

Affordable Housing Alternative Models

1. Executive summary

The RENT plus model to deliver Affordable Housing within the District was introduced to members at the Community Life and Housing Scrutiny Panel on the 5th September 2013. Following this report, a task and finish group was established to clarify the role and benefits of this model to meet the needs of the area.

In July 2014 the task and finish group made the following recommendations and it was resolved that:

- RENT plus could not exceed delivery of 10% of affordable housing delivery within the District in any one financial year
- The model only be allowed on sites that have already achieved 35% or more of affordable housing
- This model of delivery be allowed on a trial basis of 5 years.

On the 15th October 2015 members were invited to attend an updated presentation from RENT plus. Members who attended the presentation requested that RENT plus was brought back to members to re-consider the model to deliver affordable homes within the district. This was timely due to the announcement of proposed changes within the Housing and Planning Bill.

Since the presentation in October 2015, further delivery models similar to Rent Plus have been introduced to officers. There are currently two models which officers are aware of, these are RENT Plus and Octopus QSH. Due to the way in which funding is being provided and the drive for home ownership we are likely to see other different models similar to RENT Plus and Octopus QSH.

This report seeks to allow these alternative delivery models as a proportion of affordable housing delivery. This will be without the restrictions which were previously agreed in terms of RENT Plus. The reduction in available grants to support affordable housing and the proposed extension of the Right to Buy to Housing Associations is likely to have a severe impact on delivery of affordable housing in future years and alternative models for delivery of rented accommodation will need to be supported.

Members recognised the current issues arising and therefore wished to revisit this. The previous report from the task and finish group was agreed in July 2014 and is attached to this report. A summary of the two models we are aware of is also attached to this report.

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Viability in terms of affordable housing delivery is already problematic and these alternative models could provide certainty in delivering affordable housing in our communities. Both companies proposing these models are willing to be signatories to Section 106 agreements and are willing to work with the council to ensure that the right type and size of properties is delivered.

Reports recently published by Shelter and the Joseph Rowntree Foundation have highlighted that the Starter Homes initiative is likely to be unaffordable for many of those wishing to access home ownership – in particular in areas such as the South Hams where there is a large disparity between wages and house prices. The schemes we are seeking approval for would work with the local authority to ensure affordability and will provide good quality housing for local people. Both schemes are affiliated with local housing associations, RENT plus with Tamar Housing and Octopus QSH with South Devon Rural.

Neither of these models have a financial impact on the council as these properties are delivered with NIL grant. The properties currently attract New Homes Bonus.

2. Background

The government has announced the intention to extend the Right to Buy to Housing Associations. The information surrounding this is still unclear but further information is expected shortly. This has caused concern to the authority in terms of how we can deliver affordable housing and the tenure which is promoted within our communities. In addition to this the Starter Homes initiative is proposed to be included as part of the affordable housing provision. In the South Hams this means that a starter home would attract a discount of 20% and would not exceed £250k to the purchaser. Applicants for these properties would need to be under the age of 40 and not have owned their own home before. This is likely to limit the market in the area. The cost of a starter home would not be affordable to most people due to the low wages in the area. These properties could be sold after 5 years and would be sold at full market value, this means that the properties would be “lost” to the open market. Again further announcements are expected regarding this shortly.

Affordable housing has traditionally been provided through rented accommodation in perpetuity or through shared ownership properties. In rural areas stair casing in shared ownership has been restricted to 80% and this has limited mortgage availability as banks are reluctant to lend. This is causing additional concerns for Registered Providers and their ability to borrow funds against their housing stock which could be sold through the right to buy. It is important to note that rented in perpetuity will no longer exist if the proposed changes are enacted.

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The current government has stated its intention to increase the home ownership sector and has made this a priority, this is being seen through the Housing and Planning Bill and the grants and funding streams which are currently available which are aimed at home ownership.

In addition to this many housing associations in the district are now providing "fixed term" tenancies and the maximum tenancy that can be awarded through housing associations is 7 years. The RENT plus model can provide a longer tenancy term of up to 20 years with the opportunity to purchase at year 20. The Octopus QSH model can provide a fixed term tenancy and residents can "choose" to purchase. If not purchased by the tenant this would remain as a rented unit. This will provide the opportunity for tenants to own their home at the end of this period when their situation may have improved and rented accommodation is not the only option. The RENT Plus option could decrease demand on current properties for those applicants in priority bands on the Devon Home Choice register who may never have the option of owning their own home. The Octopus QSH scheme will provide a rented property for as long as it is needed, subject to the usual provisions ie rent paid, good behaviour, with the option to buy. These properties will be exempt from the right to buy as they are owned by an investment company but the tenancy management is provided through a local housing association, South Devon Rural.

These models of housing do not seek to replace rented accommodation as this is not an option for many people however it does address the government drive for people accessing home ownership and provides an option for local people.

These schemes will continue to provide affordable housing and this will meet the aspirations of many of our communities who wish to own their own home. Many people struggle to access home ownership due to inability to save for a deposit due to high rents and the limited mortgages they can access. These schemes address both of these issues. In terms of RENT Plus a dedicated advisor will assist the tenant in to owning their home. Whilst paying a market rent, a proportion of this rent will be gifted to the tenant as a deposit for the purchase at year 5, 10, 15 or 20. Mortgage companies will lend on this type of property as they are not restricted by mortgagee in possession clauses in terms of the housing association or local connection criteria as is the case with shared ownership properties.

