

WALTHAM FOREST HOUSING COMMISSION EVIDENCE

COMMISSION SESSION 2: HOW SHOULD
WALTHAM FOREST BUILD?

23RD FEBRUARY 2023

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1. You said, we did: additional evidence requests from Session 1

The Commission asked for:

The evidence shows:

1.

More information on demographics:

- Understanding who is moving into and out of Waltham Forest
- Demographics of the borough's homeless population
- Age profile of different tenures



- Waltham Forest has become increasingly diverse over the last ten years. There is evidence to suggest that larger ethnic minority families have left the borough to live in adjacent outer London boroughs and parts of Essex.
- The proportion of white British residents has grown significantly in the south and central parts of the borough, likely to be driven by demand for existing terraced stock
- Black residents in Waltham Forest are disproportionately more likely to be homeless.

2.

More information on affordability:

- Wider factors contributing to housing affordability
 - Childcare affordability and sufficiency
 - Energy efficiency and net zero
- Cost pressures facing landlords



- Waltham Forest has a childcare provision deficit and the availability of suitable premises is a key barrier to meet the borough's affordable childcare needs.
- Energy bills are a significant issue for residents and Waltham Forest had the third highest fuel poverty rate in London going in to the Cost of Living Crisis.
- The energy performance rating of properties makes a significant impact on residents' energy bills.
- No additional local data available on mortgage maturity/exposure of residents

3.

More information on strategy and delivery:

- Strategy for intermediate tenures such as Shared Ownership
- Specialist housing
- The location and viability of build to rent
- Innovative approaches to public delivery



- Shared Ownership disproportionately benefits high earners, households without dependant children, and households headed by a person of white ethnicity.
- Our modelling shows that with rising mortgage rates and house prices, a 25% share is only likely to be affordable to the borough's higher earners.
- Whilst Waltham Forest is less exposed to rising specialist accommodation needs than other Outer London boroughs, its demographic profile suggests need could become more acute within the next ten to fifteen years. LBWF has a shortage of assisted living accommodation.
- The build to rent sector is forecast to grow significantly, but the majority of growth is likely to be focused in the south and central parts of the borough.

2. The changing financial climate means that prioritisation is required to secure the affordable housing that Waltham Forest needs

Nationally, the vast majority of affordable housing has been delivered by Registered Providers and S106

- While direct delivery by local authorities has increased in recent years, this still accounts for less than 10% of all affordable homes delivered.
- There are smaller providers which are likely to be increasingly relevant to affordable housing delivery in Waltham Forest including for-profit RPs and charities that specialise in tenures such as specialist housing.

RPs and S106 will be affected by the changing financial and regulatory context which could restrict the amount of affordable housing delivered in Waltham Forest

- Many RPs in Waltham Forest and nationally are dealing with wider cost pressures associated with their existing stock such as damp, mould and cladding issues. These are frequently non-revenue earning activities which reduces the amount of money to finance new affordable housing delivery.
- S106 delivery relies on a buoyant housing market to sustain high rates of affordable delivery. The forecast housing market slowdown could affect the quantity of affordable homes delivered through this route.

The wider financial context will make delivering in the same way more difficult

- House prices are forecast to decrease and build costs are forecast to increase over the coming years, meaning that high levels of affordable housing may be less viable to developers in the short-term. At the same time, borrowing costs for Local Authorities and RPs have increased significantly. This, coupled with the cost of addressing challenges within their existing asset bases could restrict overall affordable housing delivery.

Funding net zero could also constrain ability of Local Authorities and RPs to deliver more affordable housing without significant government support

- Achieving net zero and addressing the climate emergency are local and national policy priorities.
- Domestic emissions contribute over half of total emissions in Waltham Forest. Proposed regulatory changes by government could restrict any property rated EPC D or below from being leased.
- This will require significant investment in the borough's existing affordable housing stock to meet this change, and wider improvements to achieve net zero by 2050.



47% affordable homes in England have been delivered by Registered Providers since 2015



7% decline in house prices forecast with an increase in build costs could make affordable housing delivery via planning gain more difficult



24% of existing affordable homes in the borough are EPC Band D or below



£245m estimated cost to reach net zero in existing affordable housing stock by 2050

Plain English guide: WF Housing Commission Session 2 (1)

- **LBWF:** The London Borough of Waltham Forest
- **Tenure:** Housing tenure is a financial arrangement and ownership structure under which someone has the right to live in a house or apartment – the conditions under which a house is lived in. The following tenures are referenced in this report:

Affordable housing: this covers multiple tenure types in London:

- **Social rent:** This is a government-subsidised rent for people on low incomes. Councils decide who qualifies, their level of need and priority on the waiting list. There are two types of regulated registered providers of social housing in England – local authorities and Private Registered Providers (mainly Housing Associations).
- **Affordable rent:** Rent which is usually 80% of local market rent, introduced by the government in 2011.
- **London Affordable rent:** A type of affordable rent for people on low incomes funded by the London Mayor. Benchmarks for pricing are set annually and increased based on inflation (CPI + 1%). In 2022/23, the benchmark for a 2 bedroom property is £178.23 per week.
- **Intermediate:** Affordable housing which is targeted at people who have little chance of accessing low-cost rent housing, but who are not able to afford to rent or buy a home on the open market. This includes options such as Shared Ownership, which allows the owner to buy a percentage of a property, paying a mortgage on the share they own and rent to a housing association on the remainder. Other options include intermediate rent.

Market housing: Housing sold or let on the open market, or constructed with the aim of doing so. Market housing tenures included within this report are:

- **Owning with a mortgage:** an occupier who has taken out a loan to help purchase their home and is still in the process of repaying the debt.
- **Owned outright:** an occupier who owns the property in full with no outstanding mortgage repayments or money owed
- **Private rent:** accommodation which is not lived in by the owner but is lived in by a tenant or group of tenants

Statutory duties in relation to homelessness: Where a local authority is satisfied that an applicant is threatened with homelessness and eligible, it must take reasonable steps to help the applicant secure that accommodation does not cease to be available for their occupation.

- **Prevention duty:** a duty on housing authorities to work with people who are threatened with homelessness within 56 days to help prevent them from becoming homeless. It applies when a local authority is satisfied that an applicant is threatened with homelessness and eligible for assistance
- **Relief duty:** requires an authority to 'take reasonable steps to help an applicant secure suitable accommodation for at least six months

EPC: Energy Performance Certificate – a home energy survey that shows how energy efficient a home is and includes a list of recommendations on how the energy efficiency of the home can be improved. Homes are rated from A (very efficient) to G (inefficient). It is a legal requirement if a property is being sold, leased or rented.

Plain English guide: WF Housing Commission Session 2 (2)

Specialist housing provision for older residents: this covers multiple types of housing:

- **Age exclusive housing:** homes designed, built and let/sold exclusively for older people but without supportive on site management
- **Sheltered housing/ retirement housing:** homes for those who want to live independently but need a bit more support or those who want to live in a smaller home that is easier to manage. It is usually only available to those aged 55 and over and common features include a scheme manager, emergency help through an alarm system, communal areas and social activities for residents. It is sometimes referred to as retirement housing.
- **Extra care/ enhanced sheltered housing/ housing with care:** usually rented from a housing association (though private providers and leasehold models do exist elsewhere) enhanced care housing offers more support than sheltered housing but still allows the occupier to live independently. It involves the provision of care on the premises - for example help washing or dressing. It was sometimes previously referred to as “very” sheltered housing, or “assisted living”. Facilities usually consist of purpose-built, accessible buildings designed to promote independent living and support people to age in place.
- **Almshouse:** homes which are run by independent local charities and provide self-contained, low-cost housing, mostly to older people who have a low income. They often cater for particular groups, for example if you have been living in the area for a number of years. They are generally a small number of houses grouped together. Residents pay rent which is often less than average for an area.
- **Care home:** homes which are run by private companies, local councils or charitable organisations which offer accommodation and personal care. There are different types including care homes with nursing, which offer 24-hour assistance from qualified nurses, and care homes with dementia care which are designed to make people with dementia feel comfortable and safe.

Help to Buy: a government scheme to help first-time buyers own a property with a 5% deposit. Through the scheme, buyers could borrow 40% of the purchase price of a home in London interest-free for five years. Help to Buy was closed to new applications in October 2022.

Built to Rent: purpose-built housing designed for rent rather than sale. Schemes usually offer longer tenancy agreements than other private rental options and are often professionally managed by the owner or operator.

PTAL: Public Transport Accessibility Levels – a detailed and accurate measure of the accessibility of a point to the public transport network in London, taking into account walk time and service availability. Each area is graded between 0 and 6b, where 0 is very poor access to public transport and 6b is excellent access to public transport.

Plain English guide: WF Housing Commission Session 2 (3)

Section 106 agreements: Section 106 agreements were introduced in the Town and Country Planning Act 1990. They are an attempt to reconcile private profit with community gain by placing requirements on developers linked to community benefit/compensation for development. The broad intention is to mitigate the impact of any developments by ensuring that developers contribute towards necessary infrastructure. Agreements may include wider community benefits e.g., ensuring local people get access to job opportunities. Overtime, the planning framework has been modified and negotiations now mainly focus on affordable housing. There is a standard formula CIL (Community Infrastructure Levy) linked to floor space. Approaches to the use of S106 vary reflecting political priorities, market conditions, grant aid and housing need in England.

Registered providers: social housing providers who meet the regulatory standards determined by the Regulation of Social Housing and are registered to deliver social housing schemes. They include local authority landlords and private providers (such as not-for-profit housing associations and for-profit organisations).

Right to Buy receipts: the money local authorities raise from Right to Buy sales to deliver replacement homes. Right to Buy allows council tenants to buy their council home at a discount.

Affordable housing guarantees: loans available to support the delivery of new-build and additional affordable housing, available through the Affordable Homes Guarantee Scheme.

Public works Loan Board: a lending facility operated by the UK Debt Management Office on behalf of HM Treasury. The facility provides loans to local authorities, mostly for capital projects.

Quantitative Easing: one of the tools central banks use to meet inflation targets. It involves buying bonds (a bond is like a future IOU issued by government and companies that can be bought and sold) to push up their prices and bring down long-term interest rates.

Retrofitting: upgrading an existing building to make it more energy efficient.

Under-write: take on the financial risk of a loan.

1

ADDITIONAL INFORMATION REQUESTS

YOU SAID, WE DID: PROVIDING
EXTRA INFORMATION ON
DEMOGRAPHICS, AFFORDABILITY,
AND STRATEGY AND DELIVERY

1. You said, we did: additional evidence requests from Session 1

1.

The demographics of the borough have changed over the last ten years, and there is evidence of significant housing inequality and disproportionality.

- Whilst the south and central areas contain the majority of Waltham Forest's ethnic minority population, long-term patterns are changing rapidly. The proportion of ethnic minority residents in southern areas of the borough has fallen sharply, whilst Chingford and Highams Park have become more diverse.
- Black residents are disproportionately more at risk of homelessness than any other ethnic group.
- There is a strong correlation between age and tenure. Although multi-variate analysis is not yet available through the 2021 Census, areas with the highest proportion of older residents also have the highest number of owner occupiers.

2.

Housing is only one overhead affecting the cost of living in Waltham Forest. Addressing other high essential costs pressures can also support resident prosperity and address affordability challenges.

- Waltham Forest has a childcare provision deficit. The availability of premises is a key barrier to meet the borough's affordable childcare needs.
- Energy bills are a significant issue for residents. Waltham Forest had the third highest fuel poverty rate in London going in to the Cost of Living Crisis.
- The energy performance rating of properties makes a significant impact on residents energy bills.
- Modelling shows that even multi-earner professional households could fall into poverty in 2023 as a result of inflation.

3.

More information on intermediate, sheltered housing, and PRS housing and positive public delivery

- Secondary evidence from the GLA suggests that Shared Ownership disproportionately benefits high earners, households without dependant children, and households headed by a person of white ethnicity.
- Our modelling suggests that Shared Ownership is likely to benefit wealthier residents who are at the top end of the required income thresholds. This, coupled with wider anecdotal data on the challenges leaseholders are having selling Shared Ownership properties, suggest that intermediate rent may be a more suitable tenure for Waltham Forest residents.
- Whilst Waltham Forest is less exposed to rising specialist accommodation need than other Outer London boroughs, its demographic profile suggests need could become more acute in the next ten years. This is because the borough has a larger than average growth of 50-64 year old cohort. The borough has an opportunity to form a proactive strategy in terms of specialist housing awareness and engagement to plan for when this need becomes more acute.
- Despite this, Waltham Forest's modelling suggests that overall need is likely to grow. The borough currently has a deficiency of assisted living provision.
- Build to Rent is forecast to grow rapidly in the coming years, filling most of the hole left by the withdrawal of Help to Buy. Mapping current investor priorities suggests that development is most likely to come forward in the south of the borough, but this could diversify as the market matures.

1a

ADDITIONAL INFORMATION

WALTHAM FOREST'S DEMOGRAPHICS

**THE DEMOGRAPHICS OF THE
BOROUGH HAVE CHANGED
RAPIDLY IN TEN YEARS. THERE IS
EVIDENCE OF SIGNIFICANT
HOUSING INEQUALITY AND
DISPROPORTIONALITY**

Detailed ethnicity change tables, 2011-21

1A: WALTHAM FOREST'S
DEMOGRAPHICS

**Waltham Forest has more
White residents than in 2011.
This has largely been driven
by migration from Europe**

Over the last ten years, all ethnic groups across Waltham Forest have grown in absolute terms, except Black/African/Caribbean/Black British residents.

The number of Black residents has decreased by over 3,000 people since 2011, equating to a fall of 7%. More detail on this is provided on Pages 12 and 13.

The biggest absolute change has been a growth of White residents. The proportion of people who identify as White now accounts for 53% of the population. The majority of this growth has been driven by people who identify as 'Other White' (+24%) which is largely driven by the increase in Waltham Forest's eastern European population.

The biggest 'Other White' group was White Romanian. In 2021, there were 6,725 White Romanians living in the borough.

	2011	2021	Absolute change	% change
White	134,799	147,024	10,828	+9%
White: English/Welsh/Scottish/Northern Irish/British	92,999	94,766	1,767	+2%
White: Irish	3,959	4,230	271	+7%
White: Gypsy or Irish Traveller	369	198	-171	-46%
White: Roma	-	1,397	-	-
White: Other White	37,472	46,433	8,961	+24%
Mixed/multiple ethnic group	13,766	17,983	4,217	+31%
Mixed/multiple ethnic group: White and Black Caribbean	4,568	5,135	567	+12%
Mixed/multiple ethnic group: White and Black African	2,403	2,777	374	+16%
Mixed/multiple ethnic group: White and Asian	2,602	3,875	1,273	+49%
Mixed/multiple ethnic group: Other Mixed	4,193	6,196	2,003	+48%
Asian/Asian British	54,389	55,545	1,156	+2%
Asian/Asian British: Indian	9,134	9,134	0	0%
Asian/Asian British: Pakistani	26,347	28,740	2,393	+9%
Asian/Asian British: Bangladeshi	4,632	5,166	534	+12%
Asian/Asian British: Chinese	2,579	2,626	47	+2%
Asian/Asian British: Other Asian	11,697	9,879	-1,818	-16%
Black/African/Caribbean/Black British	44,791	41,647	-3,144	-7%
Black/African/Caribbean/Black British: African	18,815	18,759	-56	0%
Black/African/Caribbean/Black British: Caribbean	18,841	17,587	-1,254	-7%
Black/African/Caribbean/Black British: Other Black	7,135	5,301	-1,834	-26%
Other Ethnic Group	10,504	16,229	5,725	+55%
Other ethnic group: Arab	3,776	2,884	-892	-24%
Other ethnic group: Any other ethnic group	6,728	13,345	6,617	98%
Total	258,249	278,428	20,179	8%

Ethnic group by proportion of the Waltham Forest population, 2011 & 2021

Ethnic Group	Proportion of total residents	
	2011	2021
Asian, Asian British or Asian Welsh	21%	20%
Black, Black British, Black Welsh, Caribbean or African	17%	15%
Mixed or Multiple ethnic groups	5%	6%
White	52%	53%
Other ethnic group	4%	6%

