020

²¹ Greater London Authority, Affordable Homes Programme 2016-21 Funding Guidance, November 2016

2.21 The Mayor's current policy positions and initiatives in relation to intermediate housing are summarised below.

Box 3: The Mayor's current intermediate housing policies

Delivery of intermediate housing

As part of the funding conditions set out by the Government for the current Affordable Homes Programme, the GLA is monitored by the Government on the level of affordable housing delivered. As part of this, the GLA offers funding for the delivery of intermediate homes which meet the Mayor's criteria of being genuinely affordable (see below), with fixed funding rates for his preferred products.

In addition, the Mayor has introduced a new approach to securing planning permission (the Mayor's Fast Track Viability Route) which allows developers who deliver a minimum of 35 per cent affordable housing (or 50 per cent on public land) to be fast-tracked through the planning process. To be eligible for the fast track approach, the affordable housing provision must include a minimum of 30 per cent intermediate homes.

Preferred products and affordability criteria

The Mayor's two preferred types of intermediate housing are shared ownership and London Living Rent (as defined in Box 2). While he uses his planning and funding powers to support delivery of these two types of home, he also supports the delivery of other intermediate homes where they are genuinely affordable. To ensure that these homes are genuinely affordable, providers should make sure that monthly housing costs are less than 40 per cent of the applicant's net income (and that the applicants meet the Mayor's eligibility criteria).

Eligibility and prioritisation

The Mayor uses his planning and funding powers to set eligibility criteria for intermediate homes. This includes restricting access to affordable home ownership homes to households with an income of up to £90,000, and restricting access to intermediate rent homes to those earning up to £60,000. The Mayor also enables local authorities to set prioritisation criteria for the first three months of marketing of intermediate homes. More information on eligibility and prioritisation can be found in Chapter 4 of this consultation.

Build to Rent

The Mayor has also used his planning and funding powers to support the Build to Rent sector, which plays an increasingly important role in housing supply in London. In order to help secure planning permission via the Mayor's Fast Track Viability Route, Build to Rent providers can deliver discounted market rent as the main type of affordable housing, with a minimum of 30 per cent of these discounted market rent homes being let at London Living Rent levels.

3. Affordability and delivery

- 3.1 As outlined in the introduction, intermediate homes play an important role in helping those Londoners who are unlikely to be able to access homes at social rent levels but who still struggle with housing costs. For intermediate housing to fulfil this role effectively both now and in the future, it is important that it is genuinely affordable, and that homes can be delivered where they will most effectively meet need.
- 3.2 This chapter sets out proposals to ensure affordability of shared ownership homes, both at the point of sale and beyond. It also considers how to ensure that other products such as discounted market sale (which are delivered at a much smaller scale in London) remain affordable in perpetuity. It also seeks feedback on the role that intermediate rented products, in particular London Living Rent, could play in London's intermediate housing delivery in future.

Affordability of new shared ownership homes

- 3.3 Shared ownership remains a popular option for Londoners who wish to access home ownership. These homes enable those who would struggle to buy a home on the open market, to do so with a much smaller deposit than would otherwise be required. In addition, the rent paid on the unowned share of the property is lower than market rents, while the option to purchase only part of the property allows many households to secure a mortgage where they might otherwise not be able to on the full value of the property.
- 3.4 For instance, the average deposit for a shared ownership home in London in 2017/18 was £24,750, while the average deposit for a first-time buyer buying a market home during the same period was £144,000²². In addition, the average income of a first-time buyer in 2017/18 was £80,000 - significantly higher than the average household income of a shared ownership buyer at £46,820²³. This means that shared ownership often enables households who might otherwise choose to leave London to stay in their local area²⁴.
- 3.5 To ensure that these homes are affordable, they are subject to the affordability criteria set out in the London Plan (Intend to Publish version). This requires that monthly housing costs at the point of sale, including rent, service charge and mortgage, are less than 40 per cent of income after tax for households earning up to £90,000.
- 3.6 However, in recent years there have been increasing concerns about the affordability of these homes, particularly in more expensive boroughs which have

²² Greater London Authority, Intermediate Housing: the evidence base, 2020

²³ Ibid

²⁴ London First, 4 in 10 Londoners – almost 2.4m – have considered leaving the capital due to spiralling housing costs, warns London First, January 2019

very high house prices. While deposits for shared ownership homes remain well below those required for private market homes, the average deposit put down for a shared ownership home has risen by around 77 per cent over the last five years, from £14,000 in 2013/14. This suggests that it is becoming harder for Londoners to meet the affordability criteria set out in paragraph 3.5 if they do not have significant savings.

- 3.7 The Mayor wants to ensure that new shared ownership homes are delivered at prices which will ensure that they are affordable to Londoners who would most benefit. The Affordable Housing and Viability Supplementary Planning Guidance published in 2016 provides some guidance on values of shared ownership homes, stating that 'shared ownership is not appropriate where unrestricted market values of a home exceed £600,000'.
- 3.8 However, analysis shows that in some expensive areas of London, rising house prices mean that some shared ownership properties are exceeding this amount. In 2017/18, 18 per cent of new shared ownership homes had an open market value above £600,000²⁵.
- 3.9 One option to ensure affordability of shared ownership homes is to introduce a formal cap on the open market values of shared ownership homes. This could help to ensure that these homes are only developed where they are affordable to households at a range of income levels, not only those at the top of the eligibility bracket.

Q1. a) Should the GLA introduce a cap on the open market value of new shared ownership homes?

Q1. b) What, if any, impact would this have on housing market recovery post Covid-19?

Improving the ongoing affordability of shared ownership

- 3.10 While the Mayor's powers to improve affordability for existing shared owners is limited, he is keen to be a strong advocate for them and to use his influence with affordable housing providers, and where possible, his investment powers, to improve affordability and transparency around the ongoing costs of shared ownership homes.
- 3.11 One area that many shared owners report as a key challenge with ongoing affordability is service charges²⁶. The Mayor has already taken action in this area by working with housing associations and local authorities on a Charter to improve service charges. 27 major housing associations in London are signed up to the Mayor's Shared Ownership Charter for Service Charges which includes

²⁵ Greater London Authority analysis of 2017/18 CORE data, July 2020

²⁶ Inside Housing, Nine ways to improve shared ownership – my first-hand experience as a buyer, January 2019

commitments on transparency, affordability and intelligent design to ensure that homes are built in a way which minimises future service charges²⁷.

- 3.12 While the Charter is a positive first step, the GLA is keen to understand what more could be done to build on this. For instance, housing associations currently report on service charges at the point of sale through CORE data collection, however data about services charges beyond this is not captured centrally. Asking providers to report levels of service charges on an ongoing basis could enable the GLA to benchmark these charges and help owners to identify where costs are unreasonable.

