

Finance Committee



Date: 5 December 2017

Item: Actions List

This paper will be considered in public

1 Summary

1.1 This paper informs the Committee of progress against actions agreed at previous meetings of the Finance Committee.

2 Recommendation

2.1 **The Committee is asked to note the Actions List.**

List of appendices to this report:

Appendix 1: Actions List
Appendix 2: Glossary of Terms

List of Background Papers:

Minutes of previous meeting of the Finance Committee.

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Finance Committee Action List (reported to the meeting on 5 December 2017)

Actions from the last meeting

Minute No.	Description	Action By	Target Date	Status note
48/10/17	<p>Matters Arising and Actions List</p> <p>The action relating to the affordable housing glossary (27/03/17) had not been circulated and would be sent to Finance Committee Members following the meeting.</p>	Graeme Craig	Following the meeting.	Information circulated on 19 October 2017. Attached at Appendix 2. Completed.
49/10/17	<p>Finance Report – Period 5, 2017/18</p> <p>It was agreed that staff submit supplementary detailed commercial financial information on the Finance Reports to future meetings, on Part 2 of the agenda.</p>	Simon Kilonback	5 December 2017 meeting.	Will be added to the agenda when appropriate.
50/10/17	<p>Prudential Indicators – Outturn for the Year Ended 31 March 2017</p> <p>It was agreed that an example of a daily report would be sent to the Vice Chair.</p>	Simon Kilonback	Following the meeting.	Information sent on 3 November 2017. Completed.
51/10/17	<p>Treasury Activities</p> <p>TfL's Hedging Strategy be submitted to a future meeting.</p>	Emanuela Cernoia-Russo	8 March 2018 meeting.	On Forward Plan.
52/10/17	<p>Access and WAN Network Agreement Award</p> <p>The paper to be submitted to the Board to include reference to how OPEX could be funded by the private sector and how the supplier provision fitted in to TfL's overarching strategy.</p>	Shashi Verma	5 December 2017 meeting.	Report on agenda. Completed.

Minute No	Description	Action By	Target Date	Status note
54/10/17	<p>TfL Energy Purchasing 2020 to 2023 Dr Nina Skorupska to discuss other options which TfL could consider, including the establishment of a London based energy supplier and it was agreed that a meeting would be arranged.</p> <p>TfL's energy purchasing be an item for discussion at a future meeting of the Safety, Sustainability and Human Resources Panel (SSHRP).</p>	<p>David Wylie</p> <p>Secretariat</p>	<p>November 2017.</p>	<p>A meeting was held on 8 November 2017. Completed.</p> <p>On SSHRP Forward Plan. Completed.</p>

Actions from the September 2017 meetings of the Finance Committee

Minute No.	Description	Action By	Target Date	Status note
35/9/17	<p>Taxi and Private Hire License Fees: Shortfall between license fees and the costs of regulation It was agreed that an update on steps to address the remaining shortfall, including progress on further consideration of per vehicle charging, would be provided in December 2017.</p>	Peter Blake	5 December 2017.	Oral update to be provided at the meeting.
40/9/17	<p>Southwark Station Development – Special Purpose Vehicle The Committee requested regular updates.</p>	Graeme Craig	Ongoing.	Good progress being made on legal documentation with U+I with conditional exchange expected by end October 2017. Oral update to be provided at the meeting.

Actions to be adopted from the July 2017 discussions.

Minute No.	Description	Action By	Target Date	Status note
	Commercial Development Quarterly Update Report All Members would be invited to visit the TfL property portfolio.	Lester Hampson/ Secretariat		Dates have been circulated. Completed.

Actions from previous meetings of the Finance Committee

Minute No	Description	Action By	Target Date	Status note
5/01/17	Finance Report: Rolling Forecast The Committee suggested that the Finance team explore the possibility of developing a 24 month or 12 month rolling forecast to help Members and the business achieve a medium term view of TfL's finances. Detailed budget figures for 2017/18 would be presented to the next meeting of the Committee for review prior to submission to the Board.	Simon Kilonback	Period 3 2017/18.	A rolling forecast to be included in financial reports from period 3 of the 2017/18 financial year. Still under discussion. In progress.
26/03/17	Commercial Development Quarterly Report: Telecoms opportunities Members requested that a discussion on telecoms opportunities be programmed for a future meeting.	Graeme Craig	5 December 2017 meeting.	Report on agenda. Completed.