1A: WALTHAM FOREST'S
DEMOGRAPHICS

**South and central parts of
the borough are most
diverse, but this is changing**

Census 2021

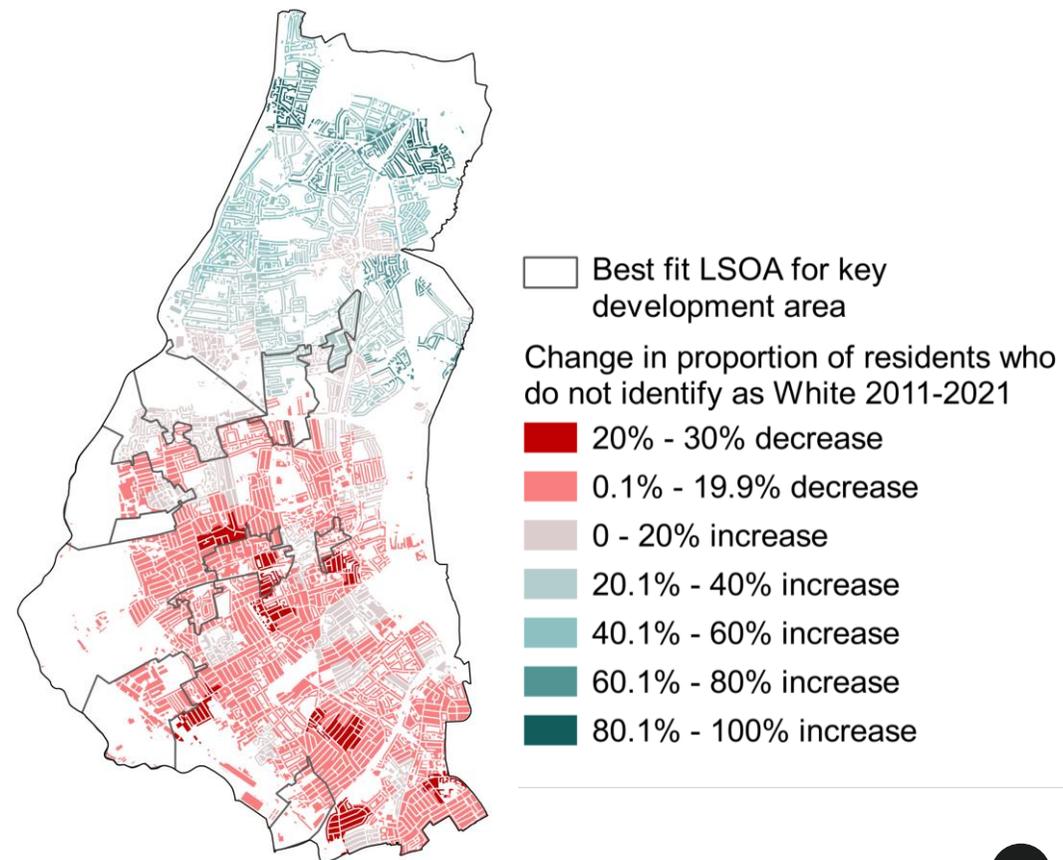
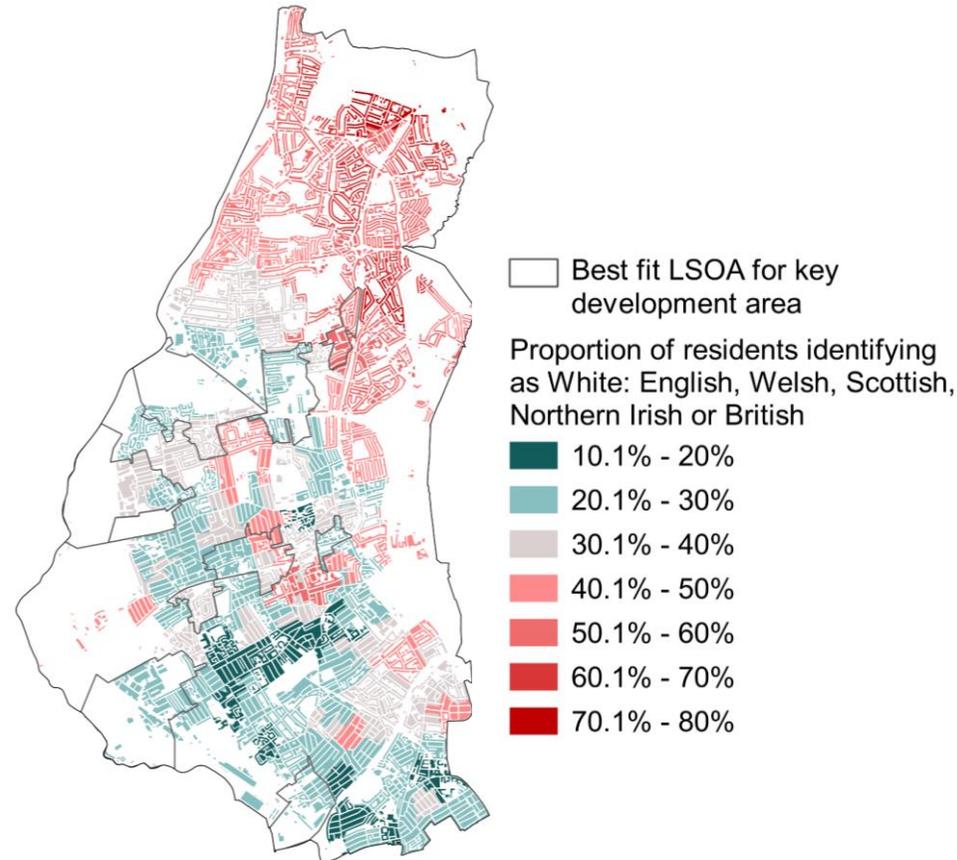
South and central parts of Waltham Forest are more diverse, with smaller proportions of white residents, than communities in Chingford and Highams Park.

However, since 2011, the proportion of residents who do not identify as white in the south and central parts of the borough have declined.

Conversely, the proportion of residents identifying with non-White ethnic groups has increased in Chingford and Highams Park.

Proportion of residents identifying as White: English, Welsh, Scottish, Northern Irish, or British, 2021

Change in proportion of residents identifying as non-White 2011-2021



1A: WALTHAM FOREST'S DEMOGRAPHICS

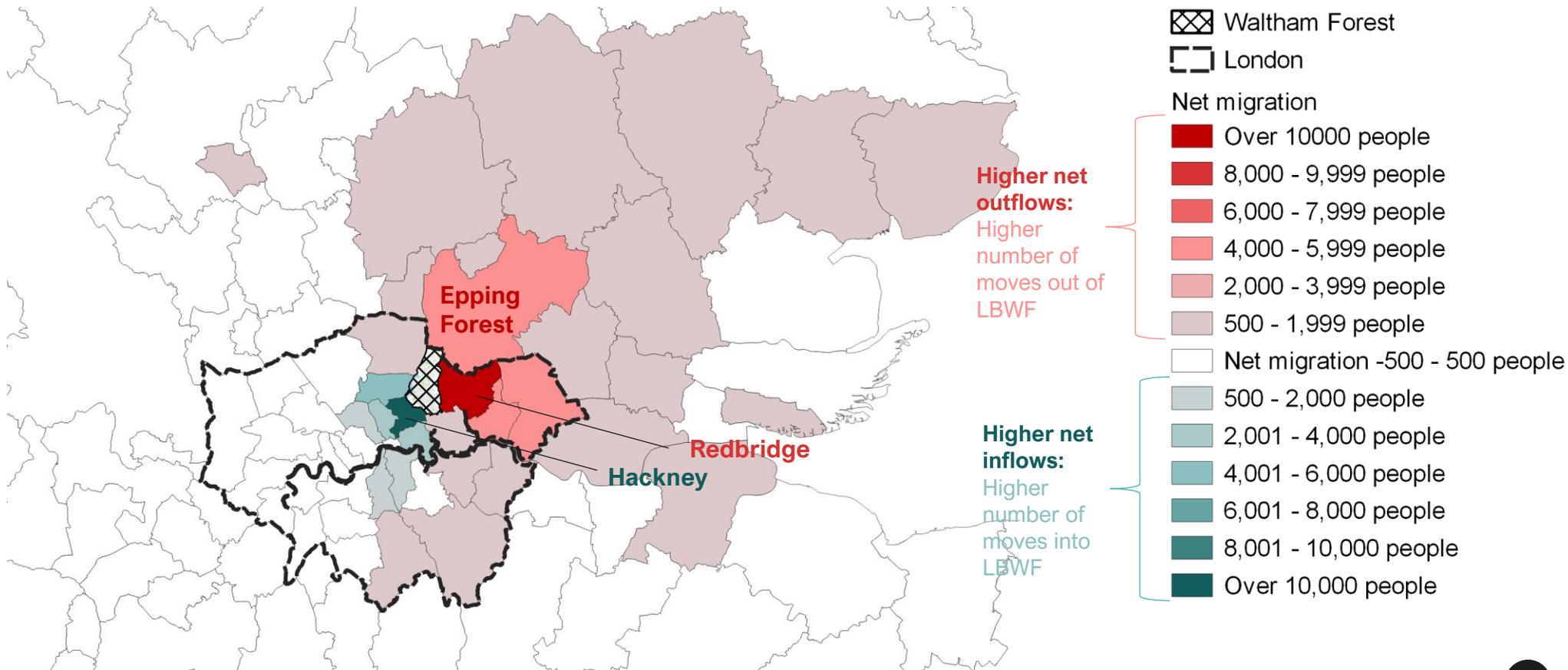
Recap: Internal migration

Source: ONS Internal Migration Estimates

Evidence from the first meeting of the Commission showed that the borough had received significant internal migration from more expensive boroughs and had a net outflow to cheaper peripheral London boroughs. Coded analysis of multiple years of data shows that there have been a net gain of 10,449 moves into Waltham Forest from Hackney since 2012. This is likely to be people moving to the borough to access more affordable housing.

The largest net outflows of residents are to adjacent local authority areas Redbridge (-10,175) and Epping Forest (-5,119). Whilst it is not possible to track the movement patterns of individual households, this can be estimated by triangulating several sources of data. Using the highest outflow destinations presented here, it is possible to estimate the types of households that have moved in and out of the borough between Census years.

Net internal migration between local authority areas, 2012-2020



1A: WALTHAM FOREST'S DEMOGRAPHICS

...with evidence to suggest that Black families may be moving to more affordable areas

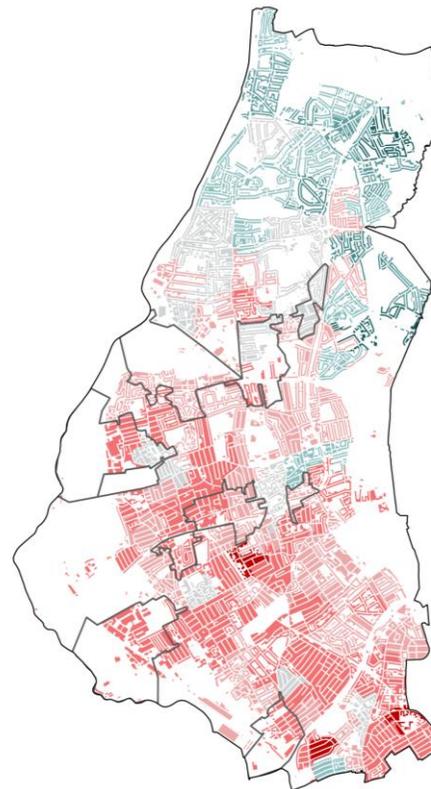
Source: Census 2021

There is evidence that Black, Black British, Black Welsh, Caribbean or African households may have moved to more affordable adjacent local authority areas. Whilst the proportion of Black, Black British, Black Welsh, Caribbean or African households fell in Waltham Forest (-2%, 3,144 residents), there was a growth in Black households in Barking and Dagenham, Havering and Epping Forest.

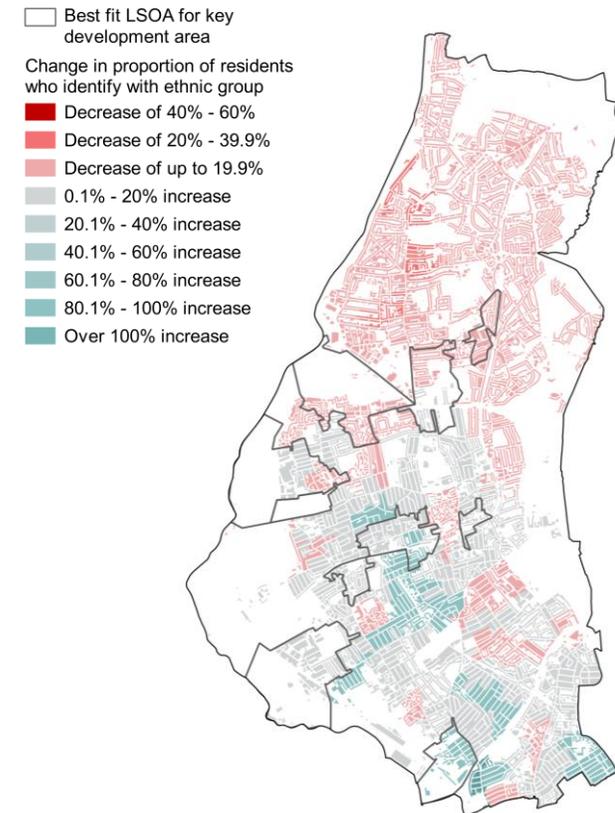
For residents who identify as Black, Black British, Black Welsh, African or Caribbean there has been a significant decrease within most neighbourhoods in south and central Waltham Forest, with over 40% decrease in areas of Walthamstow and Leyton Temple Mills Borders. Conversely, there has been a significant growth in the proportion of White residents within the areas around Walthamstow Central and in Leyton.

Ethnic Group	Change in proportion of total residents identifying with ethnic group 2011-2021				
	Barking & Dagenham	Havering	Redbridge	Waltham Forest	Epping Forest
Asian, Asian British or Asian Welsh	10%	6%	6%	-1%	2%
Black, Black British, Black Welsh, Caribbean or African	1%	3%	-1%	-2%	1%
Mixed or Multiple ethnic groups	0%	2%	0%	1%	1%
White	-13%	-12%	-8%	1%	-6%
Other ethnic group	2%	1%	3%	2%	2%

Black, Black British, Black Welsh, African or Caribbean



White British



1A: WALTHAM FOREST'S DEMOGRAPHICS

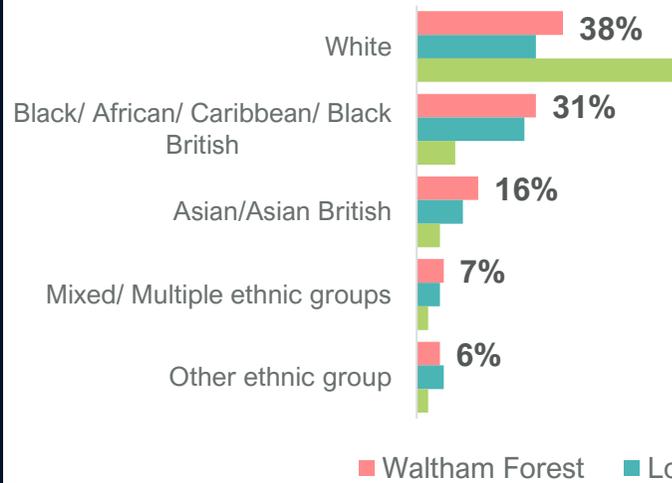
Black residents are disproportionately at risk of homelessness

People identifying as Black, African, Caribbean or Black British represent a disproportionate proportion of people owed a at risk of homelessness in Waltham Forest in comparison to the London average.

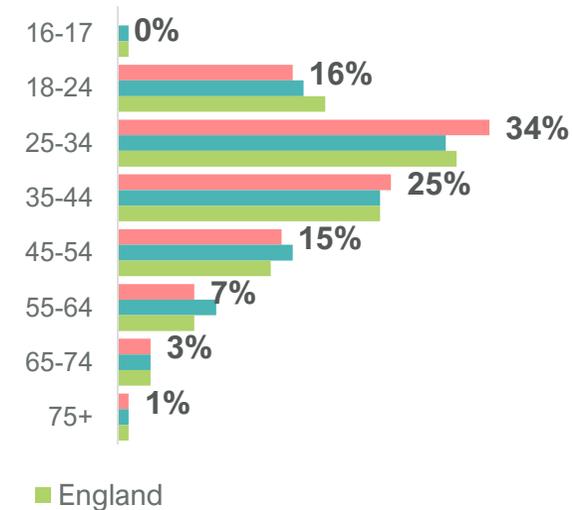
Almost a third of residents owed a homelessness relief or prevention duty in Waltham Forest in 2022 are Black, African, Caribbean or Black British, whilst they make up only 15% of the Waltham Forest population.

There are a greater proportion of households at risk of homelessness who are female single parent families than the London and England averages, at 31% of applicants.

