



WRITTEN SUBMISSION BY UNISON OCTOBER 2020

MAYOR OF LONDON CONSULTATION ON INTERMEDIATE HOUSING

INTRODUCTION

UNISON welcomes the opportunity to respond to the consultation on Intermediate Housing, which seeks to find solutions on improving access to affordable housing for London's key workers.

UNISON is the UK's largest public service trade union with 1.3 million members. Our members who are public service key workers include frontline staff and managers working full or part-time in public services and for private contractors providing public services. They provide a range of essential public services to communities in local authorities, the NHS, colleges and schools, the police service, the utilities (electricity, gas and water industries), transport and the community and voluntary sector. They have worked hard to protect lives and keep the nation going during the COVID-19 pandemic.

Many of our members are on modest incomes. They include those who are in rental accommodation, including in the private rented sector. Many are in desperate housing need due to the lack of suitable, decent and affordable homes in the Capital. For a large number of our members, housing costs are a substantial proportion of income. With the pandemic having an impact on household incomes, and making it difficult for key workers to afford high rents and expensive mortgages, providing public services to communities will become increasingly difficult, if people on modest incomes can't afford to live and work in London or have to live further and further away from their places of work.

Given that the majority of key workers are priced out of the Capital's housing market and struggle to even access "affordable homeownership" or "intermediate housing", UNISON is calling on the Greater London Authority (GLA) and the Mayor of London to work with the Government to set aside significant funding to deliver new social rented homes and other low cost homes which are accessible to all key workers - across all roles - who are on low to middle incomes. UNISON's housing manifesto, [Safe, Decent Affordable Homes for All](#) outlines the union's view in greater detail.

BACKGROUND

UNISON's housing campaign focuses on calling for more social and genuinely affordable rented housing that is accessible to our members (and their families) who deliver essential public services. This is important, given that the severe shortage of social rented housing, particularly in London, has given rise to strict allocation policies, which make it difficult for our key workers on modest incomes - across all public services - to access social housing and other low cost rental homes. As a result, public service key workers are less likely to be

eligible for housing provided by councils and housing associations or have to wait longer for a housing offer. As Kate Davies, CEO of Notting Hill Genesis, has commented, many of her young housing officers live in worse conditions than some of those they are trying to help into improved accommodation.

To counter the issues of supply, availability, accessibility and affordability of social housing, UNISON continues to make the case for more investment in the social rented sector and for holistic housing policies to ensure that there is an adequate supply of homes that can be accessed by public service key workers across all roles.

Chapter 3: Affordability and delivery

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

UNISON believes that far from being affordable, most shared-ownership homes and other forms of intermediate housing for rent are expensive and beyond the reach of most Londoners including key workers on low to middle incomes. A UNISON report [“No place to live”](#) (in 2017) revealed that 63% of our members working in London spend more than 30% of their income on housing (the figure rises to 82% for private tenants); and one in four are spending more than 50% of their income on their housing costs.

With increasing numbers of London’s key workers in housing stress, it is important that affordable housing reflects the incomes of people on modest incomes and not market prices. Yet, the UK Government has defined “affordable” as rents or purchase costs that are lower than in the open market. This has no correlation to household incomes.

UNISON supports the [Affordable Housing Commission’s](#) definition of affordable housing as “being based on household income, not market rates”, “as being what people can afford to rent or buy”. This suggests that “when rents or purchase costs exceed a third of household income for those in work, the housing costs can lead to financial difficulties, arrears, debts and consequent personal problems – housing costs above 40% presents a serious affordability issue”.

Intermediate housing aimed at workers on average incomes should therefore reflect the fact that not more than one third of income should be absorbed by housing costs. UNISON therefore agrees that there should be a cap on new shared ownership homes to reflect housing need, given that the majority of key workers are struggling to afford housing costs, whether rent or mortgage, in London.

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

The Coronavirus pandemic has brought into sharp focus the inadequacy of the UK housing system to meet housing need, with increasing numbers of our members and their families having to defer rent or mortgages and struggling to manage household bills – even with the help of welfare benefits. The Government’s refusal to support key workers on low to middle incomes by taking meaningful action on ending Section 21 (no fault evictions) has only compounded this situation for thousands of households.