In terms of the Octopus QSH model, the maximum rents charged to tenants is at 90% of the Local Housing Allowance (LHA). This is used to allow for rent rises and to ensure they remain under the LHA as the rents would be subject to an annual rent rise of CPI plus 1%. This model allows rents to be charged at varying different levels depending on need, for example market rents, affordable or social rents can be applied.

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If and when a tenant decides to purchase the property they will be gifted 50% of the rent paid. There is a maximum amount attached to this which is 10% of the open market value of the property. The gifted deposit stays with the property and not the person, therefore if someone moves out within the first 5 years the rent paid can be "inherited" as the deposit element.

Members need to be aware that at the end of each tenancy period for RENT Plus and if and when the Octopus QSH housing is sold those units of accommodation will be lost from the housing stock. Although this may appear daunting, this is likely to be the case with ex council stock which was transferred to a housing association with the extension of the Right to Buy or recent new builds through Right to Buy.

Attached to this document is the presentation from Rent Plus which was delivered to members on the 15th October 2015. The Octopus QSH information is also attached, this was the information recently featured in Inside Housing.

3. Outcomes/outputs

If members agree to the adoption of these alternative delivery models, results may be seen in a relatively short period of time. These types of housing along with traditional rent are already being presented to officers by developers in the planning pre - application discussions. This is because the funding is in place and they are seen as low risk to developers when seeking a Registered Provider for affordable housing.

This is likely to be a favoured option by communities who are already seeking this type of home ownership product.

The model could increase our affordable housing delivery within the area and potentially allow us to meet the target of 50% affordable housing on site in some circumstances.

This will offer communities an additional choice to meet their needs and aspirations.

4. Options available and consideration of risk

Members could agree to take the previously adopted approach for RENT Plus to both schemes as set out in the executive summary. However, this could result in uncertainty of Affordable Housing delivery and minimal take up of these schemes as very few sites are achieving 35% affordable housing. This reduces options for our communities and may affect our statutory housing duties.

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This process has been through the task and finish group previously and an outcome was achieved.

There will continue to be a need for traditional rented properties and therefore these schemes cannot be the only form of delivery, this can complement the site and provide a mixed tenure community. This will need to be monitored to ensure that we are meeting our statutory duties in respect of homelessness.

These properties will be "lost" from the housing stock when and if they are disposed of to the tenant. This is likely to be less of a risk dependent upon the final outcome of the Right to Buy, this risk could be obsolete in the future.

In light of government changes the HCA accepts this model of delivery and it is recognised.

5. Proposed Way Forward

Members are invited to consider and agree the alternative delivery models to provide affordable housing to meet the needs of our community. This meets the strategic policy of creating mixed and balanced communities within the South Hams.

To minimise risk, with member's approval this model could be reviewed and monitored on a yearly basis. This may be important given the amount of changes and uncertainty in relation to affordable housing at the present time. Officers will be able to provide members with a scheme by scheme report with affordable housing totals and tenure type.

6. Implications

Implications	Relevant to proposals Y/N	Details and proposed measures to address
Legal/Governance		Meets with the proposals of the Housing and Planning Bill. This is a discretionary option of affordable housing. This will need to be monitored to ensure that we are meeting our statutory obligations.
Financial		Neither of these models have a financial impact on the council as these properties are delivered with NIL grant. The properties currently attract New Homes Bonus.

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Risk		<p>The properties will become open market properties over time.</p> <p>Officers need to ensure that this is an additional model of affordable housing and does not replace traditional rented accommodation.</p> <p>Reviews will need to be taken to ensure that the council continues to meet the statutory requirements.</p>
Comprehensive Impact Assessment Implications		
Equality and Diversity	Y	<p>You need to set out what the Equality and Diversity implications are.</p> <p>There is a need to ensure we continue to meet our statutory duties.</p>
Safeguarding	N	<p>You need to set out what the Safeguarding implications are.</p>
Community Safety, Crime and Disorder	Y	<ul style="list-style-type: none"> Is there any potential positive or negative impact on crime and disorder reduction? <p>This aspect is assessed on a site by site basis as part of the planning application.</p>
Health, Safety and Wellbeing	Y	<p>Both schemes will provide safe, secure homes which will ensure the wellbeing of the tenants/purchasers. Financial support is provided through RENT plus to help with the eventual purchase.</p>
Other implications		N/A

Supporting Information

Appendices: **Presentation from RENT plus – October 2015**
Octopus QSH information
Committee resolution

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Background Papers:

Previous RENT plus report – Community Life and Housing Scrutiny Panel.

Approval and clearance of report

Process checklist	Completed
Portfolio Holder briefed	Yes
SLT Rep briefed	Yes
Relevant Exec Director sign off (draft)	Yes
Data protection issues considered	Yes
If exempt information, public (part 1) report also drafted. (Committee/Scrutiny)	Not applicable