Affordable Housing Tenure Glossary

Appendix 2

Tenure	Rental or Home Ownership	Who qualifies?	Proportion of market rent/sale	Social or intermediate	Regulated Product?
London Affordable Rent	Rent	Borough nominations on low incomes	25-40%	Social	Yes
Shared ownership	Affordable Home Ownership	Households who can afford the deposit and the mortgage/rent, earning less than £90K	Part rent, part buy – shared owners tend to buy between 25-50% of their homes and pay rent on the rest	Intermediate	Yes
London Living Rent (in perpetuity)	Rent (although badged as affordable home ownership)	Londoners earning less than £60K per year who can afford to pay the rent	50-80%	Intermediate	No
London Living Rent (exit to shared ownership)	Rent with option to buy shared ownership	Londoners earning less than £60K per year who can afford to pay the rent	50-80%	Intermediate	Yes
Social Rent	Rent	Borough nominations on low incomes	15-30%	Social	Yes
Affordable Rent	Rent	Borough nominations on low incomes	50-80%	Social	Yes
Discounted market rent	Rent	Bespoke local lettings plans	30-80% depending on product	Social or intermediate, depending on product	No
Community Land Trust	Affordable Home Ownership	Local residents earning less than £90K	30-50% of market sale	Intermediate	No
Starter Homes	Affordable Home Ownership	First time buyers earning less than £90K	80% of market sale	Intermediate	No
Pocket Homes	Affordable Home Ownership	First time buyers earning less than £90K	80% of market sale	Intermediate	No

There are essentially three tenures of affordable housing that the GLA is primarily focused on for delivery. These are:

- London Affordable Rent
- London Living Rent
- Shared Ownership

The latest guidance from the Mayor, in his draft Housing Strategy suggests that these products will be considered 'genuinely affordable' if:

- Homes ownership products are affordable for households earning a maximum of £90K per year
- Rental products are affordable for households earning a maximum of £60K per year AND
- The local borough considers the product to be affordable.

The following products cover a number of other products in the affordable 'space,' with all the main products that TfL is considering building. These include:

- Social Rent
- Affordable Rent
- Discounted market rent
- Community land trust (home ownership product)
- Starter Homes
- Pocket Homes

With the exception of Social Rent, which is universally considered 'genuinely affordable,' the above products may or may not be considered 'genuinely affordable' depending on the local market, level of discount and view of the local borough.

London Affordable Rent

- This is essentially a rebranding of what most people would traditionally understand as social rent product in London.
- This is a regulated product which has to be provided by a registered provider – generally either a local authority or a housing association. It is assumed that these will be traditional secure tenancies, although Government secondary legislation is expected that could change this.
- The product will often be subject to right to buy.
- The majority of nominations are controlled by the borough – although providers will be required to offer the nomination rights to 5 per cent of the new homes delivered on each site through the GLA's Housing Moves scheme (10% for sites with more than 150 affordable homes).
- Benchmark rents are:
 - £144 per week for a 1 bed
 - £153 per week for a 2 bed
 - £161 per week for a 3 bed
 - £170 per week for a 4 bed
- These will be updated by CPI +1 on an annual basis

- Once let, London Affordable Rent homes will be subject to rent-setting guidance issued by the Social Housing Regulator and will be subject to the Government's annual one per cent rent reductions up to 2020.
- The benchmark rents do not include service charges, which may be charged in addition.
- Values can range between £150-180 per square foot.
- This product is eligible for grant through the GLA's Affordable Housing Programme at £28,000 per unit for a developer-led scheme, or £60,000 per unit for an approved provider (mostly housing association or borough) led scheme.

London Living Rent

- London Living Rent is also a new intermediate rented product in London, with rents based on a third of average incomes in a local area
- Rent levels for 2 bedroom properties are based on the borough median income, but varies by up to 20 per cent in line with house prices for the ward. The levels have further variation based on the number of bedrooms within the home, with 1 bed properties 10% cheaper, and 3 bed properties 10% more expensive.
- Eligibility is restricted to current private and social renting households earning less than £60,000 per year
- It is assumed that these will be Assured Shorthold Tenancies of a minimum of three years, with the rent allowed to increase by up to the rate of CPI inflation each year within the agreement.
- This is an unregulated product that will not be subject to the Government's rent cuts.
- The rents average at £968 per month (67% of median monthly rent) for a 2 bedroom property across London. However, there is a wide difference between boroughs and wards – ranging anywhere from £600 to £1600 per month for a 2 bedroom home – depending on borough incomes and ward house prices.
- There are essentially two sub products that fit into this tenure
 - **London Living Rent (Exit to shared ownership)** – This is the primary product that the GLA is promoting. This will include a requirement to offer tenants the right to buy their London Living Rent home on a shared ownership basis during their tenancy and within ten years.
 - If no tenant has purchased the home within ten years then providers are expected to sell the home on a shared ownership basis to another eligible household.
 - While it is hard to value the product (given none of these have been built) our working assumption for the values can be anywhere from £300-600 per square foot (essentially the same value as shared ownership) – depending on how affordable the shared ownership product is.
 - The product is eligible for grant at £28,000 per unit, but will require the involvement of a registered provider to access it.
 - **London Living Rent (in perpetuity)** – This is the intermediate product that the GLA is promoting for Build to Rent schemes. Homes here will be expected to be a rented product in perpetuity.
 - Rents may be let at the GLA's current London Living Rent levels at the start of each new tenancy. Alternatively, the discount to market should be fixed at a rate that makes the rent equivalent to London Living Rent for the initial

letting, with this discount then being applied to the current market rate for the development at the start of each new letting. In either case rent rises should be limited to CPI within tenancies.