UNISON supports the development of a mix of housing types, including shared ownership homes, to boost housing market recovery. However, this shouldn’t be at the expense of good quality social rented homes, which is in more demand given the high costs of insecure private renting and expensive homeownership, as argued in our [housing manifesto](#). UNISON’s 2017

[study](#) told us that 87% of respondents in health care and living in the private rented sector in London were looking to move elsewhere to live and work due to the high costs of housing. Many of them spend a lot of time and money on long commutes.

Building more genuinely affordable homes should therefore be at the heart of plans for social and economic recovery from the Coronavirus pandemic. This would lower housing costs, create jobs and boost the economy, whilst ensuring that Londoners have access to low cost rental homes they can live in the longer term. It would also start to tackle the endemic housing problems of London's poorer citizens – where in the boroughs of greatest need, up to 65% of children live in poverty, after housing costs; as nearly as 50% of adults are paying high rents in the private rented sector; up to 25% of households are overcrowded; and 4% of adults are homeless.

Developers may argue that fewer homes will be built if they are required to build at a lower sale price than optimises their profits. There is, however, no evidence for this – building a broader range of housing would broaden the range of customers and provide more employment in the building trade for a given level of investment. They may be slightly less profitable, but it is not the role of public policy to pad out property developer profits. In addition, the housing market has proved surprisingly resilient during the COVID-19 pandemic, while a moderate decline in prices would open buying opportunities for people currently unable to buy and could also put downward pressure on rents.

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

Yes, this would bring about transparency to the system of reporting service charges. It will also enable the GLA to monitor costs and identify where those costs fall outside the scope of the Mayor of London's principle of a rent escalator. It is our view that, like the London Living Rate (LLR) or mortgage calculations, service charges should be brought into the scope of a regulated regime in order to genuinely control housing costs within not more than 1/3 of average median incomes. Service charges should also be limited to those which are genuinely reasonable; transparency would be a step forward, but it is not sufficient.

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

Yes. Please see above.

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?

Yes, we believe that affordable housing providers should publish a schedule of all fees to help inform decisions by purchasers. This should include utilities and service charges, which should have a formula applied in their calculation to make them genuinely affordable for those on low to medium incomes seeking intermediate housing.

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

Please see answers to Q15 a) and b) below.

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?

UNISON believes that intermediate housing, like all other forms of housing, plays a key role in the UK housing system. However, as already mentioned even this form of housing is still beyond the reach of most key workers on low to middle incomes.

A UNISON [study](#) (in 2018) which analysed rental costs for public service workers in England showed that rental costs are more than a third of workers' monthly wages. They struggle to afford intermediate housing costs, which are typically above social rent rates and only marginally below open market rates. As such intermediate housing costs should not be more than 1/3 of average median incomes. Further, more funding is required for the delivery of intermediate housing for rent, to make such homes more affordable for a growing number of people who are struggling to meet housing costs, especially those whose finances have been impacted by 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?

To govern is to choose, and we believe that while intermediate housing can play an important role, the emphasis needs to be on delivering social rented housing, which is below market rents, is cheaper, in more demand, and is within the reach of increasing numbers of people on low to middle incomes. This is important given the fact that the pandemic has exacerbated the housing situation of increasing numbers of key workers, some of whom, with little or no Government support, face eviction and homelessness in the coming months – unless they are supported with cheaper accommodation and financial help.

UNISON believes that there is a need for a significant level of grant funding to expand the delivery of social rented and genuinely affordable homes for renting. This will ensure that more low cost rental homes are more available and accessible to our public service heroes who continue to play a vital role in protecting lives and in keeping the nation going. They deserve to live in decent, secure and affordable homes near their places of work.

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

Influencing Affordable Housing Programme (AHP) allocation of funding so that there is an allocation of long-term funding for low cost rental homes for those not eligible for social housing.

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

UNISON's [response](#) to the Government's consultation on First Homes (April this year) stated clearly that, *"For many of our members who provide essential public services to local communities, the high costs of housing and affordability means that even with the help of a scheme such as First Homes, they will still struggle to get onto the property ladder"*.