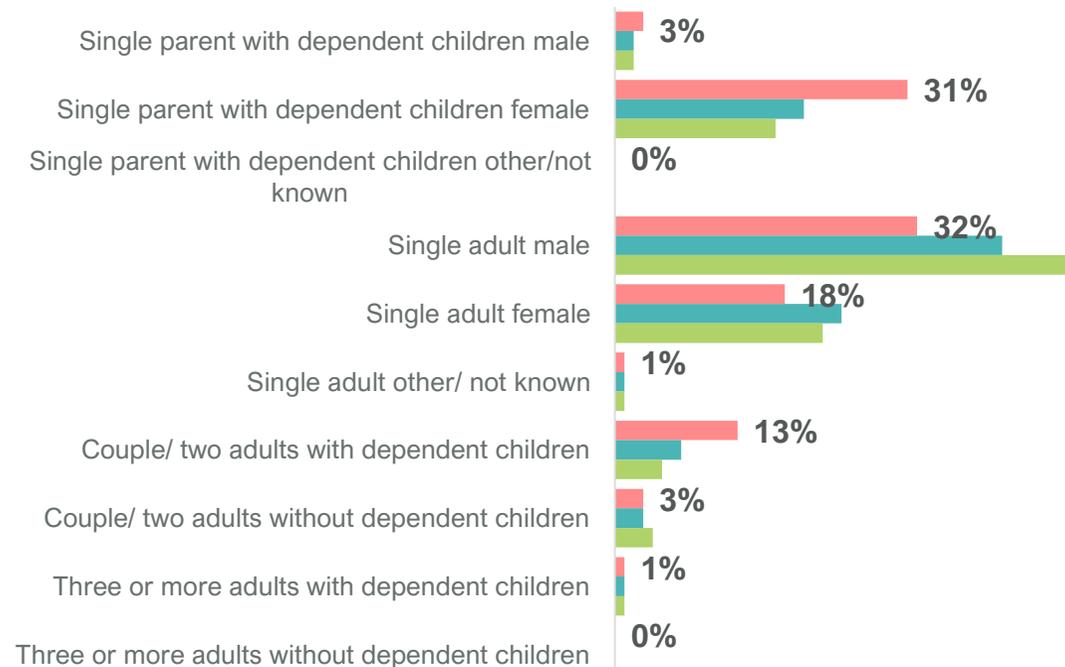
Ethnic group of applicants assessed as owed a prevention or relief duty, April to June 2022



Age of applicants assessed as owed a prevention or relief duty, April to June 2022



Type of household for applicants assessed as owed a relief duty, April to June 2022



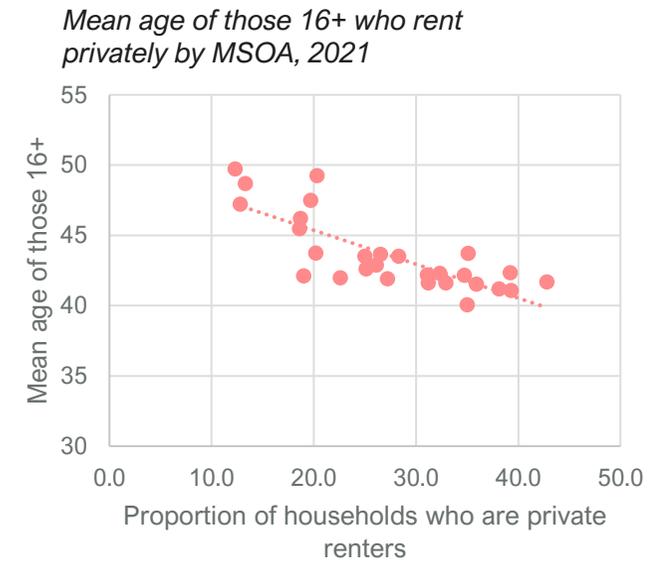
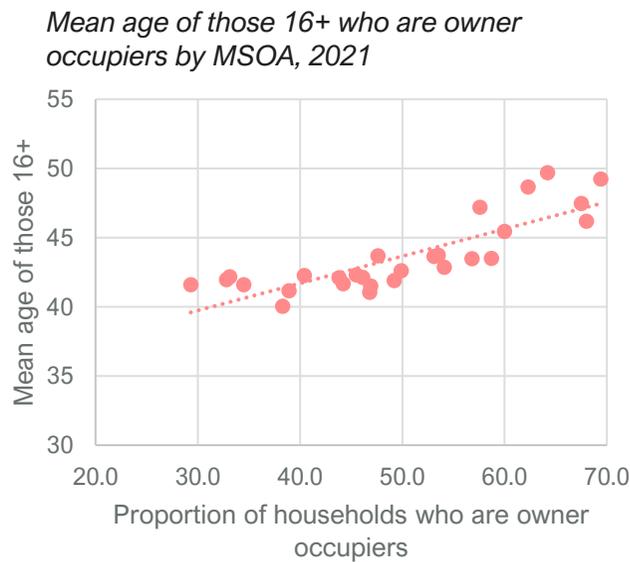
1A: WALTHAM FOREST'S DEMOGRAPHICS

Older people are more likely to own a home, and live in the north of the borough

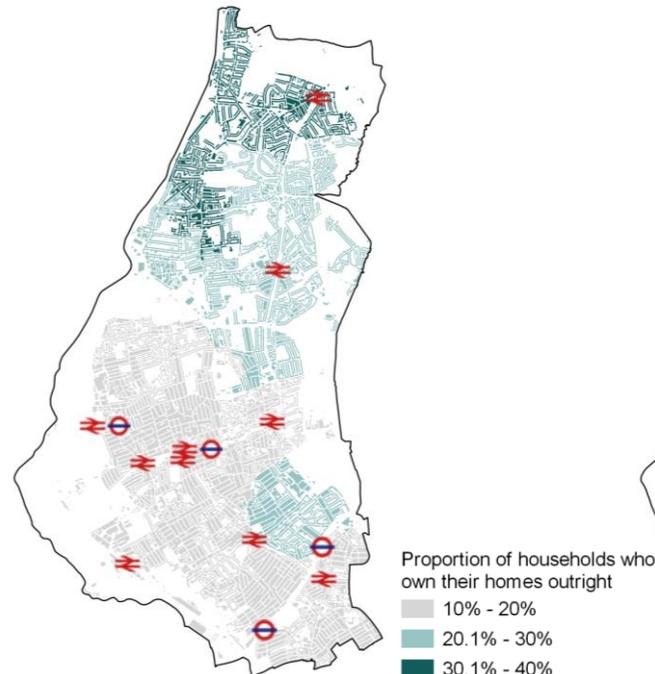
Using the 2011 Census data we can analyse the proportion of residents in each tenure by age group. In 2011, the most common age for owner occupiers was 35-49, followed by 50-64 year olds. Renters are more likely to be younger, with the most common age group 25-34. However, there is also a significant proportion of renters aged 35-49.

It is not yet possible to undertake analysis of multiple variables through the Census (such as age and tenure). However, we can see that within MSOAs average age increases as the proportion of owner occupiers increases.

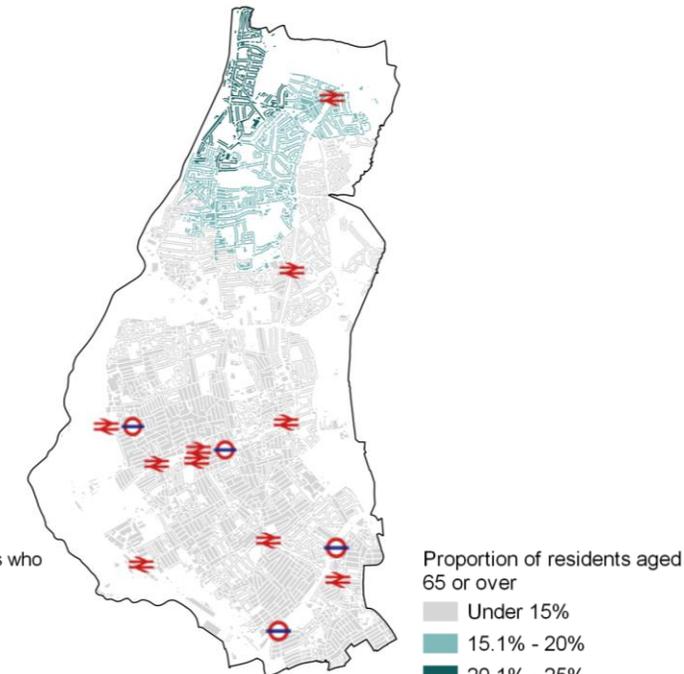
The neighbourhoods with the highest proportion of over 65s and the highest proportion of owner occupiers are in the north of the borough, in Chingford and Highams Park.



Proportion of households who own their homes outright, 2021



Proportion of households aged 65 or over, 2021



1b

ADDITIONAL INFORMATION

WIDER FACTORS AFFECTING AFFORDABILITY

HOUSING IS ONLY ONE OVERHEAD AFFECTING THE COST OF LIVING IN WALTHAM FOREST. ADDRESSING OTHER HIGH ESSENTIAL COST PRESSURES CAN ALSO SUPPORT RESIDENT PROSPERITY AND ADDRESS AFFORDABILITY CHALLENGES.

1B: FACTORS AFFECTING AFFORDABILITY

Housing is the most significant essential overhead but other costs are important for a holistic understanding of affordability

Source: PRD Cost of Living Model

In addition to housing costs, there are wider factors related to housing and infrastructure provision that are relevant to ensuring residents in Waltham Forest do not fall into poverty.

Based on average costs for a family consisting of two adults and a child in the modelled example presented below, it is clear that housing costs are typically the biggest annual overhead – especially for those living in the private rental sector.

However, there are other key costs indirectly or directly related to housing which have been considered in this evidence document:

- Factor 1: Childcare
- Factor 2: Energy costs

These factors have been chosen as the local authority and its partners have funding and policy levers to influence provision.

Estimated average essential annual spend for a family of 2 adults and 1 child living in Waltham Forest *



*Note: Excludes travel costs. This also does not include building management fees/service charges for leaseholders. ARMA (the Association of Residential Managing Agents) estimates the average service charge bill in London at around £1,800 to £2,000 a year.

1B: FACTORS AFFECTING AFFORDABILITY

Factor 1 - Childcare: Premises availability and government funding limiting provision locally

Source: GLA Datastore, LBWF Childcare Sufficiency Assessment

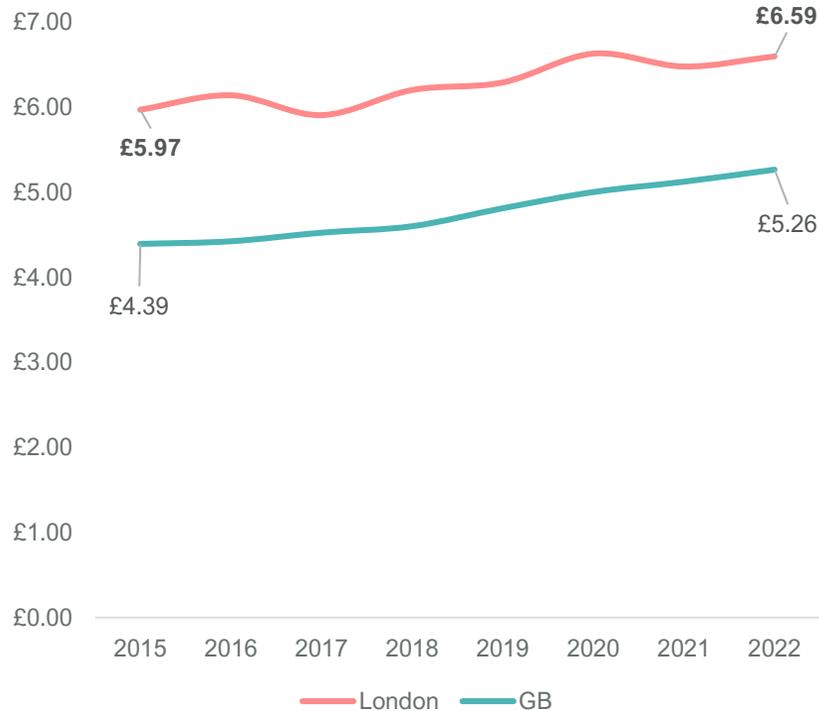
Full-time childcare is the largest essential overhead for working parents after housing costs – and this is significantly higher in London.

Councils have a statutory duty to ensure sufficient childcare for working parents, and sufficient children's centres to promote integrated health, early education and childcare. The latest LBWF Childcare Sufficiency Assessment (CSA) noted that: "Finding enough free early education

provision for two-year-olds and increasing take up of these places has been challenging due to difficulties in securing suitable premises and funding rates received from the Government to deliver them".

To tackle this, the CSA recommends that early years and childcare premises are considered as part of every housing and regeneration project, as well as every primary school expansion.

Average hourly cost of part-time childcare for a child aged under 2, 2015-2022



Childcare need and provision in Waltham Forest

+426

Increase in Ofsted registered childcare places in the borough between May 2017 and 2021

322

Gap in places, with most of this deficit being in relation to provision for under 3's

480

Additional places due to be delivered over the next years

2

Nurseries/daycare facilities observed within new developments in the high growth areas (Stadium Place and Highams Park)

1B: FACTORS AFFECTING AFFORDABILITY

Factor 2 – energy bills Pre-energy crisis, Waltham Forest had the third highest fuel poverty in London

Fuel poverty in England is measured using the Low Income Low Energy Efficiency (LILEE) indicator. Under this indicator, a household is considered to be fuel poor if: *“they are living in a property with a fuel poverty energy efficiency rating of band D or below when they spend the required amount to heat their home, they are left with a residual income below the poverty line”*.

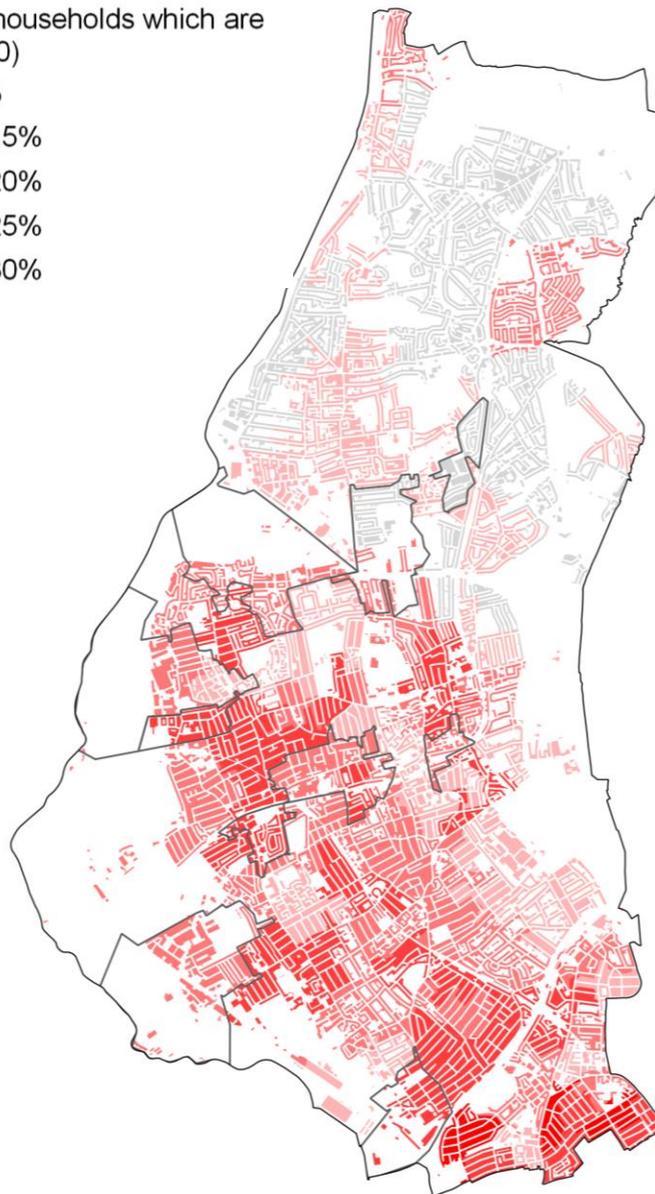
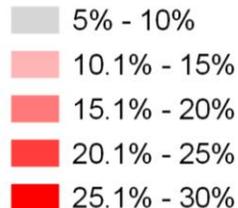
The latest data on fuel poverty was produced by the Department for Business Energy and Industrial Strategy (BEIS) in 2022, using 2020 data. This showed that Waltham Forest had the 31st highest fuel poverty rate (16.4% of households) of all local authorities nationally.

The majority of the borough’s fuel poor households live in the south and central parts of the borough – which is where much of the Victorian terraced stock is located. Conversely, fuel poverty is significantly lower in the north of the borough. This is likely to reflect the higher proportion of properties built in the 1930s or later which have a better energy efficiency rating, and the higher average incomes.

Fuel poverty by LSOA, 2020

□ Best fit LSOA for key development area

Proportion of households which are fuel poor (2020)



17,075 households are fuel poor within Waltham Forest

18% of households within the key development area LSOAs are fuel poor

16% of households within the Waltham Forest are fuel poor

1B: FACTORS AFFECTING AFFORDABILITY

...Which is likely to have worsened significantly over the last 12 months

In September 2022, the government announced the 'Energy Price Guarantee' scheme in response to the continued rise in the price of energy.