Q2 a) Should the GLA require housing providers to report on service charge levels at regular intervals?

Q2 b) If so, should the GLA make this information available to the public?

- 3.13 In addition to service charges, some housing providers charge administrative fees for the costs associated with approving any improvements made by shared owners, and for services provided if the home is sold. Some shared owners report a lack of transparency around these fees, which can come as an unwelcome surprise, months or even years after they have moved in.
- 3.14 The GLA is aware that some housing providers publish a schedule of fees on their website which can help to improve transparency, however this is not consistent across the sector, and the information can be hard for prospective and current owners to find. One option to improve this would be to require all housing providers who are in receipt of GLA funding to clearly publish a schedule of additional fees related to shared ownership properties on their website, to ensure that there is transparency, and to enable prospective purchasers to compare the level of fees required from different providers to inform decisions about their purchase.

Q3. Should the GLA require affordable housing providers to publish a schedule of additional fees which may be charged to shared owners for specific services or transactions?

- 3.15 While the Mayor has no direct power to reform the shared ownership model, the GLA is keen to understand more about the experience of shared owners and what could be done to improve this, in order to inform discussions with the Government and the implementation of any reforms to shared ownership within London.

Q4. What more could be done to improve the experience of those living in shared ownership?

²⁷Greater London Authority, Shared Ownership Charter for Service Charges, accessed January 2020 (https://www.london.gov.uk/sites/default/files/so_charter_for_service_charges_-_final_.pdf)

The role of intermediate housing in supporting recovery from Covid-19

- 3.16 Covid-19 and its economic and social consequences will have a significant impact on London's housing sector in the coming years. The Housing Delivery Taskforce, convened by the Deputy Mayor for Housing and Residential Development at the GLA, has been clear that increasing affordable housing supply is central to recovery²⁸. This is not only to help meet housing need which is likely to increase in the wake of the pandemic, but also to reduce development risk and to help the construction industry retain its capacity if demand for market homes is subdued.
- 3.17 Intermediate housing is one of the main forms of affordable housing delivered in London, and so it is important to consider how this type of housing can contribute to recovery. The proposals included in the consultation have been developed in this context, however the GLA is keen to understand wider views across the sector about the role intermediate housing should play in the wake of Covid-19.

Q5. What role should intermediate housing play in meeting housing need and supporting the housing market as part of the recovery from the impacts of Covid19?

Increasing delivery of intermediate rent

- 3.18 Analysis in the Housing Research Note published alongside this consultation suggests that intermediate rented homes could play a greater role in meeting the needs of households who require intermediate housing but who do not have the savings required to put down a deposit on a shared ownership home.
- 3.19 However, while the proportion of intermediate rented homes has grown in the last year, it still only accounted for 18 per cent of intermediate homes started in London in 2018/19²⁹. The GLA wants to understand more about what could be done to expand delivery of intermediate rented products, particularly in those areas where shared ownership may be less affordable.
- 3.20 The Mayor's preferred type of intermediate rented home is London Living Rent. This is because the rent levels are based on what average Londoners can afford, rather than being linked to market rents. Due to Government funding conditions, London Living Rent homes funded by the GLA are offered on a rent to buy basis, with tenants offered the opportunity to purchase the home on a shared ownership basis within ten years. However, London Living Rent homes delivered without GLA funding can be offered as a rental product without the option to buy.
- 3.21 The Mayor's preference is for all new intermediate rented homes to be delivered as London Living Rent however this is made challenging by current funding constraints. In the Affordable Housing Funding Requirement report published in 2019, the GLA found that a much higher level of public subsidy would be required to

²⁸ Greater London Authority, London's Housing Delivery Recovery Plan: The final report of the Covid-19 Housing Delivery Taskforce, July 2020

²⁹ Greater London Authority, Intermediate Housing: the evidence base, 2020

significantly expand delivery of London Living Rent³⁰. These calculations will inform the Mayor's negotiations with the Government on the next Affordable Homes Programme.

- 3.22 The London Housing Strategy makes clear that while the Mayor's strong preference is for intermediate rented homes to be delivered as London Living Rent, he also supports other types of intermediate rent, including discounted market rent, where they are genuinely affordable. These types of homes are largely delivered as part of Build to Rent schemes, with providers encouraged to keep rents for these homes in line with London Living Rent (see Box 2).

Q6. a) What role should intermediate rented homes play in London's affordable housing mix, as part of the recovery from the impacts of Covid-19?

Q6 b) What more could the GLA do to support delivery of London Living Rent homes?

Discounted market sale

- 3.23 While shared ownership remains the most prominent type of affordable home ownership in London, there are also some developments which include discounted market sale (DMS) homes.
- 3.24 The majority of DMS homes are delivered through the planning system, and the London Housing Strategy makes clear that the Mayor only supports DMS homes where they are genuinely affordable³¹. To be considered genuinely affordable, DMS has to meet the affordability criteria set out in the London Plan which means that monthly housing costs should be no more than 40 per cent of net household income for households on a range of incomes up to £90,000.
- 3.25 These affordability criteria mean that DMS schemes in which the discount is linked to local incomes are likely to meet affordability criteria. There are examples of successful community-led housing schemes in London that use this model³². Funding for these types of discounted market sale homes is available from the Mayor's Community-Led Housing Fund³³.

³⁰ Greater London Authority, The 2022-2032 Affordable Housing Funding Requirement for London, June 2019

³¹ Greater London Authority, London Housing Strategy, 2018

³² The Community Land Trust homes developed at St Clements in Mile End use a discounted market sale model in which prices are linked to average incomes. More information on the scheme can be found on the London Community-Led Housing Hub here: <https://www.communityledhousing.london/project/st-clements-london-clt/>

³³ Greater London Authority, London Community Housing Fund Funding Prospectus, January 2019

3.26 However, GLA analysis shows that where discount market sale is set with reference to the market value of homes rather than local incomes, it is much less likely to meet the Mayor's affordability criteria³⁴. Because of this, the Mayor believes that these homes should only be delivered in specific circumstances where there is strong evidence that the homes will be genuinely affordable and meet a specific need.

a) First Homes

3.27 In February 2020, the Government published a consultation on its proposals for a new type of discounted market sale home called First Homes. It is proposed that First Homes will be sold at a minimum 30 per cent discount on their market value and that they will be prioritised for first-time buyers with the discount secured in perpetuity. The consultation also set out proposals to mandate the delivery of these homes via Section 106 planning requirements as a fixed proportion of either affordable housing requirements (either 40, 60 or 80 per cent) or as a fixed proportion of homes delivered on a site (again, either 40, 60 or 80 per cent).