- o Values can range from £150 to £400 per square foot – depending on the location – although a good rule of thumb would be to assume £250 per square foot.

Shared Ownership

- London Shared Ownership homes allow a home buyer to purchase a share in a new home, and pay a regulated rent on the remaining, unsold share.
- London Shared Ownership purchasers generally buy between 25 per cent and 75 per cent of the value of a property, and generally need a mortgage deposit of around 10 per cent of the share to be purchased.
- Buyers pay rent on the unsold equity, which the GLA advises should not be more than 2.75 per cent of the value of the unsold equity at the point of initial sale.
- Shared Ownership homes are available to Londoners who have a maximum household income of £90,000 in accordance with the London Plan. A number of boroughs set lower maximum household incomes for shared ownership – often at around a maximum household income of £60,000
- Shared ownership values can vary quite dramatically – going anywhere from £300 - £600 per square foot – depending on the location and how affordable the shared ownership product is.
- This product is eligible for grant at £28,000 per unit as long as a registered provider is on board.

Other products

Social Rent

- This is a traditional council rented product – with rents averaging between £100-£130 per week.
- Local authorities will sometimes want to see this built rather than London Affordable Rent as it is a more affordable product.
- Boroughs nominate tenants from their waiting lists to fill the properties, and the tenants have secure tenancies, until the potential change in Government regulations
- This is a regulated product that is subject to Government rent cuts of 1% per year until 2020 – and which the Government has the power to cut in future years.
- Generally social rented homes would be worth somewhere between £100-150 per square foot.
- This product is eligible for grant through the GLA's Affordable Housing Programme at £28,000 per unit for a developer-led scheme, or £60,000 per unit for an approved provider (mostly housing association or borough) led scheme.

Affordable Rent

- Affordable Rent is a sub-market rental product that can be anywhere between 50-80% of market rents in London.
- It is a regulated product, subject to right to buy, and boroughs can nominate tenants from their waiting list according to need.
- This is a different product to the London Affordable Rent. In London, it averages out at 66% of market rents, very similar to the London Living Rent product which averages at 67% of market rents.
- However, affordable rent is primarily targeted at tenants from local authority waiting lists, whereas London Living Rent is a product for those seeking to access home ownership.
- It is a regulated product, subject to the Government's 1% rent cuts.
- It is generally worth somewhere in the region of £200-300 per square foot.
- This would not be eligible for GLA grant.

Discounted market rent

- This is an unregulated rented product, that can be targeted at a broad range of incomes. Discounted market rents generally vary from between 40-80% of market rents.
- They are an unregulated product, but rent rises tend to be fixed through planning.
- Because they are not subject to Government regulations, right to buy or rent caps, they tend to have a significant value premium on similar rents.
- They can be worth anywhere from £200-£600 per square foot, depending on the level of the rents and the yield it is capitalised at.
- Typically this product would not be eligible for grant, unless it was provided by a housing association.

Community land trust (home ownership product)

- A community land trust is a community-led scheme, where the land tends to be held in trust and owned by the community, whilst individuals own their own homes.
- Through this model, the idea is that the homes remain affordable for the community in perpetuity, as the growth in prices of these homes are only allowed to rise by average earnings.
- Some community land trusts are also looking at rental models, but these would tend to conform to other rental products set out in this glossary.
- Depending on the size of home and location, purchasers tend to be able to buy properties for between £100-250,000
- They tend to be eligible only to first time buyers.
- They are generally worth between £150-200 per square foot to the developer
- While this would not typically be eligible for grant – it may be possible to secure some funding for this through the Innovation Fund.

Starter Homes

- These are a new Government product that will give first time buyers the opportunity to buy their homes at a 20% discount.

- There is a maximum price of £450,000 for a starter home in London, and homes are only available to those with a maximum household income of £90,000 per year. All eligible buyers are required to have a mortgage.
- There is a 15 year repayment period where, if the home is sold, some or all of the discount is repaid
- Generally you would assume the values will be 80% of market values, or perhaps slightly more (as this is a very difficult product to price)

Pocket Homes

- These are very similar to starter homes, in that they also give first time buyers the opportunity to buy their homes at a 20% discount.
- They make exceptional use of a very small amount of space – which means that they tend to be priced somewhere between £150-350,000 (depending on size and location).
- The homes are fixed at 80% of market price for perpetuity, although it is unclear how that is enforced.
- Generally you would assume the values will be 80% of market values