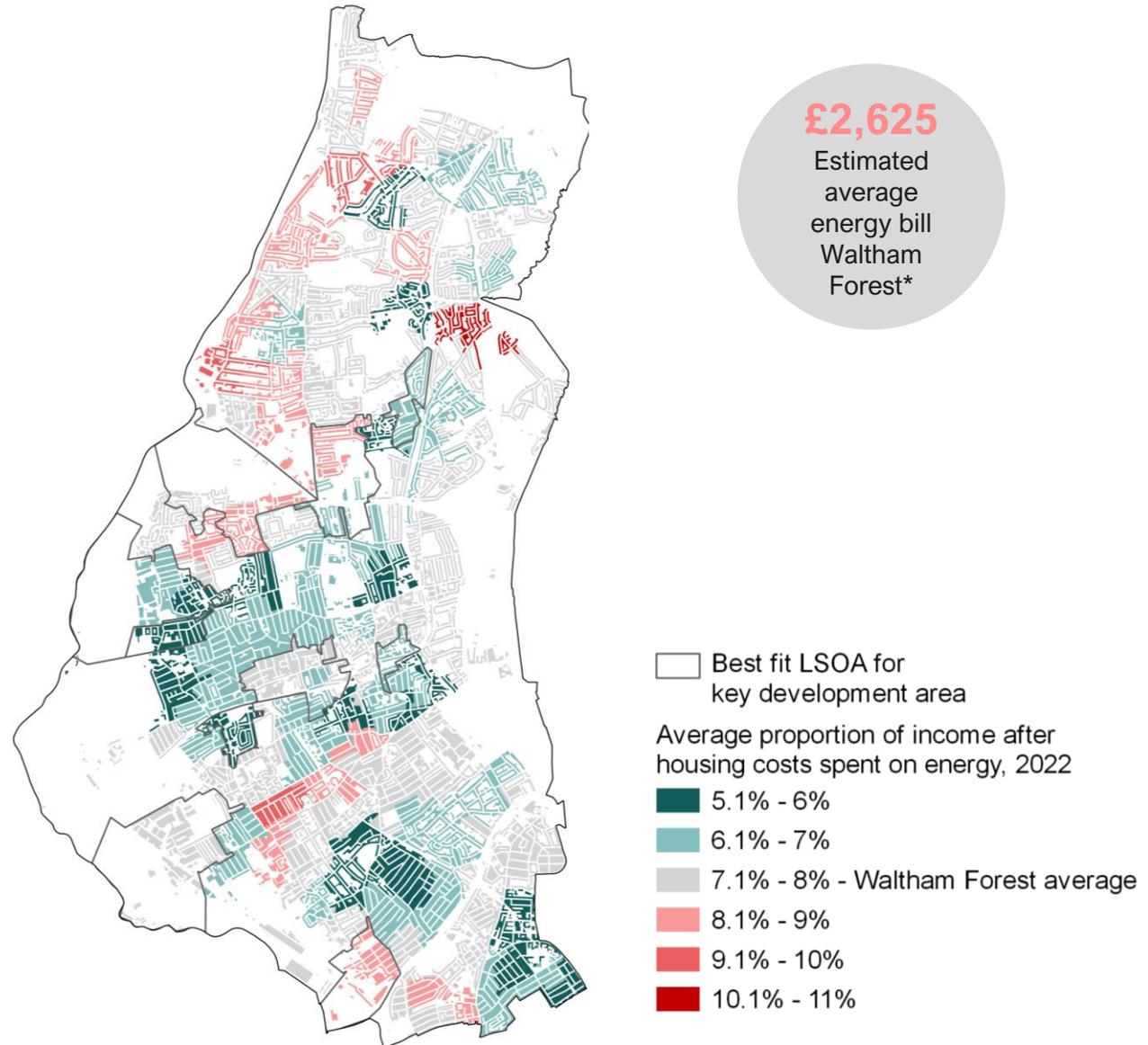
Under the scheme, which began on the 1st October 2022, a typical household in England, Scotland and Wales will pay an average of £2,500 a year for their energy bills.

The energy price cap sets a maximum price that energy suppliers can charge consumers for each kilowatt hour (kWh) of energy they use. How much a household pays depends on how much energy they use.

BEIS capture data on energy usage at local level. By applying the October price cap to 2022 usage, it is possible to estimate how rising prices will affect different areas, and we have calculated the approximate proportion of income after housing costs is spent on energy. The largest bills proportions are likely to be in the north east of the borough, as well as neighbourhoods in parts of Highams Park, Leyton and Lea Bridge. This is likely to reflect areas where there is low energy efficiency housing stock and areas with lower average incomes.

Source: Ofgem, ONS gas and electricity usage

Estimated proportion of income spent on energy costs by LSOA*



*Note: Based on the Energy Price Guarantee from 1st October 2022 electricity and gas tariffs and standing charges. Usage is based on 2022 data and actual usage will depend on average temperatures and behaviour change. Income is based on 2018 ONS Income After Housing costs uplifted to 2022 using change from ONS average weekly earnings

1B: FACTORS AFFECTING AFFORDABILITY

...The payback time for improving the efficiency of housing has been cut...

Source: Department of Levelling Up Housing and Communities, Energy and Climate Intelligence Unit

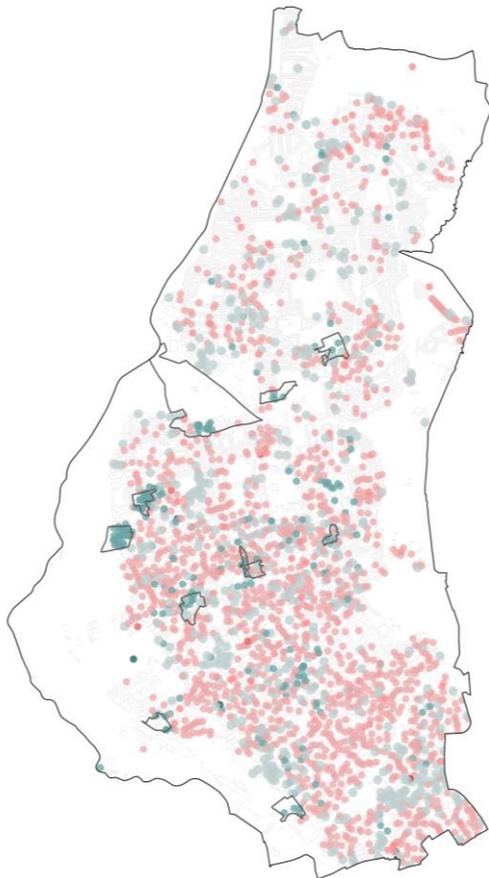
Waltham Forest's exposure to fuel poverty is predominantly driven by inefficient housing stock. The average energy efficiency score is 66 which equates to Band D. The average EPC rating of newly built properties is Band B.

Analysis from the Energy and Climate Intelligence Unit shows that the EPC rating of a property has a significant impact on energy bills. This shows that even with significant government support, energy

costs for a Band D property are likely to be almost £700 higher than a Band C.

This will shorten the payback times for improvements to domestic property efficiency such as insulation, which could make a significant difference in areas already suffering from high rates of fuel poverty in the south and central parts of the borough.

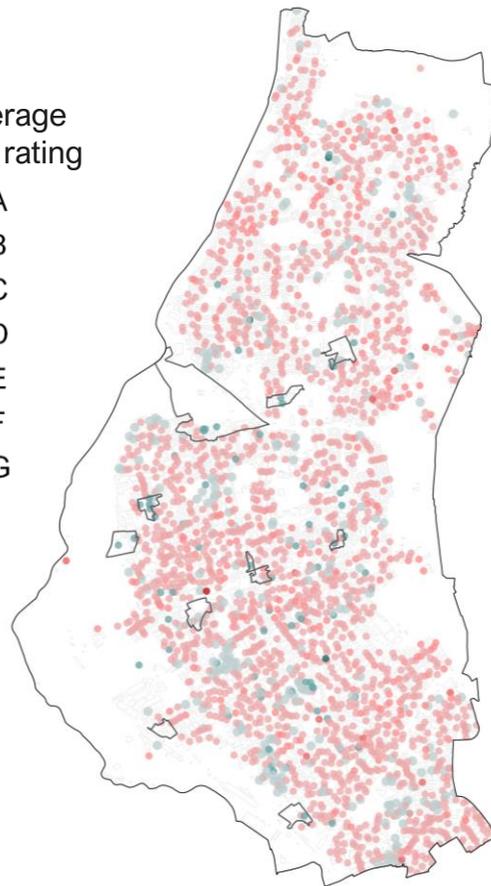
Flats and maisonettes



Average EPC rating

- A
- B
- C
- D
- E
- F
- G

Bungalows and houses



Energy costs for different EPC bands based on the October 2022 price cap

EPC Band	Gas costs (£/yr)	Elec costs (£/yr)	Dual fuel (£/yr)	Extra costs:			
				Total costs	House hold bill	Gov't support	Due to gas crisis
C	£1,877	£1,850	£3,726	£2,100	£1,626	£2,734	N/a
D	£2,359	£2,048	£4,407	£2,470	£1,937	£3,267	+£680
E	£2,729	£2,247	£4,976	£2,778	£2,198	£3,711	+£1,249
F	£2,914	£2,578	£5,492	£3,051	£2,441	£4,102	+£1,765

66

Mean energy efficiency score – all properties (Band D)

83

Mean energy efficiency score new properties (Band B)

1B: FACTORS AFFECTING AFFORDABILITY

...However the up-front costs are often a barrier to addressing improvement recommendations

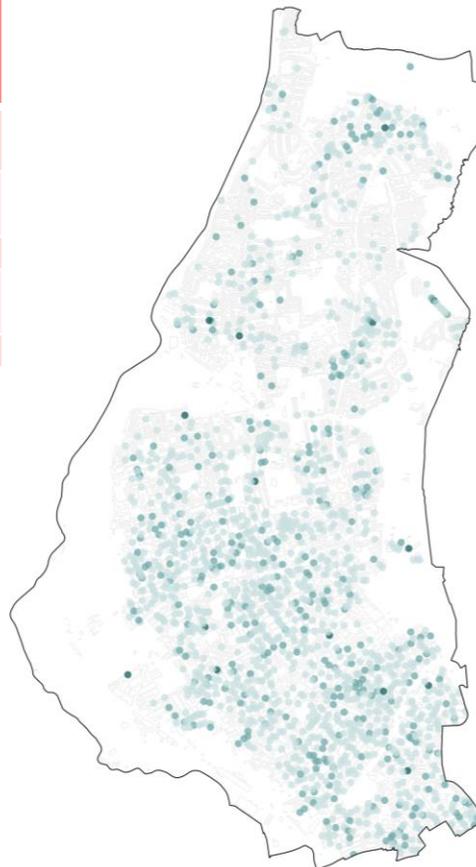
Source: Department of Levelling Up Housing and Communities, Energy and Climate Intelligence Unit

Across all housing in Waltham Forest, there is potential for a 42% decrease in CO₂ emissions (saving 116,466 tonnes/year), and a 23% reduction in heating costs if housing is made more energy efficient. There is potential for these efficiency savings to be made borough-wide, across flats, maisonettes, bungalows and houses.

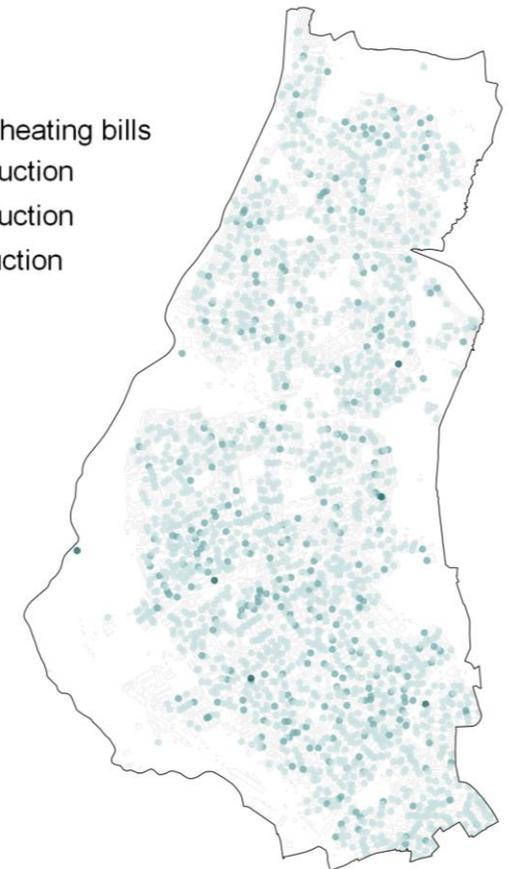
Whilst measures to increase efficiency will lead to savings in the long term through reductions in bills, they require an initial outlay. Many households within Waltham Forest will not be able to afford the initial cost of many of these measures, which is frequently over £1,500.

Top recommendations	Proportion of all properties with an EPC rating receiving recommendation
Wall insulation including cavity, internal, external	63%
Low energy lighting for all fixed outlets	42%
Floor insulation	38%
Solar photovoltaic panels, 2.5 kWp	38%
Solar water heating	34%

Flat and maisonette



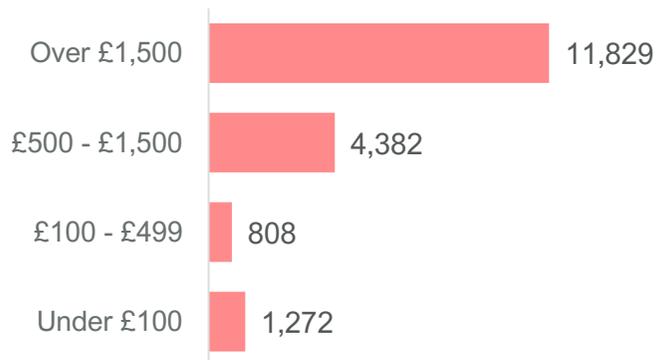
Bungalow and house



Potential change in heating bills

- 20% - 40% reduction
- 41% - 60% reduction
- Over 60% reduction

Number of recommendations by cost band, 2022



1B: FACTORS AFFECTING AFFORDABILITY

Bringing this all together: modelled essential spend examples (1)

Source: PRD Cost of Living Model, 2021 Census

By bringing the demographic data presented in Section 1a, with the evidence on essential expenditure in Section 1b, it is possible to understand the financial resilience of example households across Waltham Forest.

Using benchmark earnings data for different occupations from the ONS it is possible to understand the 'real' income leftover at the end of each month, once all essential costs have been considered.

The modelling suggests that even multi-earner professional households could have no money leftover at the month.

This shows that affordability needs to be considered in the round – and there are other key housing-related outgoings which could fall within the scope of the Commission to address several of the causes of the borough's unaffordability challenge.

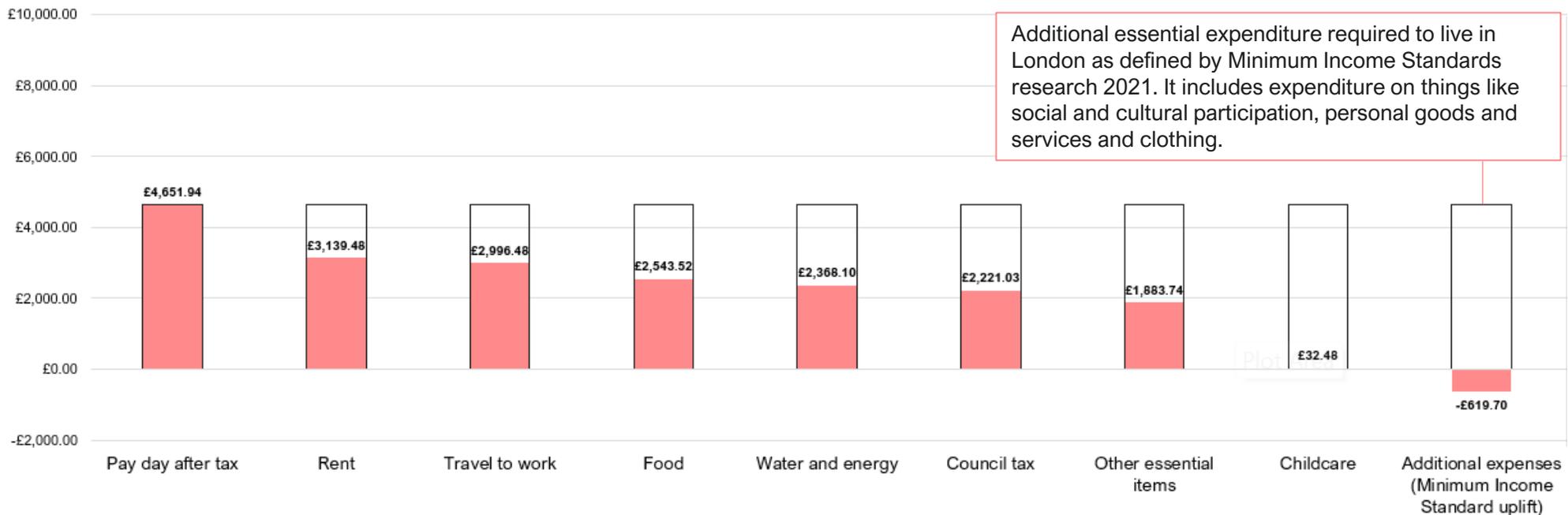
- Teacher and Doctor
- Annual earnings: £35,074 & £40,257
- Children aged 2 and 4, paying for full time childcare
- Private renting a 2-bedroom house

35,700 households within Waltham Forest have dependent children

30.9% of households in Waltham Forest live within homes which are two bed

3,900 children are aged 2 in Waltham Forest, 3,619 aged 4

Income remaining after...