3.28 The Mayor responded to the consultation and raised concerns about the implementation of these proposals in London³⁵. This is because even with a 30 per cent discount, analysis by the GLA suggests that these homes would only be affordable to two per cent of Londoners and would require a minimum annual household income of over £76,000. In addition, there is a high probability that the proposals will result in a loss of social rented and other genuinely affordable homes which are required to meet London's housing need. This is both through displacement of these homes which would otherwise be delivered through Section 106 agreements and the subsequent impact on cross subsidy as a result of reducing delivery of intermediate homes such as shared ownership (see Box 2).

3.29 In June 2020, the Government announced plans to introduce a pilot scheme to build 1,500 First Homes through the Affordable Homes Programme, however a formal response to the consultation has not yet been published and so the impact on London remains unclear.

3.30 In this context, the GLA is keen to hear views on the potential impact of the scheme in London, particularly in light of the impact that Covid-19 is likely to have on the wider housing market.

Q7 a). What impact might the implementation of the Government's First Homes policy have in London?

Q7 b) What steps could the GLA take to minimise risks to affordable housing delivery, in particular homes at social rent levels, arising from this policy?

³⁴ Greater London Authority, Intermediate Housing: the evidence base, 2020

³⁵ Greater London Authority, First Homes consultation response, 2020

(<https://www.london.gov.uk/what-we-do/response-gla-first-homes-consultation-0>)

b) Securing DMS homes in perpetuity

- 3.31 As outlined above, the Mayor supports DMS in specific circumstances where there is strong evidence that it is genuinely affordable and meets a specific need. While there are not a significant number of these homes being delivered in London, it is important to ensure that where they are delivered that the discount is passed on to the next buyer to ensure that they remain genuinely affordable in future.
- 3.32 To support local planning authorities in enforcing this, and to ensure that developers have clarity on expectations, the GLA could introduce guidance on how any DMS homes which are delivered in London should be secured in perpetuity. This would help to ensure that where these homes are delivered, they provide a lasting benefit for Londoners.
- 3.33 Guidance on how homes should be secured in perpetuity could include the following:
- A requirement to include a clause in the headlease of any DMS homes which restricts any subsequent sales to those within the income caps set out in the London Plan (Intend to Publish version);
 - Setting out a clear requirement in the Section 106 agreement that the discount offered on the home should remain in perpetuity, and expectations for how homes will be valued;
 - Setting out in the Section 106 agreement the level of subsidy to be repaid to the local authority if the home is eventually sold on the open market (this may be necessary if, for instance, increases in price render future sales of the home unaffordable to those within the Mayor's income caps).

Q8. Would the proposals set out above be effective in ensuring that DMS homes are secured in perpetuity?

Right to Shared Ownership

- 3.34 In 2019 the Government announced proposals to introduce a Right to Shared Ownership offer for social housing tenants. Further announcements on these proposals suggest that tenants of all rented homes delivered through the next AHP will be given an automatic right to buy a share of their home on a shared ownership basis³⁶. While the minimum share that can be purchased under the shared ownership model is currently 25 per cent of the home's value, tenants of these homes will be able to buy a 10 per cent share. Like other shared owners, they will have the option to increase this over time through staircasing.

³⁶ Inside Housing, Government will introduce shared ownership Right to Buy scheme, 17 October 2019 (

- 3.35 While the proposals suggest that the scheme will apply to new housing association rented homes, the Government also suggested that it wants to work with housing associations on a voluntary basis to determine whether the offer can be extended to tenants in existing housing association properties.
- 3.36 There is a risk that this approach could lead to a loss of valuable social rented housing stock, and some in the housing sector have reported that it could impact on the level of borrowing that housing associations can undertake given the differences in how social rented homes and shared ownership homes are valued³⁷. Given these potential impacts, and the changes in the housing market and wider economy due to Covid-19, the Mayor believes that it is vital that the Government sets out in more detail its proposals for this scheme, and consults on them prior to any implementation.

Q9. a) What impact might the implementation of the Government's proposed Right to Shared Ownership scheme in London have on the delivery of affordable homes in London, in particular homes at social rent levels?

Q9 b) What steps could the Mayor take to mitigate any negative impacts of this policy?

Q9 c) What mechanisms already exist to support social tenants who want to access shared ownership homes to do so, and how effective are they?

Other forms of affordable home ownership

- 3.37 The Mayor continues to support shared ownership as his preferred affordable home ownership product as GLA analysis shows that it is an affordable option for many households who want to own their own home but cannot afford to buy on the open market³⁸.
- 3.38 However, other forms of affordable home ownership, such as shared equity, are also being delivered in small numbers in London. The GLA is keen to understand more about alternative and innovative models of affordable home ownership, and where appropriate, how further delivery of these homes could be supported.

Q10. a) Are there other examples of innovative models of affordable home ownership in London?

Q10. b) What could the GLA do to support delivery of these homes?

³⁷ National Housing Federation, Our response to the Right to Shared Ownership announcement, accessed 11 June 2020 (<https://www.housing.org.uk/news-and-blogs/news/our-response-to-the-right-to-shared-ownership-announcement/>)

³⁸ Greater London Authority; Intermediate Housing: the evidence base, 2020

4. Eligibility, prioritisation and allocation

- 4.1 The Mayor's investment and planning powers enable him to set eligibility and prioritisation criteria, including income thresholds, for intermediate homes. This helps to ensure that these homes are accessible to households who need them most. In the past, income eligibility thresholds have risen as earnings, house prices and rents have increased.
- 4.2 While there is a clear legal framework for the allocation of social housing, the process for allocating intermediate housing is less defined. This creates a risk that intermediate housing is not always accessed by those who need it most.
- 4.3 In addition, while most local authorities will have experience of working with housing associations, the expansion of Build to Rent providers who provide discounted market rent homes means it is increasingly important that allocation of intermediate housing is transparent and consistent. The GLA wants to explore what more can be done to ensure that intermediate housing is allocated appropriately across London.

Reviewing eligibility thresholds

- 4.4 Access to intermediate housing is subject to eligibility criteria, which are set out in Box 4. The income eligibility thresholds are outlined in the London Plan (Intend to Publish version) and the London Housing Strategy³⁹. The other eligibility criteria reflect the national criteria and are conditions of receiving GLA funding⁴⁰.

Box 4: Eligibility criteria for intermediate housing

For affordable home ownership, households are eligible if they:

- have a household income of up to £90,000 per annum⁴¹;
- do not currently own their own home or have sold their home;
- are unable to find a property to suit their needs on the open market

For intermediate rented homes, households are eligible if they:

- have a household income of up to £60,000 per annum;

³⁹ Greater London Authority, London Plan (Intend to Publish), 2020; Greater London Authority, London Housing Strategy, 2018

⁴⁰ Greater London Authority, Affordable Housing Capital Funding Guide, accessed January 2020

⁴¹ The income thresholds for both affordable home ownership and intermediate rent represent gross income, rather than net income.