[UNISON's Housing Affordability Tool](#), which looks at the relative costs of housing and calculates how long it will take for workers to save and purchase a home in their local area shows that public service workers in England **are effectively priced out of First Homes:**

Occupation	Teaching assistant	Care Worker	Librarian
Annual Starting Salary	£15,607	£18,795	£23,369
Average sale price of a home in 2018	£314,000.00	£314,000.00	£314,000.00
Reduced Price	£219,800.00	£219,800.00	£219,800.00
Deposit of 15%	£32,970.00	£32,970.00	£32,970.00
10% saving per year	£1,399.20	£1,616.40	£1,927.20
Years needed to save deposit	23.6	20.4	17.1

Our analysis shows that even with a discount of 30% applied to the First Homes Scheme, it will fail to help the very people it claims to target – “key workers” – unless they are on very high incomes. It is therefore likely that, just like the Help to Buy, the First Homes scheme will end up benefiting better paid workers and do nothing for poorer paid workers, for whom housing affordability is a huge problem. At a time when workers are struggling to afford expensive insecure private rentals – especially during the pandemic - and rough sleeping and homelessness are on the rise – the scheme is likely to worsen the housing crisis. There is also the risk that the First Housing scheme, like Help to Buy, would have an inflationary impact on house prices generally, making existing stock even more unaffordable for lower-paid workers.

The Government’s plan to reform the planning system/the process of delivering affordable housing, through Section 106, and prioritise the delivery of First Homes will likely put affordable housing delivery for renting at risk in London, which continues to suffer an acute housing crisis. There are also concerns that the reforms may take away decision making from local planning authorities and communities in favour of the Government and housing developers. There are further concerns that the scheme could damage the social rented sector, putting jobs, pay and conditions at risk, as the policy diverts much needed funds going to private developers and not the providers of social and affordable housing such as Local Authorities and Housing Associations.

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?

Steps that could minimise risks to affordable housing delivery should include:

- The introduction of measures that ensure that First Homes are in addition and not a replacement to affordable housing delivery
- Setting aside significant funding for the delivery of affordable homes through the Affordable Housing Programme (AHP) – and providing alternative funding for First Homes so as not to compromise the delivery of low-cost rental homes (either at social rent rates or London Living Rent) which are in desperate need

- Local authorities to be empowered to determine the number of new First Homes (including where that number is zero), having regard to their local housing plans to ensure the right balance of different types of homes are built along with the right infrastructure
- An equality impact review of the scheme on low to middle income households and ethnic minority groups, as they have lower access to home-ownership and social housing
- Adoption of the key policy measures outlined in [UNISON's housing manifesto](#)

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

Yes.

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?

The Right to Shared Ownership proposals are likely to have a chilling effect on delivery of affordable homes as rather than being able to book a predictable rental income stream to support investment plans, providers will have an asset whose value may fluctuate, with the tenant enabled to take an equity share in their property at any time of their own choosing, including during any dip in property values. Building for rent will thus be disincentivised against building for immediate sale.

Further, the proposals will likely move homes that could be offered at affordable rates to the private housing market. This will lead to homes being built with public money ending up in the profit making private housing market, at a time when we are not building enough social rented homes and there is a growing demand for such homes.

UNISON believes that homes built with public funding should be preserved in public ownership providing homes at below market rates. We therefore have serious concerns about how the implementation of the proposed Right to Shared Ownership scheme will have on the social rented sector which is in decline and on Londoners, increasing numbers of whom are priced out of the property market.

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

Currently, housing policy focuses on homeownership at the expense of social rented and other forms of genuinely affordable housing. UNISON has consistently called on the Government to rethink its housing policy and provide a holistic strategy which sets out plans to meet the housing needs of people from low to middle incomes, and not just prioritise housing and funding that can be accessed only by high income earners or those who are able to buy their own home without help, as set out in our [housing manifesto](#).

This is important given that the National Audit Office stated in a 2019 report that discounted homes were going to people who are "in a position to buy a home without public subsidy, and not as the Government claims, the people that need assistance the most". As such, UNISON calls on the GLA and the Mayor to highlight these issues with a view to influencing reform of the shared ownership model, ensuring that such homes are targeted to those who are not able to buy on the open market, while protecting existing social and genuinely affordable homes for rent. Building more for social rent, establishing restrictive covenants on sale for

properties which are placed on the market, such that their real value cannot increase, or a high proportion of any increase is payable to a public authority or housing provider, ensuring London or borough plans prioritise affordability, including social rent and maximising use of planning powers held by the Mayor can all mitigate this policy.