1B: FACTORS AFFECTING AFFORDABILITY

Bringing this all together: modelled essential spend examples (2)

Source: PRD Cost of Living Model, 2021 Census

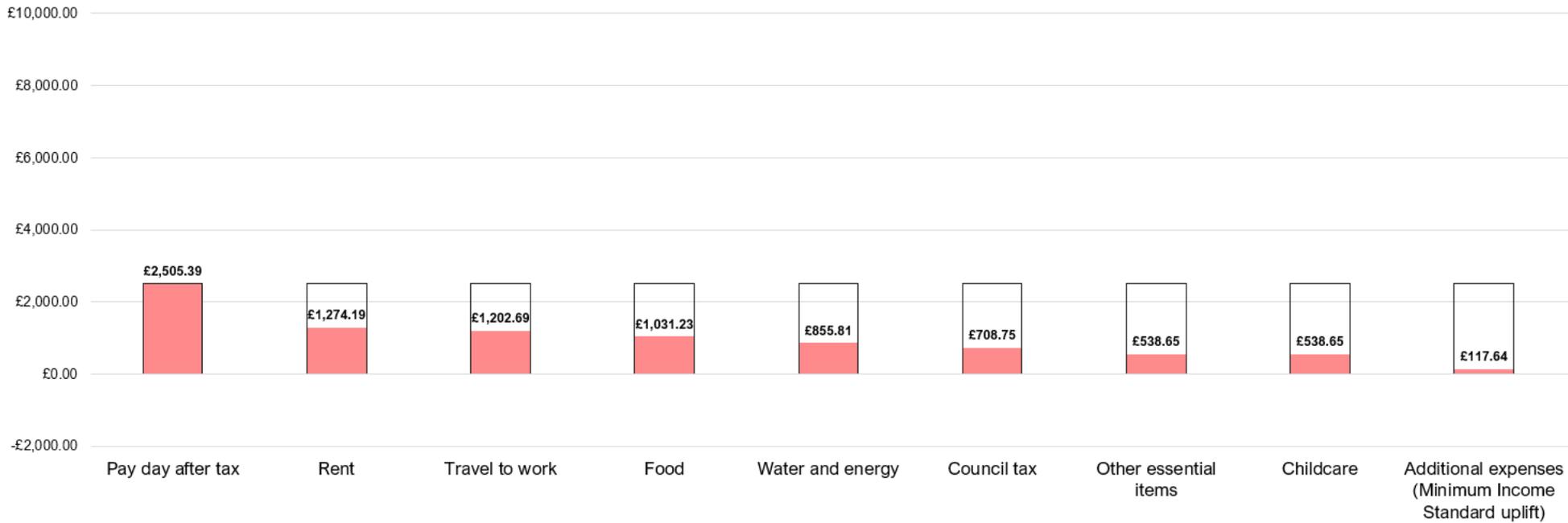
- One adult working in public administration
- Living alone in a one bedroom flat in Waltham Forest

26,700 single person households in Waltham Forest

21,194 residents in Waltham Forest are in associate professional and technical occupations

19.2% residents in Waltham Forest live in homes with one bedroom

Income remaining after...



1B: FACTORS AFFECTING AFFORDABILITY

Bringing this all together: modelled essential spend examples (3)

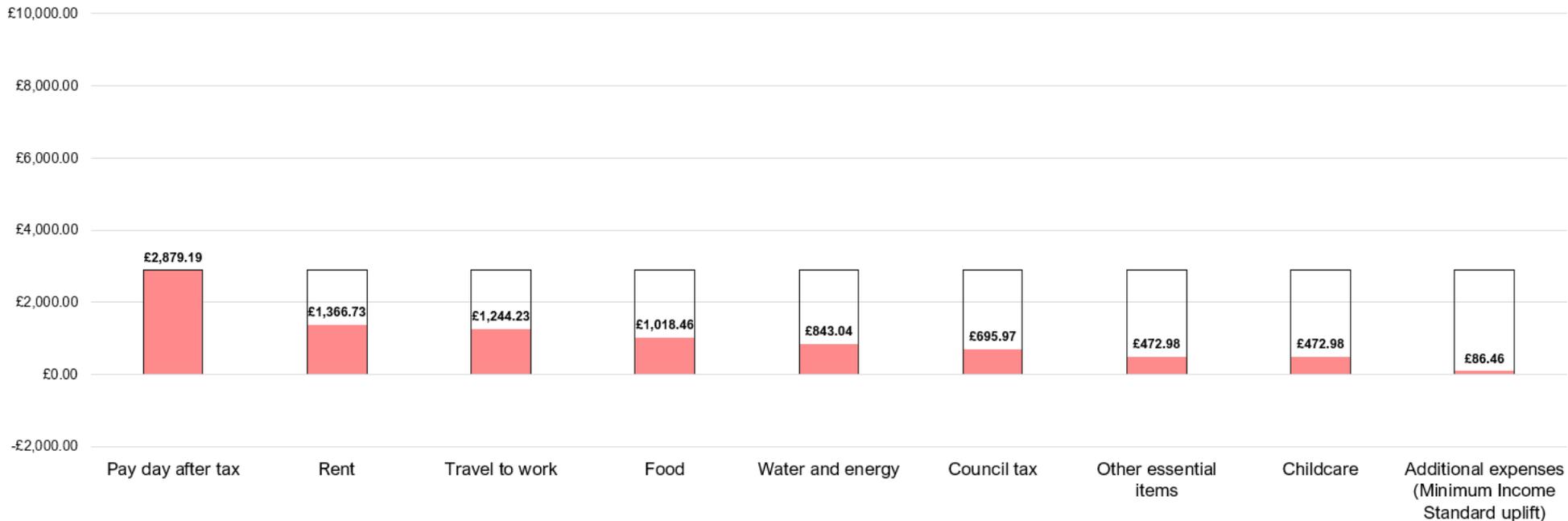
Source: PRD Cost of Living Model, 2021 Census

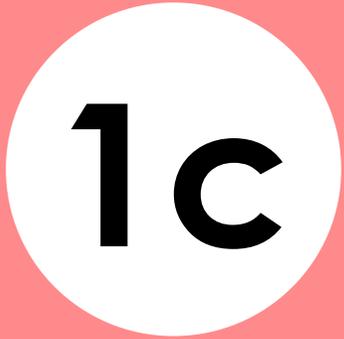
- Single Dad working as a Pharmacist earning £49,000
- Living with his teenage daughter
- Paying for travel to and from work and his daughter's travel
- Renting a two bedroom flat in Waltham Forest

8,500 lone parents with dependent children in Waltham Forest

There are 21,571 teenagers in Waltham Forest

Income remaining after...





ADDITIONAL INFORMATION

**WIDER STRATEGY AND
DELIVERY
CONSIDERATIONS**

**MORE INFORMATION ON
INTERMEDIATE TENURES, SHELTERED
ACCOMMODATION, BUILD TO
RENT, AND POSITIVE PUBLIC
DELIVERY**

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – INTERMEDIATE HOUSING

Recap: Affordability testing

Source: PRD Cost of Living Model, 2021 Census

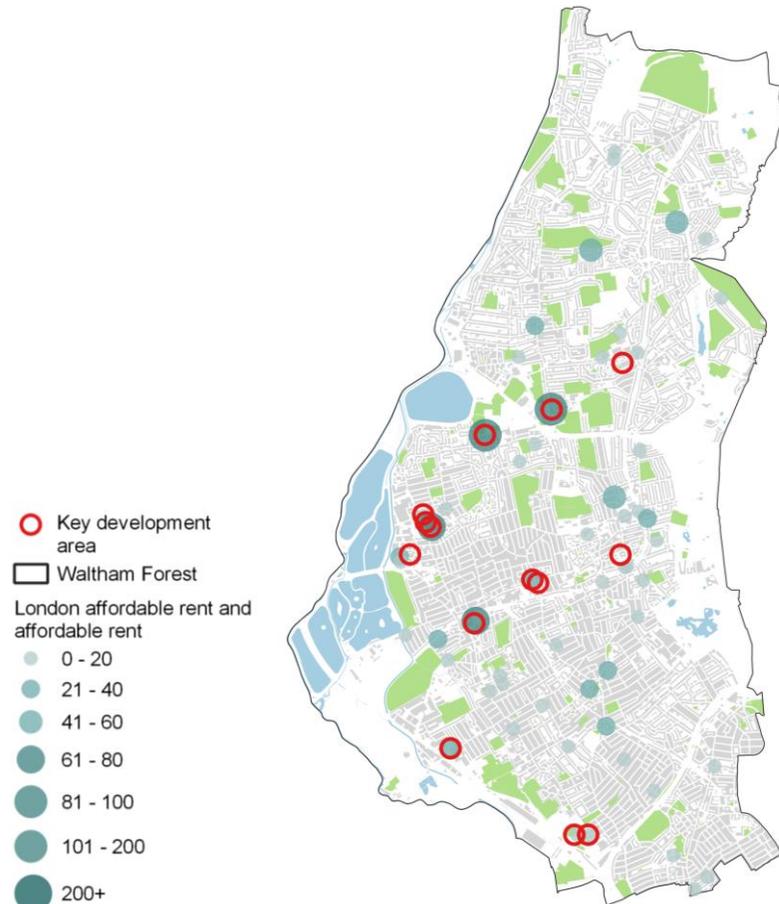
Significant affordable rent/London Affordable Rent homes have been delivered across Waltham Forest since 2011. The largest delivery is in Stadium Place, Billet Road (North Higham Hill), Sutherland Road, and St James Street.

By using benchmark rent data from LBWF, PRD has modelled the affordability of this tenure to calculate annual gross earnings required for housing to be affordable as defined by the GLA

(40% or less of gross income spent on housing). This analysis shows that this tenure provides important intermediate options for households on slightly below average incomes.

GLA analysis has suggested intermediate rent set at 80% of median market rent is generally only affordable to those at the middle to upper end of the income eligibility bands.

Affordable rent/LAR completed between 2011 and 2021



London Affordable Rent: London Affordable Rent is a non-binding target introduced by Mayor Sadiq Khan

- 1 bed - £168/week, £728/month – one person would require gross earnings of £28,800
- 2 bed - £178/week, £771/month – two people would require gross earnings of £13,400 each
- 3 bed - £188/week, £814/month – two people would require gross earnings of £13,800 each
- 4 bed - £198/week, £858/month – two people would require gross earnings of £14,400 each

Affordable rent: Introduced by the government in 2011, these rents are typically set at 80 per cent of the market value

- 1 bed - £220/week, £953/month – one person would require gross earnings of £39,000
- 2 bed - £270/week, £1,170/month – two people would require gross earnings of £21,600 each
- 3 bed - £330/week, £1,430/month – two people would require gross earnings of £27,600 each
- 4 bed - £398/week, £1725/month – two people would require gross earnings of £34,800 each

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – INTERMEDIATE HOUSING

Intermediate housing: Shared ownership overview

The London Plan states that, for an intermediate dwelling to be considered affordable, spend on housing costs (including mortgage repayments, rent and service charge) should not exceed 40% net annual household income.

The increasing cost of shared ownership has led to a review by some local authorities who are no longer developing shared ownership as part of their intermediate affordable housing offer.

The London Borough of Camden for example, prioritises the development of Intermediate rent to those in incomes that are no less than £20,000 and no more than £60,000 and the council seeks to ensure that the majority of intermediate rent homes in each scheme is affordable to households with gross annual incomes between £31,530 and £42,040 (adjusted annually by wage inflation).

Wider anecdotal research has revealed issues with selling Shared Ownership properties. Owners have reported challenges with finding buyers to meet the affordability criteria, with delays reported in Housing Associations screening applicants.

The GLA review into intermediate housing

30%

The new London Plan sets out a requirement for a minimum of 30% of affordable housing to be delivered as intermediate homes which meet the Mayor's definition of genuinely affordable.

£90k

Intermediate ownership products, such as shared ownership and Discounted Market Sale (where it meets the definition of affordable housing), should be made affordable to households on gross incomes of up to £90,000 a year.

71%

Of households moving in to Shared Ownership were headed by a person of white ethnicity. Households headed by a person of Asian or Asian British, Black, Caribbean or Black British, and other ethnic groups are underrepresented.

25-44

Is the most represented age group. The majority of households moving into shared ownership in 2017/18 comprised households with no children.

+60%

Increase in market value of Shared Ownership properties between 2013/14 and 2017/18. These costs have been met by increased deposit sizes and higher mortgage borrowing.

1C: WIDER STRATEGY AND DELIVERY
CONSIDERATIONS – INTERMEDIATE
HOUSING

**Shared ownership likely to
benefit wealthier residents
who are at the top end of the
required income thresholds**

The cost of living crisis and rising mortgage costs mean that the affordability challenges with Shared Ownership have become more acute. To understand the true affordability of schemes, we have modelled affordability based on an understanding of all essential spend.

This shows that the cost of shared ownership properties varies significantly between schemes. In general, properties are unaffordable for single people earning an average income within

Waltham Forest despite many being one bedroom properties.

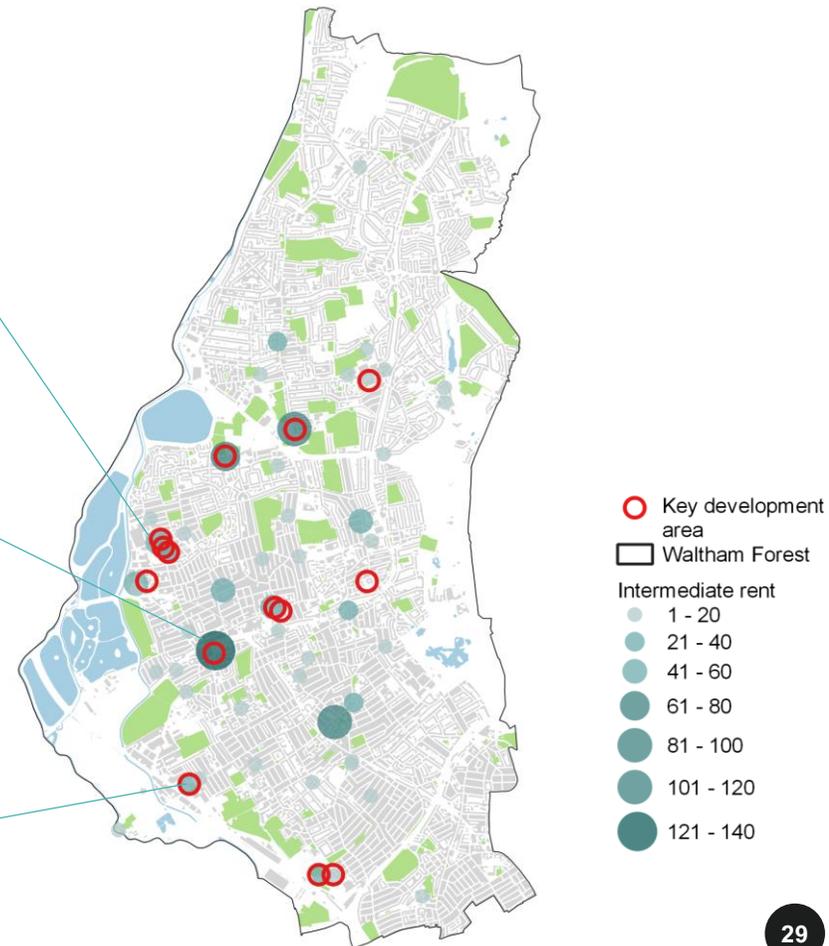
Whilst couples and families may be able to afford the properties at current monthly prices, households will be vulnerable to future price rises. Additionally, whilst smaller than for properties owned outright, significant savings are required to put down a deposit.

Cordage Works (25% share)
2 bedroom, £1,721 per month
Savings of £6,250 required for a deposit
To be affordable (less than 40% of gross income spent on housing)...
A single income household would require gross earnings of £79,200
A dual income household would require earnings of £34,800 each

Jazz Yard, St James Street (25% share)
1 bedroom £1,320 per month
Savings of £5,063 required for a deposit
To be affordable (less than 40% of gross income spent on housing)...
A single income household would require gross earnings of £57,000
A dual income household would require earnings of £25,200 each

2 bedroom, £1,637 per month:
Savings of £6,250 required for a deposit
To be affordable (less than 40% of gross income spent on housing)...
A single income household would require gross earnings of £74,400
A dual income household would require earnings of £33,000 each

Motion (30% share)
2 bedroom, £1,487 per month
Savings of £14,400 required for a deposit
To be affordable (less than 40% of gross income spent on housing)...
A single income household would require gross earnings of £66,000
A dual income household would require earnings of £29,400 each



1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – SHELTERED ACCOMMODATION

Recap: Sheltered accommodation demographic need predominantly in the north of the borough

Evidence from LBWF's Sheltered Housing Review showed that the majority of current sheltered housing residents are aged between 65 and 85.

Within the north of the borough there is a high proportion of residents aged 65 and over. This older population will require housing which suits their needs, either through adaptations to their existing homes, or moving to specialist older people's housing and care homes.

However, there are barriers both to the building of specialist housing and demand from older residents. Frequently, there is a lack of knowledge around housing options and the costs involved, or housing is not offered in an attractive and affordable location.

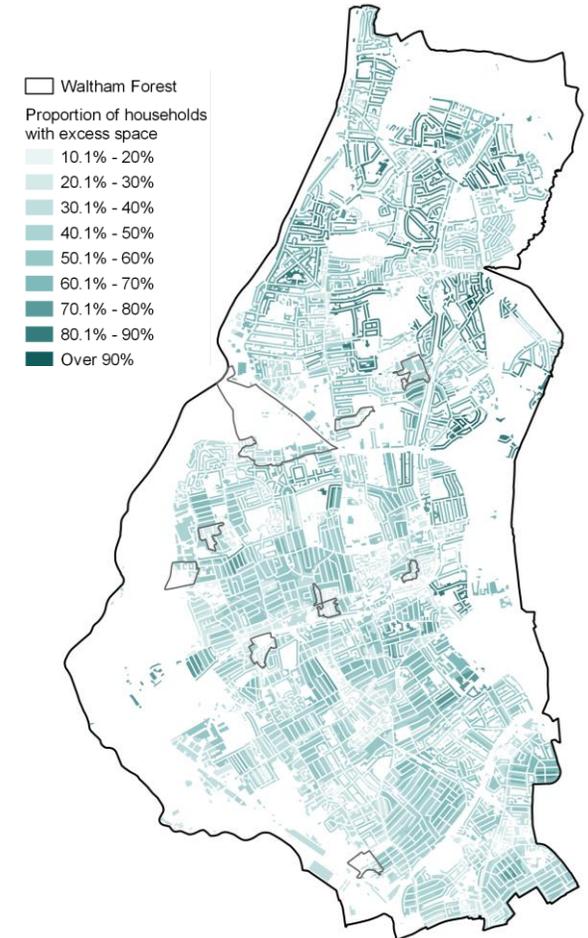
The areas with high proportions of older people in the north of the borough also have a high proportion of households with excess space. Addressing these barriers and providing the right homes for older people would mean that some of the borough's larger homes could become available for families and better serve local need.