- 4.5 While households earning up to the income thresholds set out in Box 4 are eligible for intermediate housing, the thresholds levels are caps, and the London Plan (Intend to Publish version) makes clear that providers should be delivering, and boroughs should be planning for, intermediate housing that is affordable to households on a range of incomes below these caps⁴².
- 4.6 Income eligibility thresholds play an important role in ensuring that intermediate housing is targeted effectively. Under previous administrations, income caps were increased annually based on an assessment of earnings and wage growth⁴³. The current eligibility income cap was last increased in 2016 but has been frozen since then.
- 4.7 The Mayor is minded to continue to freeze the eligibility income caps at current levels. This is because the latest data in 2018 shows that house prices were over 12 times average earnings⁴⁴. In this context, freezing the eligibility income thresholds would enable intermediate homes to continue to be targeted effectively while remaining available to households on a broad range of incomes.

Q11. Should the income eligibility criteria for intermediate housing in London be frozen at current levels?

Targeting shared ownership effectively

- 4.8 Shared ownership homes are aimed at households who cannot meet their housing needs on the open market. The GLA occasionally receives reports suggesting that a small number of households who purchase shared ownership staircase to 100 per cent ownership of the property very shortly after purchase. While shared ownership is often used as a stepping-stone to buying a home on the open market, staircasing within a matter of months may suggest that households have access to levels of wealth which should preclude them from accessing subsidised affordable housing.
- 4.9 The GLA would like to understand more about this issue, its prevalence, and whether anything could and should be done to deter those with access to substantial wealth accessing shared ownership. This could, for instance, be through requiring affordable housing providers who utilise Mayoral funding to levy an early repayment fee if homes are sold within a year.

Q12 a) What evidence is there of households staircasing to a 100 per cent share of shared ownership homes within a year of purchase?

Q12 b) If so, what factors may be driving this?

Q12 c) Should this be disincentivised and, if so, what measures should the GLA take to achieve this?

⁴² Greater London Authority, London Plan (Intend to Publish), Paragraph 4.6.9, January 2020

⁴³ Greater London Authority, London Plan Annual Monitoring Report 11 2013-14, March 2015

⁴⁴ GLA, [Housing in London 2019](#), September 2019 (Table 3)

Prioritisation and allocation of intermediate housing

- 4.10 Given high rents and house prices in London, demand for affordable housing exceeds supply. While social housing is allocated due to a legal framework, this is not the case for intermediate housing.
- 4.11 Both the current and previous Mayors have not set any criteria on who should be prioritised for intermediate homes over and above the eligibility criteria described above. However, both the previous and the new London Plan (Intend to Publish version) enable local authorities to prioritise certain groups for the first three months of marketing intermediate homes. If no tenant or purchaser has been found at the end of three months, Mayoral policy requires that the home must be made available to all eligible households across London⁴⁵.
- 4.12 This system provides local authorities with significant freedom to determine who gets prioritised for homes built or re-sold/let in their local areas. Many local authorities use common criteria including households with a local connection (generally those living or working in the borough), and those working in certain occupations. More detail on the prioritisation of key workers for intermediate homes is set out in Chapter 5.
- 4.13 While this gives local authorities the flexibility to manage local demand for intermediate homes, it also means that there is considerable variation across London in who gets prioritised for new homes, and how homes are allocated. Some local authorities maintain and manage their own intermediate housing waiting lists, with households applying directly to the council for inclusion on this list. The local authority then passes details of eligible and prioritised households on to housing providers with available properties. In other areas, the opposite happens, with housing associations marketing the homes themselves (through the Mayor's Homes for Londoners property search tool for instance) and managing prioritisation in line with any criteria set by the borough.
- 4.14 In addition, the information available on local authority websites regarding prioritisation and the criteria used varies significantly, which could lead to prospective tenants and shared owners not understanding why they are having to wait or are missing out on properties.
- 4.15 To ensure that there is clarity and transparency around the prioritisation and allocation of intermediate homes, the GLA could require boroughs to establish clear allocation policies and waiting lists for intermediate housing if they want to take advantage of the three-month prioritisation period.

Q13. Should local authorities be required to implement an intermediate housing waiting list and/or publish an allocations policy as a condition of setting additional prioritisation criteria for the first three months of marketing new intermediate homes?

⁴⁵ Greater London Authority, London Plan (Intend to Publish), Paragraph 4.6.10, January 2020

- 4.16 To support local authorities, the GLA could provide best practice guidance on setting up and operating an intermediate housing waiting list. Drawing on examples of best practice across boroughs which have already implemented intermediate housing waiting lists, this could include guidance on:
- setting up and managing intermediate waiting lists including:
 - what information should be collected from applicants; and
 - how often the list should be updated;
 - the role of the Mayor's Homes for Londoners property search tool in marketing intermediate housing;
 - the expectations on local authorities and developers in allocating intermediate housing;
 - how allocations should be monitored and reported on;
 - what information should be made publicly available regarding prioritisation and allocation criteria; and
 - what resource is likely to be required to set up and maintain an intermediate waiting list.

Q14. a) Should the GLA publish best practice guidance on allocation of intermediate housing and intermediate waiting lists?

Q14. b) If yes, is there anything in addition to the list above which should be covered by the guidance?

Moving between shared ownership homes

- 4.17 While some shared ownership purchasers may choose to stay in their shared ownership home for a long time, others may need to move to a more appropriate home if their circumstances change. While many households may be able to purchase 100 per cent of their shared ownership home, and buy on the open market, many households may simply wish to move to another shared ownership property. However, there is anecdotal evidence that some shared ownership households find it difficult to do this.
- 4.18 This may be because of a lack of information about their options, for instance, a common misconception is that only first-time buyers can access shared ownership homes whereas in reality they are available to current shared owners provided that they are in the process of selling their current property. In other cases, it may be that households struggle to find an appropriate shared ownership property to meet their needs.

- 4.19 The GLA has provided funding for schemes such as Second Steps, which is run by Southern Homes, and allows shared owners to find a home on the open market and purchase it with the support of a housing association. However, the GLA is keen to understand more about the issues and whether more could be done to support shared owners who need to move home.

Q15a) What are the challenges facing shared owners who wish to move to a more appropriate home?

Q15 b) What more could be done to support shared owners who need to move to another shared ownership home?

