

NAME OF COMMITTEE	Community Services Committee
DATE	10th September 2013
REPORT TITLE	RENTplus – a new model of Affordable Housing
Report of	Affordable Housing Manager
WARDS AFFECTED	All

Summary of report:

The report seeks approval to adopt RENTplus as an additional option for affordable housing in the local area. RENTplus is an innovative model which provides affordable rented housing with the option and assistance to purchase.

Financial implications:

There are no financial implications to the Authority. RENTplus homes are built without public subsidy and owned by socially responsible investors before sale to tenants.

The Authority will receive New Homes Bonus with the affordable homes enhancement for each new RENTplus home.

RECOMMENDATIONS:

It is recommended that the Community Services Committee approve RENTplus as an additional model for affordable housing in West Devon.

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1. BACKGROUND

- 1.1 There is a severe shortage of affordable housing. Grant funding from central Government for affordable homes have steadily reduced. The Homes and Communities Agency have responsibility for the affordable homes programme and are encouraging registered providers of affordable housing to explore new models of funding.

- 1.2 The national affordable rent programme 2011-2015 has introduced 5 yearly tenancies and allows registered providers to charge an affordable rent of up to 80% of open market rents. Many people on housing waiting lists aspire to own their own home but are unable to save for a deposit whilst paying expensive open-market rents.
- 1.3 The Housing Strategy for England identifies the need to introduce pension fund and private investment capital into affordable housing provision. Recent guidance to local authorities emphasises the need to widen access to affordable housing to hard working families on modest incomes, people in training and apprenticeships, and members of our armed services.
- 1.4 RENTplus was devised in the South West by a Plymouth-based development company (Pillar Land Securities Limited) working with a local housing association (Tamar Housing Society). This new affordable housing product was fully endorsed by the Rt Hon Grant Shapps MP, then Minister of State for Housing and Planning. Subsequently the Homes and Communities Agency has approved the RENTplus model through a short form agreement.
- 1.5 The RENTplus model was presented and discussed at a seminar of members of West Devon Borough Council on 12 March 2013. (see appendix 1).
- 1.6 Plymouth City Council have formally endorsed RENTplus as an affordable housing product which meets their requirements under Section 106 of the Town and Country Planning Act 1990.
- 1.7 Substantial pension fund investment has been identified for investment in RENTplus homes.

2. ISSUES FOR CONSIDERATION

- 2.1 The key features of the RENTplus model are summarised below:
 - 2.1.1 RENTplus homes are new homes delivered to Homes and Communities Agency standards and acquired by RENTplus-UK Limited for pension funds or socially responsible investors, without any public subsidy. RENTplus-UK will lease the homes to a local housing association partner.
 - 2.1.2 The housing association partner leases the homes to tenants aspiring to home ownership for a series of five year tenancies at an affordable rent. Tenants on the waiting list are able to apply for a RENTplus home through Devon Home Choice.
 - 2.1.3 On a phased basis, beginning at the end of the first 5 year tenancy, a proportion of the RENTplus affordable rented homes will be released for purchase by tenants, who will have been supported to move from tenancy to home ownership. Tenants will be gifted a deposit by RENTplus-UK upon purchase (against an independent open market valuation), to aid purchase.

- 2.1.4 Those homes which are not sold at year 5 will be re-let to tenants for a further 5 year period, at the end of which a second batch of homes will be sold. This process repeats at years 15 and 20, at which time all homes will have been sold.
- 2.1.5 In circumstances where the tenant, another RENTplus tenant or the registered provider managing the RENTplus home, does not purchase and the home is sold on the open market, a proportion of the sale price is gifted to the Authority.
- 2.1.6 New RENTplus homes will be energy efficient, leading to a considerable saving of family expenditure on fuel costs and this saving, alongside the costs saved by affordable rent compared to private rent, will enable the tenant to save to augment the deposit gifted at the time of purchase.
- 2.1.7 The tenancy period provides an opportunity to demonstrate that the tenant is creditworthy through regular rent payments to aid their mortgage application.
- 2.2 The RENTplus model is well suited to villages where it is very difficult for young local people to afford to buy homes. RENTplus can complement the Plan-it Lite scheme and maintain sustainability in our rural areas.
- 2.3 The substantial investment funding identified for RENTplus homes, which is not dependent upon the availability of public subsidy, provides an opportunity to significantly increase the number of new homes available at affordable rents. The Authority will receive payment of a New Homes Bonus augmented by the affordable supplement for each new home.
- 2.4 Ready funding for the affordable component of developments can provide an impetus to developments with existing approvals, which may have stalled due to the economic climate.
- 2.5 RENTplus provides a complementary option for affordable housing nevertheless there is no intention to replace traditional social housing, which will be necessary for people in severe housing need and those with disability. However, RENTplus provides a new opportunity for many on the housing list who, with support, could achieve home ownership rather than a life in expensive and insecure private-rented accommodation. RENTplus homes promote and achieve a further step to mixed tenure developments.

3 LEGAL IMPLICATIONS

- 3.1 If approved as an affordable housing option, RENTplus homes can be considered in individual planning applications.
- 3.2 The Council has an enabling role in the provision and support of housing need.

4. FINANCIAL IMPLICATIONS

- 4.1 RENTplus will not have any costs to the Authority.

4.2 There is also potential for increased funding to the Council by means of New Homes Bonus.

5. RISK MANAGEMENT

5.1 The Risk Management implications are shown at the end of this report in the Strategic Risks Template.

6. OTHER CONSIDERATIONS

Corporate priorities engaged:	Homes; Economy; Community Life
Statutory powers:	None
Considerations of equality and human rights:	None
Biodiversity considerations:	None
Sustainability considerations:	None
Crime and disorder implications:	
Background papers:	<i>Laying the Foundations: A Housing Strategy for England.</i> Nov 2011, London, Communities and Local Government Publications <i>2011-2015 Affordable Homes Programme Framework.</i> 2011, London, Homes and Communities Agency <i>Allocation of accommodation: guidance for local housing authorities in England.</i> June 2012, Department for Communities and Local Government
Appendices attached:	Appendix 1: RENTplus Report - Presentation WDBC

STRATEGIC RISKS TEMPLATE

No	Risk Title	Risk/Opportunity Description	Inherent risk status				Mitigating & Management actions	Ownership
			Impact of negative outcome	Chance of negative outcome	Risk score and direction of travel			
	Perpetuity	The RENT Plus model is based on tenants purchasing their homes. Homes provided under RENT Plus will ultimately therefore become market homes over time.	3	2	6	↔	It is proposed that RENT Plus is adopted as an additional affordable housing model to increase housing options and opportunities for local residents. It will not replace traditional rented housing which will continue to be provided and retained in perpetuity.	Affordable Housing Manager

Direction of travel symbols ↓ ↑ ↔