Source: Centre for London, Census 2021

Proportion of households aged 65 or over, 2021



Proportion of households with excess space, 2021



Barriers to building specialist housing:

- High land prices – hard to develop properties which are affordable for older people but meet their requirements
- Competition – higher returns can often be generated from student or general needs housing
- Staffing – retirement communities and extra care settings require staff which has higher costs in London
- Planning and regulatory factors slowing granting of planning permission

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – SHELTERED ACCOMMODATION

Whilst not an immediate challenge, opportunity to form a proactive strategy in terms of awareness and engagement to plan for the next ten years

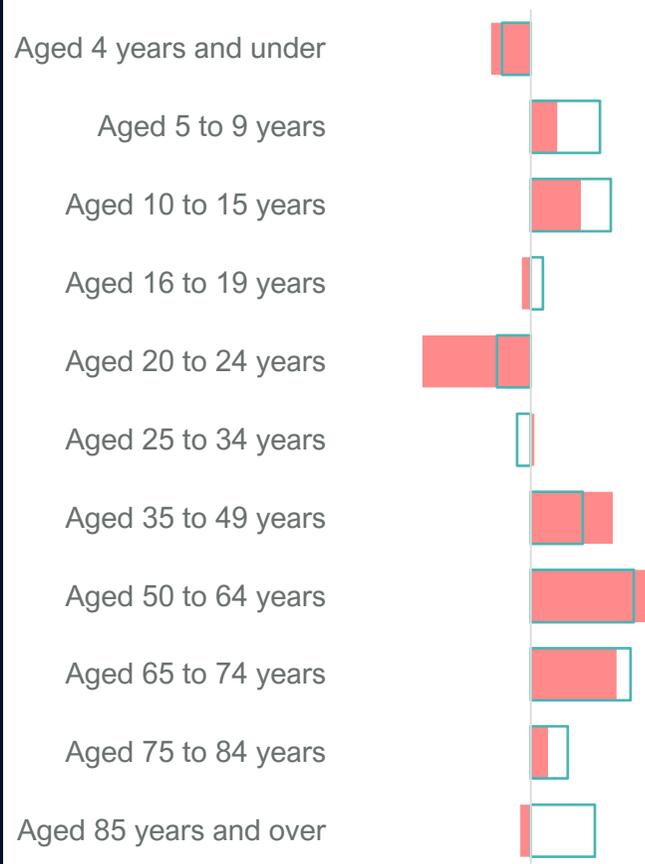
Analysis across Waltham Forest’s age profile suggests that need for specialist housing is unlikely to be as urgent for Waltham Forest as other outer London boroughs. The proportion of residents aged 65+ in Waltham Forest is 3% lower than the Outer London average, and this group has also seen lower growth since 2011.

Despite this, proactive future planning could be part of the borough’s longer-term strategy to socialise the options around Sheltered Accommodation and build the pipeline. Whilst LBWF does not have as bigger ageing population as other boroughs, LBWF has seen significant growth in the proportion of residents aged 50-64 (above the Outer London average).

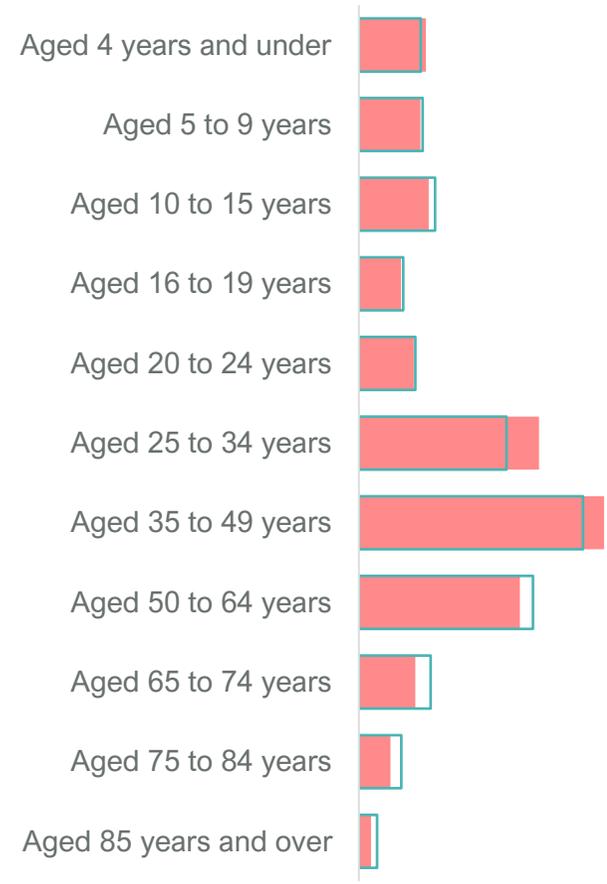
A recent report by Centre for London suggested that local authorities should: *“work with housing associations, as well as local community and voluntary groups, to reach “rising” older people (those in their fifties, sixties or seventies) with information about future housing choices – including both home moves and adaptations.”*

Source: 2021 Census, Centre for London

Change in proportion of residents by age group 2011-2021



Proportion of residents by age group 2021



■ Waltham Forest □ Outer London

11.1% increase in people aged 65 years and over

9% increase in people aged 15 to 64 years

1.8% increase in children aged under 15 years

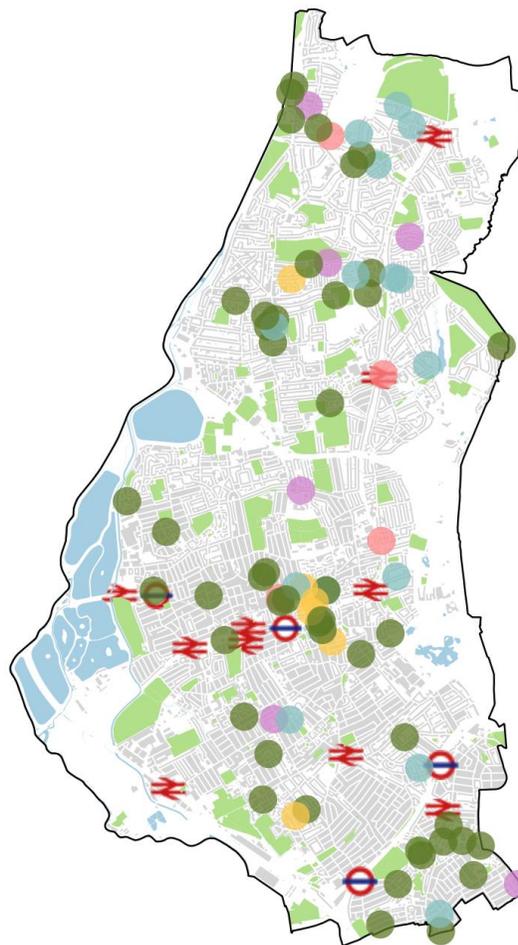
55-59 age bracket experienced the highest growth

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – SHELTERED ACCOMMODATION

Waltham Forest’s modelling shows that the borough currently has a small shortfall of sheltered accommodation – with a priority to address low ‘extra care’ provision

The council’s modelling suggests that 254 additional sheltered accommodation units are required to meet the needs of LBWF’s changing demographics. This need assumption is based on an assumption of 12,200 residents aged over 75 living in Waltham Forest. The 2021 Census suggests that this need estimate is likely to still be broadly accurate (showing there are 12,398 residents aged over 75 in Waltham Forest).

The 2020 Sheltered Housing Review stated that: “extra Care provision is relatively low and development of this is a priority, even if a very conservative view is taken of overall need.” Extra Care accommodation is usually rented from a housing association (though private providers and leasehold models do exist elsewhere) and involves the provision of care on the premises. It is sometimes previously referred to as “enhanced” or “very” sheltered housing, or “assisted living”. Extra care facilities usually consist of purpose-built, accessible building design that promotes independent living and supports people to age in place.



Specialist housing provision for older residents

- Age exclusive housing
- Almshouse
- Care home
- Housing with care
- Retirement housing

Type of provision	Number of homes	Proportion of total
Sheltered (rented from housing association)	850	47%
Sheltered (rented from Council)	455	25%
Leasehold (bought from a private company or from a housing association)	259	14%
Rented from a Community Benefit Society	188	10%
Almshouses (rented from a charity)	68	4%
Total	1,820	100%

Forecast Sheltered accommodation need, 2019

Type of provision	Number of homes	% of total
Sheltered housing	1,525	73%
Enhanced sheltered housing	244	12%
Extra care	305	15%
Total	2,074	100%
Shortfall based on current provision	254	

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – PRS

Already growing rapidly, the withdrawal of Help to Buy is forecast to accelerate Build to Rent investment

Market analysis shows that Build to Rent investment has increased significantly in recent years. With changes to government policy there is evidence that housebuilders and investors are looking to pivot investment strategies. Savills have forecast that this could accelerate with the withdrawal of Help to Buy which closed to new applications in October 2022.

Savills expect that the growing demand for investment in build to rent homes could fill most, if not all, of this gap in delivery left by the withdrawal of Help to Buy – increasing BTR’s share of all completions from 6% to 12%. This would deliver 13,000 additional homes per year over the three years to 2026 compared to the last three years, reducing the size of the gap to just 4,000 homes per year.

In terms of affordable housing delivery, the preferred route for most BTR providers is to deliver discount market rent alongside the BTR product. This could be anywhere between 60-80% discount to market rent. This is attractive to investors because they are not required to be an RP to own and manage the stock. However, as the GLA no longer funds grant on discount market rent, viability can be an issue.

Savills BTR market insight, Q3 2022

£5bn

was invested into UK Build to Rent during the 12 months to Q3 2022 and investment in Q3 alone is up 75% year on year (Savills).

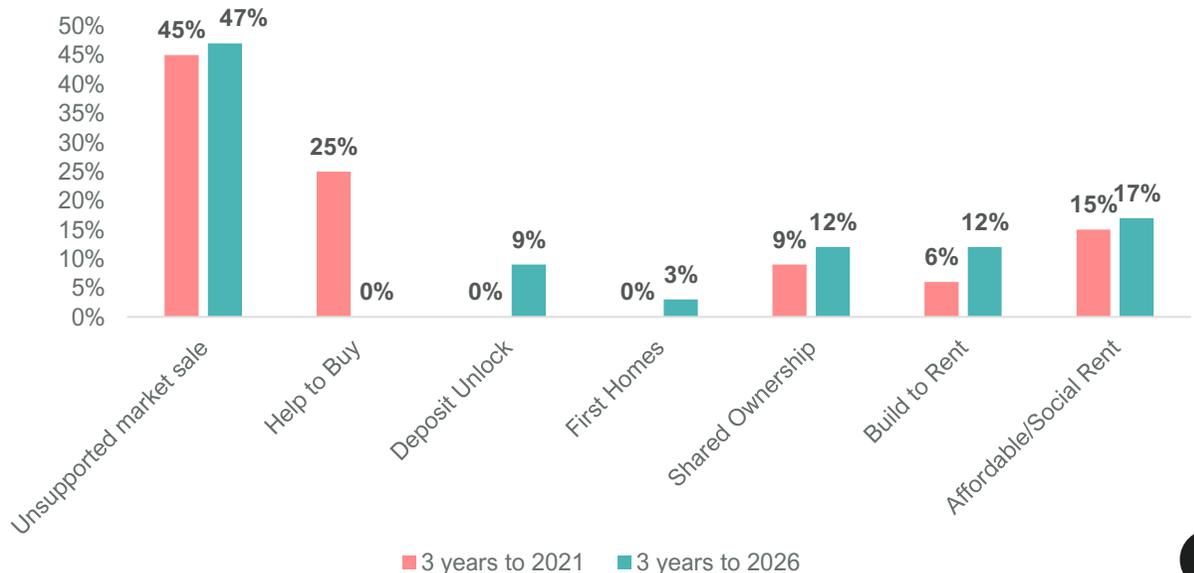
76.8k

Completed BTR homes (as of Q3 2022) with a further 49,800 homes under construction

2x

Before the disruption of the pandemic, Build to Rent volumes had doubled over the three years to 2020. Savills anticipate this to double again by 2026.

Forecast completions after Help to Buy



Source: Savills

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – PRS

Factors shaping Build to Rent investment strategies mean that the south of the borough is likely to be the focus of BTR market activity

PRD has undertaken primary and secondary research into the London BTR market. From this, we have presented the key factors influencing a site's suitability for BTR. Many of these factors can be mapped, such as concentrations of target demographics, and connectivity levels. This analysis reinforces the rationale behind the borough's existing BTR market which is mainly concentrated around stations.

This is not to suggest that BTR could not work elsewhere in the borough. As the market gathers momentum (as is forecast to be the case), the product may diversify and other options may come forward (such as smaller developments with a less significant amenity offer which could be let at cheaper rates).

Information from officers suggest that speculative applications are already being received in less typical locations within the borough such as Leytonstone.

Factors influencing BTR viability and investment decisions



High land and rental values are important. This, plus the target demographics of developers mean that BTR developments often come forward in areas of high connectivity.



For BTR developments to be viable, they need to be near fully-let all of the time. Due to high management costs, BTR typically requires larger sites.

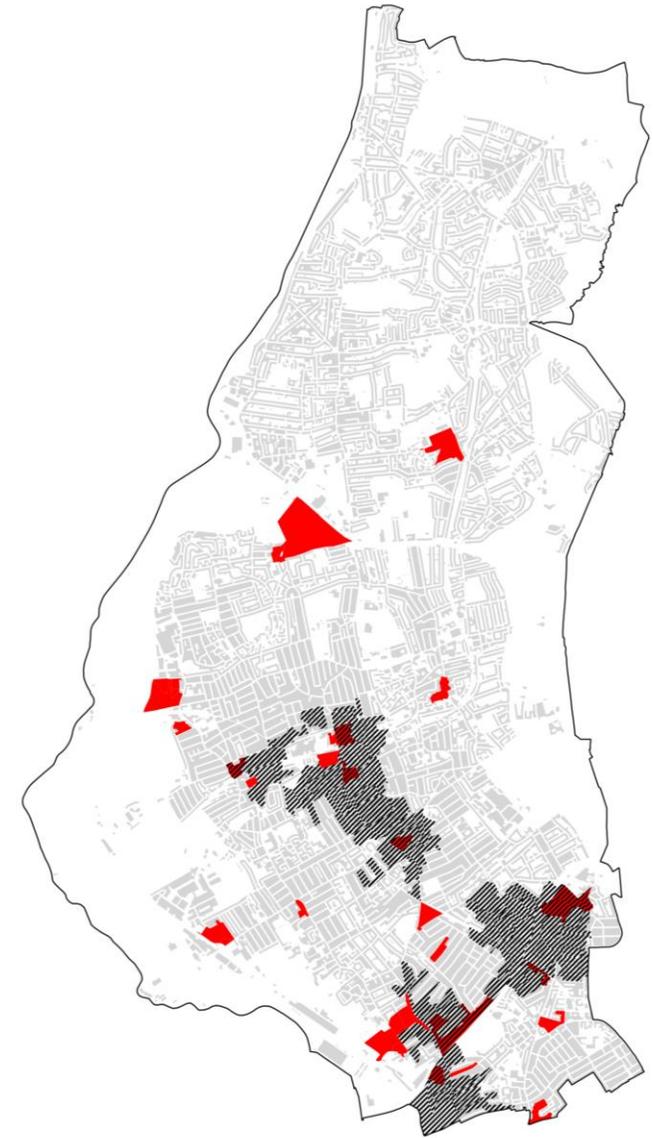


High amenity is also important to attract high occupancy and developments often include concierge and other facilities such as roof terraces or communal areas. This also increases management cost.



The average age of people looking to move into a first home in the UK was between 25 and 35 years old in 2016, but now the average first-time buyer is 37 years old – meaning the PRS is often targeting this market

Areas of high connectivity and areas with high concentration of typical renter age profile



■ PTAL 5, 6a, 6b
■ More than 30% of residents aged 25-34

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – POSITIVE PUBLIC DELIVERY

Case study 1: Southwark Land Commission

Southwark Land Commission is a group set up by LB Southwark to explore how public land can be used in a more efficient and impactful way to deliver more significant public benefits.

The purpose of the Land Commission is to challenge how society values land and what its best use might be (including affordable housing and housing for specialist need).

The Commission will consider the financial and legislative barriers to delivering public goods on public land (including housing).