5. Supporting London's key workers

- 5.1 The Covid-19 pandemic has served as a timely reminder of how reliant London is on the work of a wide variety of occupations to keep the city's essential functions running even during a time of crisis. However, it was clear even before the pandemic that there are a huge range of workers who play a vital role in ensuring that the capital functions effectively for the almost nine million Londoners who call it home.
- 5.2 The Mayor's housing policies aim to ensure that everyone, including all those who perform essential roles to keep London functioning, can access a safe and secure home that they can afford. However, it is clear that, in recent years certain sectors have experienced serious and growing challenges in recruiting and retaining staff which could mean that London is less well-equipped to deal with future crises.
- 5.3 For instance, the nursing vacancy rate in London is one of the highest in the country, and research commissioned by the Mayor in 2018 found that London has a higher rate of young teachers leaving the profession than the rest of the country⁴⁶. While these issues are likely to be related to a variety of factors – not least the fact that public sector pay was frozen for much of the last decade - there is some evidence to suggest that housing costs are a particular challenge.
- 5.4 A survey of London nurses by the Royal College of Nursing in February 2020 found that almost 60 per cent expected to leave the capital within five years due to the cost of housing, while a 2019 report by Pricewaterhouse Coopers (PwC) found that the affordability of renting in London had fallen for seven key worker professions over the last five years⁴⁷. In 2018-19 the average private rent in London was £341 per week, around twice the average rent outside London, suggesting that housing costs are likely to continue to be a key factor in the capital's recruitment and retention challenges⁴⁸.
- 5.5 As the Covid-19 pandemic has made clear, many of the occupations affected by high housing costs are likely to be essential to ensuring the resilience of the city; a report by the London Chamber of Commerce and Industry found that 54 per cent of London's 'blue light' emergency services frontline personnel now live outside London⁴⁹.

⁴⁶ National Foundation for Educational Research (NFER), Teacher Supply, Retention and Mobility in London, May 2018

⁴⁷ Price Waterhouse Coopers, UK Economic Outlook, July 2019. Key worker professions included in the analysis were police officers, secondary school teachers, social workers, fire service officers, primary and nursery teachers, nurses and midwives and prison service officers.

⁴⁸ Price Waterhouse Coopers, UK Economic Outlook, July 2019; Ministry of Housing, Communities and Local Government, English Housing Survey 2018-19: Headline report, January 2020

⁴⁹ London Chamber of Commerce and Industry, Brown for Blue: Land to house London's emergency workers, December 2017 (in the report blue light workers are defined as police constables, firefighters and ambulance paramedics in the report)

- 5.6 In this context, the Mayor wants to ensure that his intermediate housing policies are as effective as possible in helping to meet the housing needs of those who work in essential services. This chapter considers how key workers could be defined, how they could be prioritised for intermediate housing and how the Mayor could use his investment powers to protect existing key worker housing, along with using his planning powers to support the development of new key worker accommodation.

Box 5: Previous key worker schemes

Key worker housing was first introduced in the early 2000s through the then-Government's Key Worker Living scheme⁵⁰. This scheme aimed to help address 'recruitment and retention issues in key public services by providing housing solutions for those workers in areas of high cost housing'⁵¹. The scheme offered equity loans and restricted eligibility for new intermediate rent and shared ownership homes to key workers.

The definition of key workers was set by the former Homes and Communities Agency and was set out in the Affordable Homes Programme Capital Funding Guide⁵². By 2010, this included a wide range of professions including both 'frontline' staff (such as clinical staff working in the NHS, teachers, and police officers), but also many wider public sector roles such as careers advisers, town planners and environmental health officers.

While the scheme helped thousands of key workers, the definitions of key workers were often criticised for being too inflexible and difficult to monitor effectively⁵³. In 2006 the scheme was absorbed into the Government's Affordable Homes Programme, with key workers being prioritised for intermediate homes alongside other groups including social housing tenants and those on housing needs registers⁵⁴.

Defining key workers

- 5.7 A key challenge when considering key worker housing is how to decide which occupations should be included within a definition. Traditionally, key worker professions have been largely public sector roles with an emphasis on 'blue light' workers such as nurses, police and teachers.

⁵⁰ Shelter, Key Worker Living programme (closed), accessed January 2020 (https://england.shelter.org.uk/legal/home_ownership/sharedlow-cost_home_ownership/shared_and_low-cost_home_ownership_schemes/key_worker_living_programme)

⁵¹ Department of Communities and Local Government, *Evaluation of Key Worker Living – Final Report*, 2006

⁵² Housing Corporation, Capital Funding Guide (July 2006), accessed via The National Archives in January 2020 (<https://webarchive.nationalarchives.gov.uk/20090123225916/http://www.housingcorp.gov.uk/server/show/nav.461>)

⁵³ House of Commons Library, *Affordable housing in England*, 2006; IPPR,

What more can be done to build the homes we need?, May 2017; Shelter, *Policy Briefing: Home ownership*, April 2006.

⁵⁴ House of Commons Committee of Public Accounts, *A Foot on the Ladder: Low Cost Home Ownership Assistance*, March 2007

- 5.8 The Covid-19 pandemic has also exposed our reliance on a much wider range of occupations including supermarket workers, couriers and public transport staff. This highlights the fact that setting a definition for key workers could risk excluding a wide range of occupations who are necessary to London's effective functioning. As set out in Box 5, this was a limitation of previous key worker housing schemes.
- 5.9 However, while there are many occupations which are vital in keeping London functioning effectively, not all of them will require access to intermediate housing. Many of them (particularly those on the lowest incomes) are likely to be more suited to homes at social rent levels. In addition, some boroughs may face greater pressures in recruitment and retention of workers in some sectors than others.
- 5.10 To achieve a balance between a clear, consistent definition of key workers, and flexibility to adapt the definition where required, the GLA proposes that any definition of key workers for the purposes of prioritisation for, and allocation of, intermediate housing should have input both from City Hall and from local authorities.
- 5.11 One approach could be for the GLA to produce a list of key worker occupations that is adopted consistently across London. This could include occupations critical to the capital's resilience for which there is compelling evidence of recruitment and retention issues related to housing. Local authorities could then decide to add additional occupations to this list, where they have evidence that, within their borough, those occupations face a specific challenge relating to housing costs.

Q16. a) Should the GLA should define a 'core' list of key worker occupations for use in intermediate housing allocation policies, and should local authorities be able to identify additional key worker groups, where there is evidence of local need?

Q16 b) If yes, which occupations should be included in a 'core' list of key workers for use in intermediate housing allocation policies?

Q16 c) What evidence should be required to define an occupation as a key worker for the purpose of intermediate housing allocations?

Prioritising key workers for intermediate homes

- 5.12 The Mayor's current eligibility income thresholds for intermediate housing aim to ensure that a range of households, including those working in key worker professions, can access intermediate housing. While the range of key workers' household incomes depends on what definition is used, commonly cited occupations in this context, such as police officers, nurses and teachers typically earn between £25,000 and £35,000. A household of two key workers on these salaries would therefore have a household income of between £50,000 and £70,000 and so would be eligible for intermediate housing.