Chapter 4: Eligibility, prioritisation and allocation

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

Yes, UNISON believes that it should be frozen at current levels. This is important given that house prices have more than doubled in London while wages have not, meaning that it will take much longer to save for a house deposit. A [UNISON study](#) (2018) showed that saving money for a down payment on a property would take decades - and in some parts of London over a century - making it virtually impossible for huge numbers of public service workers to buy their own home. For example, the study showed that in London it would take between 132 years (in Kensington and Chelsea) and 35 years (in Barking and Dagenham) to save for a mortgage deposit. The vast majority of employees/workers would need to borrow far more than the Bank of England's maximum recommended lending limit of 4.5 times a person's salary, making mortgages completely unattainable for some key workers, such as teaching assistants or hospital porters, in every part of the city.

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?

UNISON agrees that levying an early repayment fee will deter people who are already in a position to buy a home without financial support from doing so. This would ensure that an adequate supply of 'affordable intermediate housing' is available for those who cannot afford a home on the open market.

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?

Currently, there is no central waiting list or guidance at the local level for accessing intermediate housing, meaning that those interested in such homes need to do their own research to identify providers. Local authorities have experience of managing their own stock and managing housing allocation lists in partnership with other social housing providers, including housing associations. They are therefore best placed to administer intermediate housing waiting lists for providers in their local areas. To ensure that there is clarity and transparency around the prioritisation and allocation of intermediate homes for key workers, UNISON agrees that the GLA should provide local authorities with best practice and guidance in setting up and administering intermediate waiting lists – all such lists, including those managed by housing associations, should also be advertised on the Mayor's Homes for Londoners property website for easy access by key workers.

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

Yes.

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

Such guidance should provide a comprehensive, updated list of providers offering intermediate homes, who manages the allocation of such homes and how people can apply for them. The guidance should also highlight the eligibility criteria for each provider and what type and size of homes are available – to help inform potential consumers.

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

There are a number of challenges facing shared owners who want to move home. They include the costs of staircasing; costs of paying rent on the percentage they do not own, which rises each year above inflation; the cost of interest payments for second mortgages secured against the property in the case of shared equity homes, which may rise every year adding to the costs of home-ownership; service charges, whose increases are uncapped; and the cost of moving (including admin and legal costs). In addition, shared owners may not have enough savings or may have difficulty accessing funds to improve or modernise their existing home to make it saleable, and enable them to move. All this makes it virtually impossible for some shared owners to move house, when their circumstances change.

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

All the research suggests that shared ownership, far from being affordable, becomes more expensive in the longer-term. Shared owners should benefit from:

- Reducing service charges over time as running costs are established and managed
- Reduced upfront costs of buying – including scrapping/reducing valuation, admin, legal and lease extension fees for purchasers
- Scrapping ground rents
- Reforming leasehold agreements, which often contain clauses for shared-owners to take 100% of the financial responsibility and obligation to undertake/carry the cost of all maintenance work in their property even though they only own a percentage share in the property and pay rent on the remainder
- Grants to help shared owners move to appropriate housing

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?

UNISON supports the Mayor's plans to "use his powers to ensure all local authorities include key workers in their prioritisation criteria for housing allocations". However, the term "key workers" needs to be adequately defined across London and nationally, as it does not reflect

the breadth of public service workers and other essential key roles. Currently, it primarily relates to professional staff such as nurses and teachers and not to other roles such as healthcare assistants who contribute to the effective running of public services.

The COVID-19 pandemic has widened the public's understanding of what constitutes a key worker. UNISON advocates a broader definition to cover the breath of all key workers on low to middle incomes for whom public policy on housing need and delivery should be a focus for Government.

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

As stated in Q16a) UNISON believes that the current definition of key workers is not fit for purpose. We advocate a definition that is broad and includes all public service workers and other essential key workers across a wide range of occupations, including health care staff, housing support staff, teaching assistants, hospital cleaners, librarians and porters – who are in housing need. A suggested starting point, alongside a list of roles (which by nature is not exhaustive) is to ensure allocations are based on incomes so that those on lowest incomes are scored in greater housing need due to the combination of affordability issues and the core nature of their role.