Whilst the GLA have undertaken significant work to map public land across London, the priorities of different organisations are often unclear and misaligned. The Land Commission will bring public landowners together to collectively deliver genuinely affordable housing.

Positive public delivery will therefore act as a demonstrator for private sector partners. This will:

- Look at how sites in existing housing areas can be used better (Food, Ecology, Community)
- Support more local ownership and delivery (Potentially trusts and cooperatives)
- Identify where capacity building is needed to make this happen



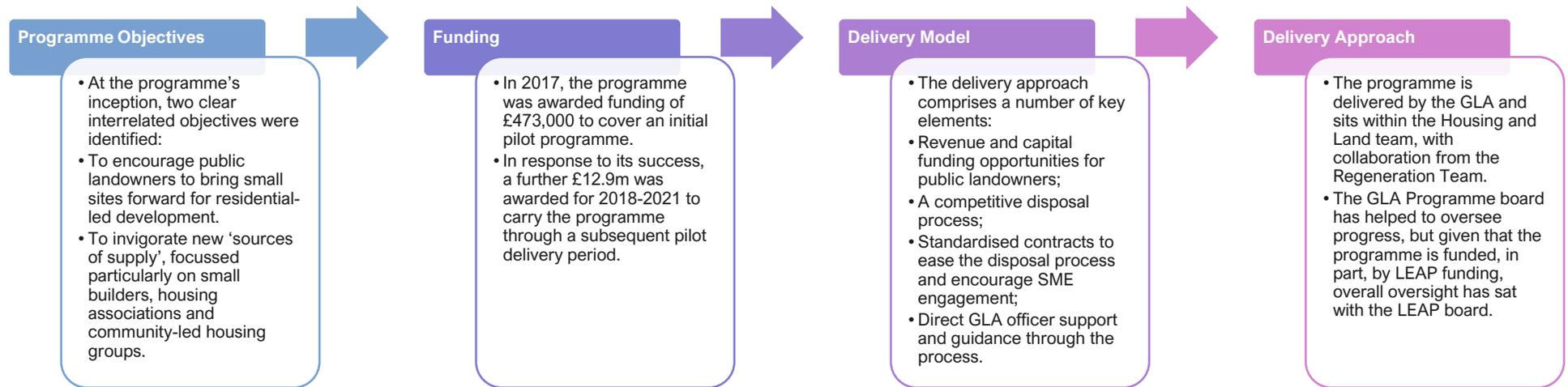
Photo by Samuel Regan-Asante on Unsplash

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – POSITIVE PUBLIC DELIVERY

Case study 2: Small Sites x Small Builders - Unlocking small site development across London

Set up by the GLA in 2017 as a response to the lack of supply of small sites available for housing delivery, alongside a significant fall in the number of small builders operating in the UK.

The programme's main purpose is to reduce or mitigate some of the barriers faced by public landowners and small builders in the development of small sites for housing.



Beechwood Avenue

Overview: Beechwood Avenue in Finchley was listed on the portal in 2018 and Kuropatwa Ltd were selected as the preferred bidder by TfL. It is in a largely residential area and sits adjacent to the North Circular; dense vegetation, a number of mature trees and its proximity to the North Circular made it a complex site to develop.

Key successes: Despite the complex nature of the site, it is the first scheme from the programme to start on site. They successfully gained planning permission for 97 homes – higher than the initial forecast - of which 50% are affordable.

Aylesbury Street

Overview: TfL has selected Innisfree Housing Association as the preferred bidder on the Aylesbury Street site in Brent. A planning application for nine new homes has been submitted. The site sits within a conservation area and faces a number of development restrictions.

Key successes: Innisfree is a small housing association working in north west London with the Irish community and this Small Sites x Small Builders is the first scheme that Innisfree has developed for over 20 years, suggesting that the programme is acting as an important platform from which small builders can access a new pipeline of sites.

1C: WIDER STRATEGY AND DELIVERY CONSIDERATIONS – POSITIVE PUBLIC DELIVERY

Case study 3: Community Investment Programme (CIP), LB Camden - Comprehensive Council-led Development

Camden has historically retained and even amassed and assembled land since the mid 70s which is different to lots of boroughs

CIP harnesses and reinvests surpluses generated by development to meet local priorities that the market isn't addressing.

Additional investment will mean building a total of: 4,850 new homes, including 1,800 council homes; and 350 Camden Living Rent homes for nurses, teachers, keyworkers and other middle-earners.

Also invested in 48 schools and children's centres and creating 9,000m² of improved community facilities, the equivalent of 35 tennis courts.

The expanded Programme will enable the Council to continue building larger, energy-efficient homes that provide Camden families with the space they need, help to tackle rising bills and lower carbon emissions.

CIP will also help renovate thousands of existing council homes, as part of the Council's Better Homes Programme.



Photo by Hert Niks on Unsplash

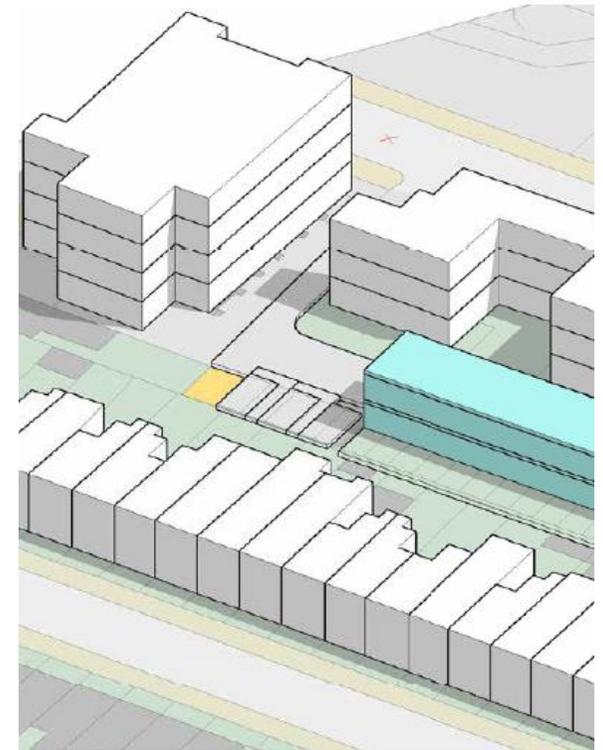
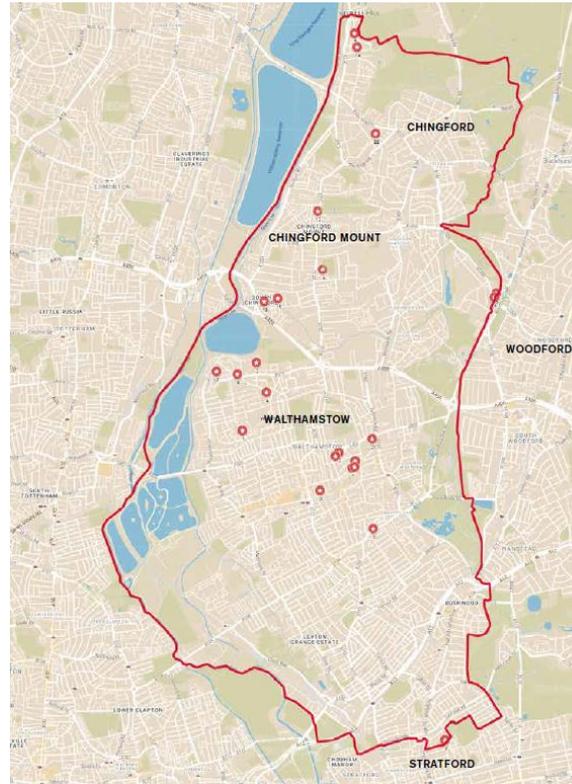
1C: WIDER STRATEGY AND DELIVERY
CONSIDERATIONS – POSITIVE PUBLIC
DELIVERY

Case Study 4: Waltham Forest Garages

Waltham Forest has identified around 30 garage sites across the borough which can accommodate between 2 and 25 units each.

Most of these are in public ownership and are often in existing developments and housing estates.

The council is currently looking at the capacity and viability of developing these to deliver new homes.



2

HOW SHOULD WALTHAM FOREST BUILD?

THE CHANGING FINANCIAL
CLIMATE MEANS THAT A NEW
PRIORITISATION IS REQUIRED TO
SECURE THE AFFORDABLE HOUSING
THAT WALTHAM FOREST NEEDS

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The changing financial climate means that prioritisation is required to secure the affordable housing that Waltham Forest needs

1.

The vast majority of affordable housing nationally has been delivered by Registered Providers and S106. While direct delivery by local authorities has increased in recent years, this still accounts for less than 10% of all affordable homes delivered. There are smaller providers which are likely to be increasingly relevant to affordable housing delivery in Waltham Forest. This includes for-profit RPs that are not encumbered by high maintenance costs associated with their existing stock, and charities that specialise in tenures such as specialist housing.

2.

There are challenges facing both RPs and Section 106 which could restrict ability to accelerate the delivery of affordable homes. Many RPs in Waltham Forest and nationally are dealing with wider cost pressures associated with their existing stock such as damp, mould, and cladding issues. Whilst S106-related delivery is not encumbered the same challenges, this method relies on a buoyant housing market to sustain high rates of affordable delivery.

3.

The challenging financial context will make historic methods of delivering affordable housing more difficult. House prices are forecast to decrease and build costs to increase over the coming years, meaning viability assessments are likely to conclude that high levels of affordable housing may be less viable in the short-term. At the same time, borrowing costs for Local Authorities and RPs have increased significantly.

4.

Funding the net zero transition could also constrain ability of the Local Authority and RPs to deliver higher quantities of affordable homes. Achieving net zero and addressing the climate emergency are local and national policy priorities. Domestic emissions contribute over half of total emissions in Waltham Forest. Proposed regulatory changes by government could restrict any property rated EPC D or below from being leased. This will require significant investment in the borough's existing affordable housing stock to meet this change, and additionally wider enhancements to achieve net zero by 2050.

5.

Developing a consolidated lobbying ask to government, as well as responding to the challenging economic context. This report has identified several lines of enquiry that the commission may want to consider. This recognises that many of the challenges outlined here represent pan-London challenges which could form the basis of Waltham Forest's lobbying ask to government. The report also sets out potential local responses to the two most pressing delivery challenges: net zero and build costs and viability pressures.

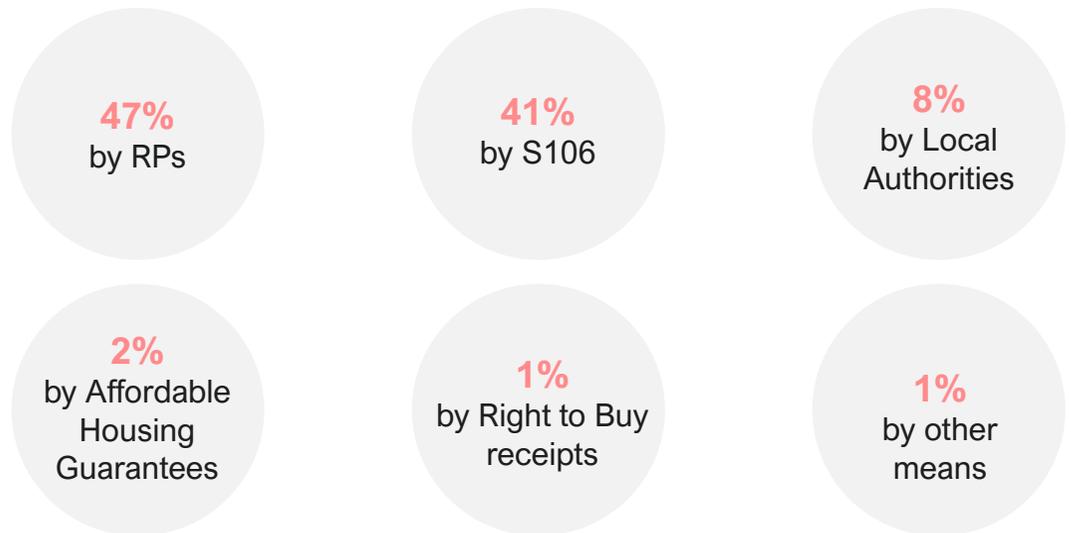
2: FINANCING AFFORDABLE HOUSING DELIVERY

Affordable housing delivery has been heavily reliant on Registered Providers and S106

Registered Providers and Section 106 has played a dominant role in delivering additional affordable housing over the last five years. The role of Local Authority delivery is growing but remains small relative to RPs and S106.

Section 106 agreements were introduced in the Town and Country Planning Act 1990. They are an attempt to reconcile private profit with community gain by placing requirements on developers linked to community benefit/compensation for development. The broad intention is to mitigate the impact of any developments by ensuring that developers contribute towards necessary infrastructure. Agreements may include wider community benefits e.g., *ensuring local people get access to job opportunities*. Over time, the planning framework has been modified and negotiations now mainly focus on affordable housing. There is a standard formula (CIL (Community Infrastructure Levy) linked to floor space. Approaches to the use of S106 vary reflecting political priorities, market conditions, grant aid and housing need in England.

Funding and delivery of additional affordable housing in England, 2015/16-2020/21



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Smaller (but still relevant) providers of affordable housing

Other partners which may be relevant to future affordable housing development in Waltham Forest has been included (right).

For Profit RPs: These are regulated by the Regulator of Social Housing (RSH) and commonly backed by Institutional capital. Examples include: L&G, Sage (Blackstone), McCarthy Stone (shared ownership), ReSI – retirement and shared ownership REIT

- Increase from 25 providers in 2015 to 50 in 2022 in England
- Savills research (2022) estimates for-profit providers will own 141,000 homes by 2027, and that providers already registered would grow their stock by c. 141,400 new homes
- Originally focused on S106 but increasingly investing in direct development
- New For Profit RPs have less existing stock than more established RPs, therefore, potentially less encumbered by net zero costs and refurbishing older stock
- Potential to play a growing role in delivering new housing but role of regulation will be key

Charities that are not RPs:

- Housing providers can be charities but not RPs
- Often more focused on supported living or specialist housing rather than general needs housing but engaging these providers could be important to meet the borough's specialist housing need outlined on Page 32

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Delivery through planning gain is reliant on a buoyant housing market

Source: Newbridge Advisors

In 2011-12 affordable housing levered through S106 Planning Obligations in England accounted for just 5% of all affordable housing delivery. This increased year on year to 2019-20 where it accounted for 48% of all affordable housing, declining marginally in the two most recent years.

Therefore, we can conclude that planning gain is continuing to make an important contribution to

the delivery of affordable housing in England. Despite this, it is clear that whilst S106 has been successful in unlocking significant affordable housing delivery, it has benefitted from stable market conditions. As set out on the following pages, the changing market conditions could hinder the ability of securing affordable housing through planning gain in the short term.

Approach	Pros	Cons
Registered providers	<ul style="list-style-type: none"> Broad base of providers with low cost capital Motivated to build high quality housing for long term ownership by the RP Less politically influenced than public sector Strong relationships with GLA / HE for grant 	<ul style="list-style-type: none"> Sector risks e.g. <i>cladding, damp & mould, development can stifle delivery</i> Over exposure to development can increase risk under Regulation by RSH Lenders regard exposure to market sale and shared ownership as risky
Section 106	<ul style="list-style-type: none"> Ability to tap into developers' delivery capacity and build cost efficiencies Capitalises on high values to cross-subsidise affordable housing Negotiated in line with viability with review mechanisms on larger schemes 	<ul style="list-style-type: none"> Reliant on a buoyant housing market If developers stall, so does delivery of affordable housing Viability based meaning it is subject to reduction in the number of units delivered Quality can be challenging for RPs S106 made up c. 50% of RP delivery in 2021 yet preference is for land-led schemes
Local Authorities	<ul style="list-style-type: none"> Potential to use publicly owned land which has low existing use / 'book' value Access to low cost of capital Less able access new land 	<ul style="list-style-type: none"> Political interference and changing priorities Debt capacity constraints within Housing Revenue Account (HRA) Challenges over resources and skills

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The changing economic context (1): falling house prices, coupled with rising build costs could affect affordable housing delivery through planning gain

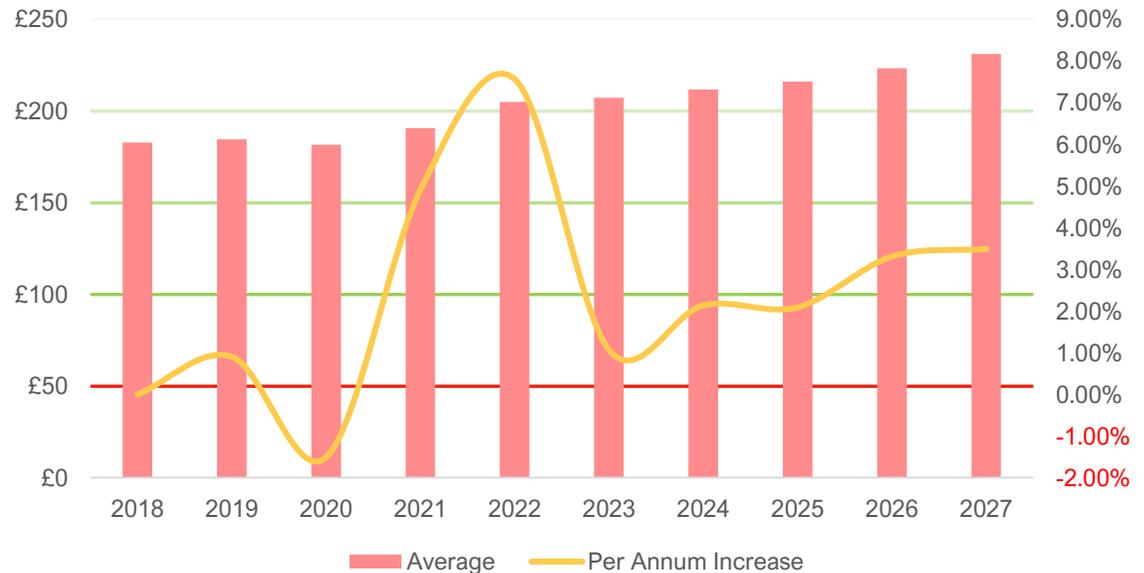
The graphs (right) display the past five years data on house prices and build cost movements, and the forecasted five year performance. It demonstrates the challenges faced by developers and developing RPs in the current market.