- 5.13 There is little evidence of how many people considered to be key workers are accessing intermediate housing. Anecdotal evidence suggests some local authorities continue to prioritise key workers for intermediate homes and that many housing associations still use key worker status as a way of prioritising between similar applicants. However, definitions and approaches are inconsistent, meaning that key workers may be unaware that they could be prioritised for intermediate housing.
- 5.14 The Mayor believes that more can be done to ensure that there is a more systematic offer across London for those occupations which are essential to the resilience of the city and most affected by high housing costs in the capital. He is minded to use his investment and planning powers to ensure that all local authorities include key workers in their prioritisation criteria if they utilise the three-month prioritisation period for new intermediate homes (see paragraph 4.11).
- 5.15 Through this approach, local authorities could be required to use the 'core' key worker definition set by City Hall if they are using the three-month prioritisation period, but would have the flexibility to add to the definition additional occupations for which there is evidence of specific recruitment and retention issues relating to housing costs in their borough.

Q17. a) If local authorities utilise the three-month prioritisation period for new intermediate homes, should they be required to include the 'core' list of key worker occupations in their prioritisation criteria, or should this be optional?

Q17. b) Are there any other measures which the GLA should consider to ensure key workers can access intermediate homes?

Protecting existing key worker homes in London

- 5.16 As a result of previous intermediate housing schemes being built for key workers, and prior and existing prioritisation policies, there are many existing key worker homes across London. There are a range of different models for what could be termed key worker housing. These can broadly be categorised into three distinct forms, outlined in Box 6.

Box 6: Categories of key worker housing

Staff accommodation: some public sector organisations such as the NHS own accommodation which is rented out to staff on short tenancies (usually around six to twelve months). The accommodation is usually shared and is generally only available to staff who work for that particular organisation. Rents are inclusive of bills and are generally much lower than market rents.

Key worker homes: this accommodation is similar to staff accommodation but is generally owned and managed by a housing association. Another key difference is that this accommodation is not restricted to one employer or profession but can be allocated to a range of professions, provided that they meet the housing association and/or borough's definition of key workers. It is either self-contained or shared.

Intermediate homes restricted to key workers: this accommodation comprises intermediate housing such as shared ownership or discounted market rent, but eligibility and/or prioritisation criteria mean that the homes are generally only available to key workers.

- 5.17 Given the context outlined at the beginning of this chapter, and the shortage of housing supply in London, the Mayor believes that it is important to ensure that existing key worker homes in London are protected. Policy H8 in the London Plan states that 'demolition of affordable housing [...] should not be permitted unless it is replaced by an equivalent amount of affordable housing floor space'. This includes staff accommodation, which in the case of demolition, should be 'satisfactorily re-provided to an equivalent or better standard'.⁵⁵ In line with these policies, the Mayor will generally seek to resist the loss of key worker housing in London.
- 5.18 However, while it is important to protect existing key worker homes, the GLA has heard anecdotal evidence that the quality of some of this accommodation, particularly shared and non-self-contained provision, is poor. While shared accommodation can support recruitment efforts by providing a temporary home for new staff who have recently moved to London, there are reports that demand for these homes is sometimes low.

Q18. What evidence is available on:

a) the scale and quality of existing shared key worker accommodation in London; and

b) the extent to which this accommodation meets housing need for key workers?

⁵⁵ Greater London Authority, London Plan (Intend to Publish), 2020

- 5.19 If there is evidence that some existing shared and non-self-contained key worker accommodation is of low quality and does not meet the needs of key workers, then one option could be to convert this accommodation into intermediate homes which meet the Mayor's quality, space and affordability standards. To support modernisation and remodelling of these homes, the GLA could explore allocating funding to support housing providers to undertake this work.

Q19. Should the GLA explore options to support housing providers to convert shared key worker accommodation into self-contained intermediate homes, where there is demand for this?

Developing new key worker homes in London

- 5.20 As well as protecting existing key worker homes, and prioritising key workers for new intermediate homes, the Mayor wants to explore what more he could do to support public sector organisations that wish to provide new homes for staff and/or other key workers on their land.
- 5.21 The GLA is aware that many public sector organisations may not be familiar with the policy and regulation surrounding the delivery and management of affordable housing in London. In light of this, the GLA could look to support decision-makers in these organisations by developing best practice guidance on how the Mayor's investment and planning policies apply to schemes which provide housing for key workers. This guidance could bring together detail on the Mayor's preferred products and planning policy, including:
- how rent levels should be set and managed;
 - how eligibility and allocation criteria work;
 - space standards;
 - how the Mayor's Fast Track Viability Route would apply to key worker schemes; and
 - what, if any, level of financial support is available for these homes.

Q20. a) Should the Mayor publish guidance for public sector bodies on his affordable housing investment and planning policies?

Q20. b) If yes, is there anything in addition to the list above which should be covered by the guidance?

6. Improving data on intermediate housing

- 6.1 The proposals set out in this consultation have been informed by the best available data. The consultation is also accompanied by a Housing Research Note setting out the evidence base for intermediate housing in London. However, while this evidence goes some way towards demonstrating how intermediate housing is performing, there are a number of gaps in the data that can make policy development challenging.
- 6.2 In particular, while there is some data available on the characteristics of those who are accessing intermediate housing, this not available for all characteristics defined in the Equality Act 2010 as ‘protected characteristics’ (such as sexual orientation and religion or belief). In addition, there is little data available on the profile of those who are not accessing intermediate housing but may benefit from it.⁵⁶ The GLA wants to explore what more could be done to increase and improve the data available on intermediate housing in London.

Data on who is accessing intermediate homes

- 6.3 Much of the data on the characteristics of households accessing intermediate housing is collected through the COntinuous REcording (CORE) dataset which is administered by the Ministry of Housing, Communities and Local Government. This provides detailed information on the incomes, ethnicity and household composition of those accessing shared ownership, as well as details of the properties themselves including values, rents and service charges.
- 6.4 However, this dataset has a number of limitations:
- the principal limitation is that it only contains data on shared ownership, not other products such as intermediate rent. Only limited data on discounted market sale is captured. This means that there is little information on who is accessing these properties;
 - It contains no information on the occupation of those purchasing shared ownership homes. This makes it difficult to understand the extent to which these homes are being accessed by those in what could be considered key worker occupations; and
 - as mentioned above, it contains no information on certain protected characteristics.

⁵⁶ The full list of protected characteristics under the Equality Act 2010 can be found here: <https://www.gov.uk/discrimination-your-rights>

- 6.5 The GLA is keen to understand more about the data gaps identified above, including whether some or all of this data is already routinely collected by housing providers and whether the GLA should ask MHCLG to expand CORE to include data covering all types of intermediate homes, as well as data on the occupations of those purchasing or renting these homes.