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

Evidence required should include:

- Income
- Within the context of COVID, the importance of a role in maintaining services within communities across London. For example, transport workers or hospital porters would meet these criteria and so should be defined as key workers, which currently they are not.

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?

UNISON believes that local authorities should be required to prioritise housing for all key workers across a wide range of occupations and income groups within eligibility caps as set out in the London Plan (see section 4.4 of consultation).

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

The high costs of housing and transport – especially for those commuting long distances - are putting a squeeze on the household budgets of key workers, particularly the low paid. Our 2017 housing [study](#) in London revealed that 41% of respondents spend more than £1000 a year getting to work.

A recent UNISON study also shows that some of our members in London are struggling to pay their rents, have missed rent payment or have fallen into rent arrears due to the impact of Covid-19. With the welfare system failing to cover renters' housing costs, UNISON wants to see expensive intermediate rental homes converted to social homes at social rent rates or

London Living Rent rates that are prioritised for London's key workers who are playing an essential role in keeping the Capital going and protecting lives during the pandemic.

The GLA can also make the case to employers that by investing in and helping their staff they will help alleviate the impact of the housing crisis on workers, recruit and retain staff, and ensure that the public services that we all depend on continues to be provided by talented and dedicated individuals. Key workers can be helped in the following ways:

- Financial support, including subsidised transport costs to help with commuting costs
- Introduction of deposit loan schemes
- Access to confidential housing advice for those who need it
- Offer a Living wage
- Provision of more subsidised rental homes on public sector land 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?

Yes, where there is evidence of poor quality existing key worker accommodation, "the GLA should explore allocating funding to support housing providers" to modernise these homes.

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

Yes.

CONCLUSION - UNISON RECOMMENDATIONS

Our submission has highlighted that intermediate housing (shared ownership and intermediate renting) is beyond the reach for most public service workers/key workers in London. Our members have told us that they want the Government to support the development of new council and housing association homes at rents/rates that public service workers on modest incomes can afford. This would help alleviate the housing crisis and the economic impact that Covid-19 is having on citizens across the Capital and nationally - as well as boost economic recovery post Covid-19.

Delivering an adequate supply of social rent and genuinely affordable homes to meet rising housing demand will require a re-prioritisation and rebalancing of the Affordable Housing Programme (AHP).

UNISON believes that the GLA and the Mayor should work with the Government to change the direction of housing policy, which currently focuses on increasing homeownership, by:

- Improving affordability of intermediate rental housing by converting such homes to social rent homes at social rent/London Living Rent rates (LLR)
- Reforming the shared-ownership model, including by establishing restrictive covenants on sale for properties which are placed on the market (see 9b above); regulating service charges; scrapping ground rents; and reforming leasehold agreements to control housing costs
- Setting new intermediate housing costs at social rent/LLR rates, that is within a third of household income to make such homes genuinely affordable to key workers

- Establishing a new definition for “key workers” to include all public service workers and other essential key workers across a wide range of occupations on low to middle incomes
- Setting an annual target of 80,000 new social rent/genuinely affordable/London Living Rent homes in London at social rent rates
- Working with London boroughs and housing associations to secure private and public sector land to deliver the new homes
- Providing significant funding (public subsidy) to enable these new homes to be built
- Stopping councils and housing associations in the Capital dramatically increasing rents to near market levels, particularly when social rent properties are re-let
- Investing in a public sector-led new house building programme to increase the supply of all types of housing, particularly homes with rents based on social rent levels provided by councils and housing associations, for key workers on low to modest incomes
- Revising the way council housing finance works so that councils can borrow against their assets and decide how to use capital receipts to increase their ability to invest in building the homes needed
- Establishing a new national definition of “affordable housing” linked to the incomes of people in the lowest earnings quartile, not market prices
- Improving welfare benefits, including housing benefit and the housing element of Universal Credit (UC), to cover average rents in local areas, ensuring people are adequately financially supported to meet their housing costs

REFERENCES:

- Affordable Housing Commission (2019) [Defining and Measuring Housing Affordability – an alternative approach](#)
- UNISON (2018) [Home ownership now little more than a pipe dream for public sector workers](#)
- UNISON Housing manifesto (2020): [Safe, Decent Affordable Homes for all](#)
- UNISON (2017) No place to live: [A UNISON survey report into the impact of housing costs on London’s public service workers](#)
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