A review of LBWF's planning documents suggested that viability concerns/viability assessments were the key reason that sites did not include required levels of affordable housing. A viability review was stipulated in all schemes that were not policy compliant. In most instances no additional housing/contributions were provided.

Waltham Forest Average House price, 2018-2027



London Build costs, 2018-2027



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The changing economic context (2): short-term divergence between price and build costs

The graph (*right*) compares annual increases in house prices and build costs. There is a clear diversion between price and cost in 2023 as affordability challenges continue on account of factors including mortgage costs rising.

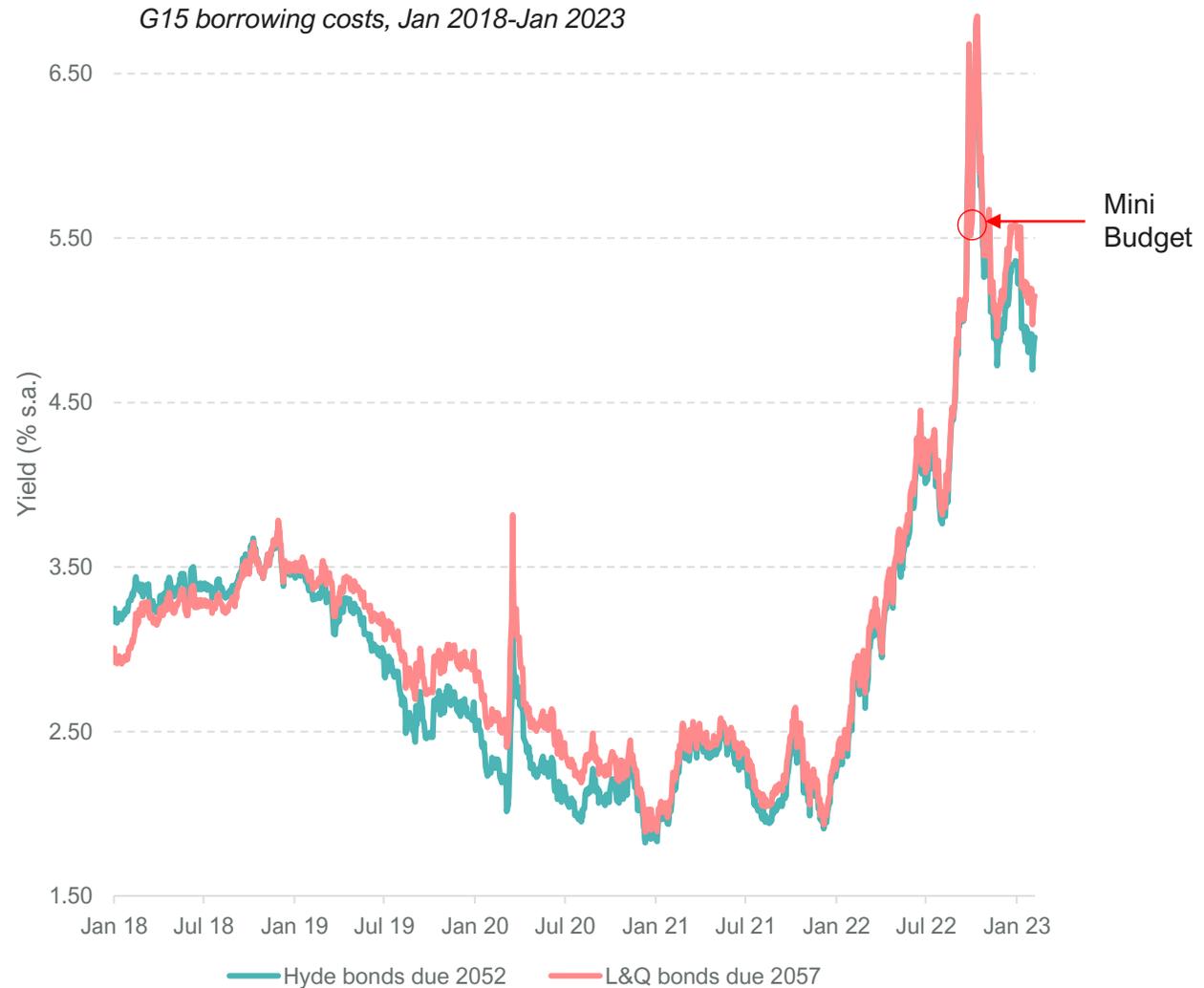


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Registered Provider borrowing costs have increased significantly

Registered Providers have access to a low cost of capital by using their existing asset base, stable income streams and regulation to attract bond and bank debt. The graph (right) shows the cost of finance for Hyde and L&Q as an example of how finance costs have moved over recent years.

RPs face costs for net zero works, improvements to quality of stock and service standards, plus tenant engagement. These investments do not necessarily create additional income streams, therefore, finance available for development is reduced.



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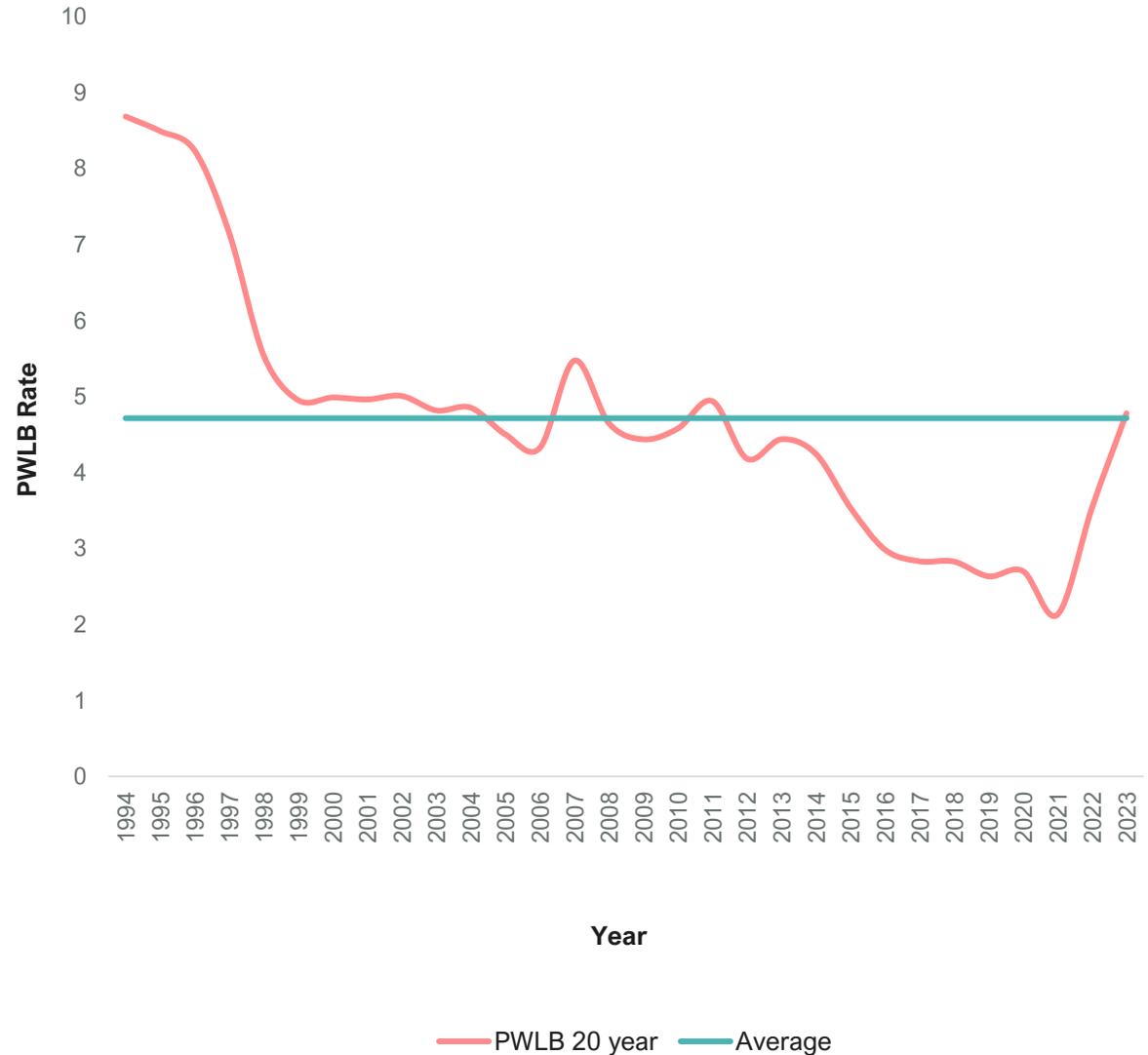
Local authority borrowing costs have also increased significantly after a decade of historic lows

Local Authorities can borrow from a range of sources but the majority is from Public Works Loan Board.

PWLB rates have been low since the financial crash due to Quantitative Easing (QE) but, as with RPs, the cost of finance has seen a sharp increase since 2022. Local Authorities face the same challenges for improving existing stock and tenant services which reduces funding available for development.

Local Authorities are also more susceptible to increases in build costs.

PWLB Maturity rates, 1994-2023



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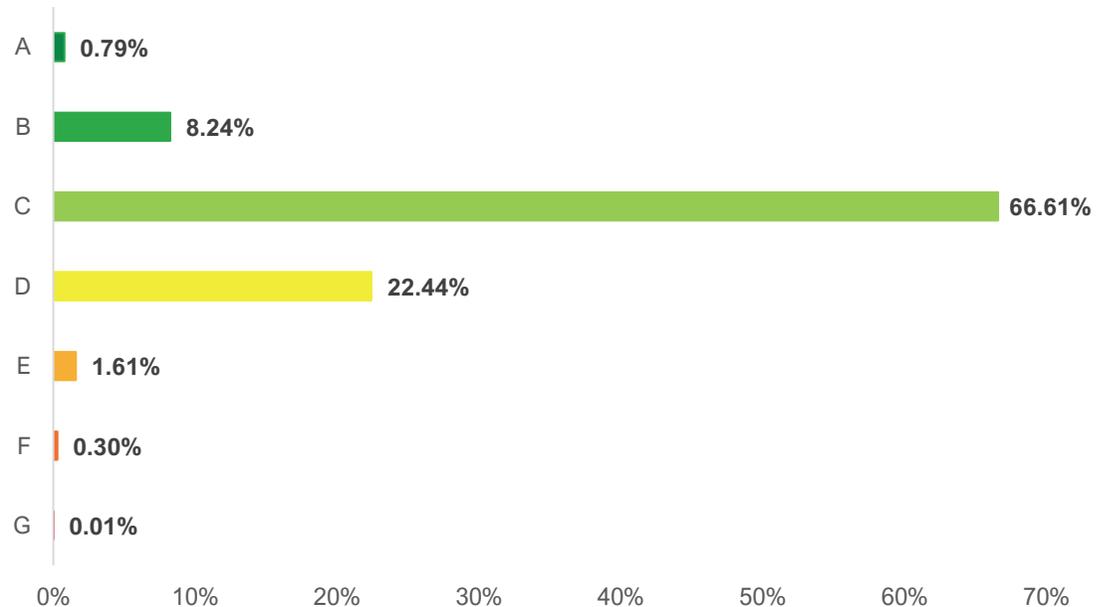
Funding net zero transition could also constrain ability of the Local Authority and RPs to deliver higher quantities of affordable homes

In 2019, the Government committed to bring all greenhouse gas emissions to net zero by 2050, but LBWF have committed to achieve this by 2030. Housing accounts for over 50% of local carbon emissions in Waltham Forest. To make an impact on these emissions the borough has committed to looking at more energy efficient options. By 2030 the borough has a publicly-stated aim for its social housing to have an EPC rated B, this is in line with London Council's targets.

The current Government Minimum Energy Efficiency Standards ("MEES") regulations state no property with an EPC rating below 'E' can be leased. The Government are consulting on moving this target to below a 'C' rating. Resulting in nearly 25% of properties requiring retrofitting. There are approximately 367 housing association properties Waltham Forest do not yet have any data for, meaning the costs presented here are likely to represent conservative estimates.

Source: Newbridge Advisors, LBWF EPC Data

Energy Performance Certificates across Waltham Forest's affordable housing stock*



*Note: includes both Local Authority and Housing Association stock.

24% of the borough's affordable housing would require retrofitting to achieve EPC Band C

£30m estimated cost of retrofitting existing affordable housing properties to achieve a band C EPC rating

£245m estimated cost to reach net zero in existing affordable housing stock by 2050

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The implications of the changing financial climate: new development economics

To provide an example of the challenge in providing affordable housing we have created a development appraisal of 100 homes on 2 acres of land assuming 35% affordable with no grant.

The table (*right*) summarises the surplus and deficit per unit that can be generated across this example scheme. This demonstrates, at a high level, the challenges with delivering policy compliant levels of affordable housing once all costs (including profit and finance) are considered.

As a sensitivity, Newbridge Advisors tested how many affordable homes can be included in the development to reach a surplus of £0 (breakeven point), it came to 17 homes, half of the London Plan policy compliant 35%.

Example development appraisal of 100 homes with 35% affordable in Waltham Forest: build costs only

All costs included				Total
	Private	Shared Ownership	Social Rent	
Price	£487,423	£316,825	£219,340	£1,023,589
Build cost	£272,095	£272,095	£272,095	£816,285
Surplus per unit	£215,328	£44,730	-£52,755	£207,303
Total surplus	£14,047,305	£471,375	-£1,297,197	£13,221,484

Example development appraisal of 100 homes with 35% affordable in Waltham Forest: all costs included

All costs included				Total
	Private	Shared Ownership	Social Rent	
Price	£487,423	£316,825	£219,340	£1,023,589
Build cost	£440,759	£440,759	£440,759	£1,322,277
Surplus per unit	£46,664	-£123,934	-£221,419	-£298,688
Total surplus	£3,044,225	-£1,306,045	-£5,444,512	-£3,706,333

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Responding to this context: Actions and lobbying points for the Commission to consider

Newbridge Advisors have asked a small pool of property related professionals about what they would ask Government to do to increase volumes of affordable housing delivery. Amongst the many suggestions we received, the three items on the left-hand side were the most common.

From this and the evidence presented within this report, we have identified potential responses and priorities that the Commission/LBWF could pursue to respond to the challenging delivery context. In addition to lobbying government, the evidence presented here shows how there are likely to be trade-offs between unit delivery, tenure delivery, and net zero over the next decade and beyond.

The intention of these potential actions is for the Commission to consider what these trade-offs might be to prioritise what is most important in a Waltham Forest context.

Potential lobbying priorities

a. Increasing in **volume and flexibility** of affordable housing grant funding;

b. Provision of **funds to ensure fire safety** on existing stock, allowing the end of the leaseholder crisis and costs falling directly to RPs; and

c. Increase in **revenue funding allocated to local authorities** to support the planning system alongside the loosening of financial regulations attached to the use of HRA and General Fund accounts.

Issues and opportunities for LBWF to consider to respond to the changing economic climate

Build costs and viability pressures:

1. Encourage constant engagement with a full range of potential housing providers, including For Profit RPs to maintain momentum on housing delivery;
2. Consider providing an 'under-write' on schemes to deliver the outcomes that Waltham Forest is seeking. This would support delivery momentum as opposed to stalling
3. Engage with institutions across the Borough to unlock schemes e.g. off-take of key worker intermediate rental housing by NHS Trusts
4. Flexibility on tenure or quantum of housing to avoid schemes being stalled?
5. Flexibility on phases in the near-term but implement review mechanisms to capture the rising market?

Carbon reduction and cost of energy:

6. Maximise available grant funding and lobby for continued (and more accessible) funding from Government
7. Partner with others to make resources go further
8. Explore initiatives beyond housing such as district heating networks to facilitate wider schemes to transition to net zero
9. Creation of a 'consortium' of RP's, developers and other Authorities to lobby Government to allocate grant funding to support achieving EPC C and Net Zero



Will.temple@prdemail.co.uk
Rose.jump@prdemail.co.uk

prdweb.co.uk

Partnering Regeneration Development Ltd
Unit 1, 47A Great Guildford Street, London, SE1 0ES

[linkedin.com/company/prduk](https://www.linkedin.com/company/prduk)

[@PRD_tweets](https://twitter.com/PRD_tweets)