Q21. a) What data is currently captured outside CORE by housing providers on intermediate rent, and on the occupations of intermediate housing occupants?

Q21 b) Should CORE capture data on all types of intermediate homes, and on the occupations of those purchasing or renting these homes?

Q21 c) What data is currently captured outside of CORE on the protected characteristics of those to whom intermediate homes are sold or let? Should data on all protected characteristics be collected by CORE?

Q21 d) Is there any additional data not referenced above which should be captured by CORE?

Data on intermediate housing stock and staircasing

- 6.6 As well as understanding the characteristics of households accessing new intermediate housing, to consider how well these homes are meeting need it is also important to understand how many intermediate homes currently exist across London. Data on intermediate housing stock (collected through MHCLG's Statistical Data Return dataset) currently only includes information on intermediate housing owned by housing associations, not local authorities. This means that it can only provide an incomplete picture.
- 6.7 In addition, while data is collected on the number of shared owners who have staircased to 100 per cent (and therefore moved into private ownership) each year, there is no data on how many households have increased their equity but to less than 100 per cent. Neither does the data capture the year of purchase meaning that it is not possible to tell how long it takes households to staircase. There is also no data on where shared owners move to if they leave their property (for instance whether they tend to buy on the open market or move back to the private rented sector).
- 6.8 This data would be useful to understand how affordable shared ownership is in the long term, and whether households are using shared ownership as a long-term option or as a stepping stone to open market home ownership. It would help to support further evidence-based policy making.

Q22 a) Should data be collected on all intermediate housing stock across London, including that owned by local authorities?

Q22 b) What data is currently collected by housing providers on staircasing transactions?

Q22 c) How could this be captured more systematically?

Q22 d) Should more data be captured on the tenure that shared owners move into if they leave their shared ownership property?

Q22 e) Are there any barriers to collecting this data?

Data on equalities impacts of intermediate housing policies

- 6.9 The London Housing Strategy Impact Assessment sets out available data on the impacts of the Mayor's housing strategy on groups with protected characteristics. However, as outlined in paragraph 6.2, there are limitations to the data available on the characteristics of those accessing intermediate housing, and little data on those who are not accessing intermediate housing currently but may benefit from it. Some evidence on this is set out in the Housing Research Note published alongside this consultation, however the GLA are keen to understand what further data and evidence may be available to inform analysis of the impacts of the proposals set out in this consultation on groups with protected characteristics.

Q23 a) What data is available, in addition to that outlined in this consultation and accompanying Housing Research Note, that could inform the GLA's assessment of the equalities impacts of the proposals set out in this consultation?

Q23 b) Do you have any other comments or feedback on how the proposals set out in this consultation may impact on groups who share particular protected characteristics?

7. Index of questions

Chapter 3: Affordability and delivery

Q1. a) Should the GLA introduce a cap on the open market value of new shared ownership homes?

Q1. b) What, if any, impact would this have on housing market recovery post Covid-19?

Q2. a) Should the GLA require housing providers to report on service charge levels at regular intervals?

Q2. b) If so, should the GLA make this information available to the public?

Q3. Should the GLA require affordable housing providers to publish a schedule of additional fees which may be charged to shared owners for specific services or transactions?

Q4. What more could be done to improve the experience of those living in shared ownership?

Q5. What role should intermediate housing play in meeting housing need and supporting the housing market as part of the recovery from the impacts of Covid-19?

Q6. a) What role should intermediate rented homes play in London's affordable housing mix, as part of the recovery from the impacts of Covid-19?

Q6. b) What more could the Mayor do to support delivery of London Living Rent homes?

Q7. a) What impact might the implementation of the Government's First Homes policy have in London?

Q7. b) What steps could the GLA take to minimise risks to affordable housing delivery, in particular homes at social rent levels, arising from this policy?

Q8. Would the proposals set out above be effective in ensuring that DMS homes are secured in perpetuity?

Q9. a) What impact might the implementation of the Government's proposed Right to Shared Ownership scheme in London have on the delivery of affordable homes, in London, in particular homes at social rent levels?

Q9. b) What steps could the Mayor take to mitigate any negative impacts of this policy?

Q9. c) What mechanisms already exist to support social tenants who want to access shared ownership homes to do so, and how effective are they?

Q10. a) Are there other examples of innovative models of affordable home ownership in London?

Q10. b) What could the GLA do to support delivery of these homes?

Chapter 4: Eligibility, prioritisation and allocation

Q11. Should the income eligibility criteria for intermediate housing in London should be frozen at current levels?

Q12. a) What evidence is there of households staircasing to a 100 per cent share of shared ownership homes within a year of purchase?

Q12. b) If so, what factors may be driving this?

Q12. c) Should this be disincentivised and, if so, what measures should the GLA take to achieve this?

Q13. Should local authorities be required to implement an intermediate housing waiting list and/or allocations policy as a condition of setting additional prioritisation criteria for the first three months of marketing new intermediate homes?

Q14. a) Should the GLA publish best practice guidance on allocation of intermediate housing and intermediate waiting lists?

Q14. b) If yes, is there anything in addition to the list above which should be covered by the guidance?

Q15. a) What are the challenges facing shared owners who wish to move to a more appropriate home?

Q15. b) What more could be done to support shared owners who need to move to another shared ownership home?

Chapter 5: Supporting London's key workers

Q16. a) Should the GLA should define a 'core' list of key worker occupations for use in intermediate housing allocation policies, and should local authorities be able to identify additional key worker groups, where there is evidence of local need?

Q16. b) If yes, which occupations should be included in a 'core' list of key workers for use in intermediate housing allocation policies?

Q16. c) What evidence should be required to define an occupation as a key worker for the purpose of intermediate housing allocations?

Q17. a) If local authorities utilise the three-month prioritisation period for new intermediate homes, should they be required to include the 'core' list of key worker occupations in their prioritisation criteria, or should this be optional?

Q17. b) Are there any other measures which the GLA should consider to ensure key workers can access intermediate homes?

Q18. What evidence is available on:

a) the scale and quality of existing shared key worker accommodation in London; and

b) the extent to which this accommodation meets housing need for key workers?

Q19. Should the GLA explore options to support housing providers to convert shared key worker accommodation into self-contained intermediate homes, where there is demand for this?

Q20. a) Should the Mayor publish guidance for public sector bodies on his affordable housing investment and planning policies?

Q20. b) If yes, is there anything in addition to the list above which should be covered by the guidance?

Chapter 6: Improving data on intermediate housing

Q21. a) What data is currently captured outside CORE by housing providers on intermediate rent, and on the occupations of intermediate housing occupants?

Q21. b) Should CORE capture data on all types of intermediate homes, and on the occupations of those purchasing or renting these homes?

Q21. c) What data is currently captured outside of CORE on the protected characteristics of those to whom intermediate homes are sold or let? Should data on all protected characteristics be collected by CORE?

Q21. d) Is there any additional data not referenced above which should be captured by CORE?

Q22. a) Should data should be collected on all intermediate housing stock across London, including that owned by local authorities?

Q22. b) What data is currently collected by housing providers on staircasing transactions?

Q22. c) How could this be captured more systematically?

Q22. d) Should more data be captured on the tenure that shared owners move into if they leave their shared ownership property?

Q22. e) Are there any barriers to collecting this data?

Q23. a) What data is available, in addition to that outlined in this consultation and accompanying Housing Research Note, that could inform the GLA's assessment of the equalities impacts of the proposals set out in this consultation?

Q23. b) Do you have any other comments or feedback on how the proposals set out in this consultation may impact on groups with protected characteristics?

8. How to respond

8.1 This consultation closes at midnight on 11 October 2020. Replies should be sent to:

- By email: housingstrategy@london.gov.uk
- By post: Consultation on intermediate housing

Housing & Land Directorate
Greater London Authority
169 Union Street
London
SE1 0LL

8.2 Londoners can complete a survey on [Talk London](#), the Mayor's online community, to have their say on questions asked in the consultation. Responses on Talk London will be treated as a response to the consultation.

9. Glossary

Affordable home ownership

A category of intermediate housing aimed at helping those who would struggle to buy on the open market (predominantly would-be first-time buyers) to buy a home in full or in part. This is sometimes also referred to as 'intermediate home ownership'. This includes shared ownership, discounted market sale and shared equity.

Affordable homes/affordable housing

Homes for households whose needs are not met by the market. The definition used in this paper reflects the one set out in the 2018 London Housing Strategy.

Affordable Homes Programme

The funding programme which sets out the criteria housing providers must meet to access Mayoral funding for affordable housing.

Allocations

The process or processes by which affordable homes are allocated to specific households.

Build to Rent

Accommodation purpose-built for private renting.

Discounted market rent

A type of affordable home, often provided in Build to Rent schemes. Homes are rented at a discount of at least 20 per cent below market value. Eligibility in London is restricted to households with incomes below £60,000.

Discounted market sale

A type of affordable home. Homes sold at a discount of at least 20 per cent below market value. Eligibility in London is restricted to households with incomes below £90,000.

Eligibility criteria

Criteria set by the Mayor on who is eligible for intermediate housing (including income criteria).

Greater London Authority

The top-tier administrative body for Greater London, consisting of a directly elected executive Mayor of London, and the London Assembly, made up of 25 elected members with scrutiny powers.

Intermediate housing

Affordable housing which is targeted at people who have little chance of accessing homes at social rent levels, but who are not able to afford to buy or rent a home on the open market.

Intermediate rent

A type of intermediate home. These homes have rents set below 80 per cent of market rent. This includes discounted market rent and London Living Rent. Eligibility in London is restricted to households with incomes below £60,000.

Key worker

People who fulfil roles that are generally seen to be essential to the functioning of key services.

Local Plan

Spatial strategy produced by local authorities which sets out planning policies for their borough.

London Affordable Rent

A type of Affordable Rent home preferred by the Mayor. These homes are aimed at low-income households, with rents based on social rent levels that are allocated through local authority allocation policies. Maximum monthly rents (excluding service charges) are published by the GLA on the Homes for Londoners: Affordable Homes Programme 2016-21 webpage.

London Housing Strategy

A statutory document setting out the Mayor's housing policies. The current London Housing Strategy was published in 2018.

London Living Rent

A type of intermediate home preferred by the Mayor. Maximum monthly rents are set by the GLA at ward level, based on a third of average gross local incomes and adjusted to reflect house type. Residents have the opportunity to purchase the home through shared ownership within 10 years. Eligibility in London is restricted to households with incomes below £60,000.

London Plan

The Mayor's Spatial Development Strategy which includes his planning policies for affordable housing.

London Plan Annual Monitoring Report

Report produced by the GLA which assesses the effectiveness of the London Plan and its policies. There is a statutory requirement for the Mayor to publish an Annual Monitoring Report each year.

London Shared Ownership

A type of intermediate home preferred by the Mayor. Homes in which buyers can purchase a share (ranging from between 25 per cent and 75 per cent) and pay a regulated rent (up to a maximum of 2.75 per cent) on the remaining, unsold share. Buyers have the option to purchase additional shares, up to the full value of the home. Eligibility in London is restricted to households with incomes below £90,000.

Mayor's Fast Track Viability Route

A policy included in the London Plan which allows developers who deliver a minimum of 35 per cent affordable housing (or 50 per cent on public land) to be fast-tracked through the planning process. The route only applies to developments which are referred to the Mayor.

National Planning Policy Framework (NPPF)

A document setting out Government's planning policies for England and how these are expected to be applied.

Prioritisation criteria

Criteria that define which households are prioritised for intermediate homes.

Private rented sector

Where homes are owned by companies or individuals and rented out to tenants at market rents.

Service charge

A fee paid by a leaseholder or a tenant to their landlord to cover the cost of maintaining and servicing a building.

Shared equity

A type of intermediate homes whereby the equity is shared between the purchaser and another organisation, normally the Government, local authority or housing provider.

Shared ownership

See 'London Shared Ownership' above.

Social rent/social housing

A type of affordable home preferred by the Mayor. These homes are provided to households whose needs are not met by the market, typically by councils and housing associations, with rents set within guidelines issued by the Regulator of Social Housing and allocated via local authority allocation policies. References in this consultation to 'homes at social rent levels' include both these homes and London Affordable Rent homes.

Staircasing

The process by which a shared ownership occupant purchases an additional share of the property from their landlord. Shared ownership occupants have the right to purchase up to 100 per cent of the property (though Older Person's Shared Ownership is an exception to this).

Strategic Housing Market Assessment (SHMA)

An assessment of future housing requirements in an area, typically broken down by type of home, carried out to inform the development of housing policies in housing strategies and planning policies.

Tenancy

Possession of land or property as a tenant. The terms of possession are normally agreed with a landlord in a tenancy agreement.

10. Other formats and languages

For a large print, Braille, disc, sign language video or audio-tape version of this document, please contact us at the address below:

Greater London Authority
City Hall
The Queen's Walk
More London
London SE1 2AA

Telephone **020 7983 4000**
www.london.gov.uk

You will need to supply your name, your postal address and state the format and title of the publication you require.

If you would like a summary of this document in your language, please phone the number or contact us at the address above.
