

AGENDA
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NAME OF COMMITTEE	Community Life and Housing Scrutiny Panel
DATE	19 June 2014
REPORT TITLE	Housing Delivery Models
Report of	Affordable Housing Task and Finish Group
WARDS AFFECTED	All

Summary of report:

The Task and Finish Group was established to consider issues concerning the RENTplus model. In undertaking this task it was necessary to consider housing delivery in a wider context including other alternative delivery models. This report sets out the key outcomes and recommendations of the Group.

Financial implications:

In circumstances where a RENTplus home is sold on the open market, a proportion of the sale price is gifted to the Local Authority.

RECOMMENDATIONS:

That the Panel **RECOMMENDS** that Executive **RECOMMENDS** to Council that;

- i. Rent Plus is supported by the Council subject to the following criteria;
 - a) the level of Rent Plus be limited to a maximum 10% of all affordable housing delivered in the South Hams in any one financial year.
 - b) Rent Plus only be considered on sites that achieve 35% or more affordable housing and;
 - c) That Rent Plus is introduced on a trial basis for a period of 5 years.
- ii. A report outlining alternative approaches to Investment in Housing is prepared and submitted to a future meeting of the Community Life and Housing Scrutiny Panel.

1. Introduction

- 1.1 The Task and Finish Group was established to consider issues concerning the RENTplus model. In undertaking this task it was necessary to consider housing delivery in a wider context including other alternative delivery models. This report sets out the key outcomes and recommendations of the Group.
- 1.2 The Group consisted of;
- Cllr Holway - Chair
 - Cllr Cuthbert – Deputy Chair
 - Cllr S Wright
 - Cllr Hodgson
 - Cllr Gorman
 - Cllr Steer
 - Cllr Carson
 - Cllr Cooper
 - Cllr J Hawkins
 - Affordable Housing Manager
 - Affordable Housing Officer
- 1.3 The Group met on two occasions, on 24th January 2014 and 13th May 2014. Julie Barnett, Chief Executive of Tamar Housing (a RENTplus Partner) attended the May meeting of the group to provide further clarity on the RENTplus model.
- 1.4 At the conclusion of the May meeting it was agreed that the Group had adequately considered the issues and were able to report back the Community Life and Housing Scrutiny Panel. This report outlines the issues discussed and the recommendations of the group.

2. BACKGROUND

- 2.1 RENTplus homes are new homes delivered to Homes and Communities Agency standards and acquired by RENTplus-UK for pension funds or socially responsible investors. RENTplus lease the homes to a local housing association partner who in turn leases the homes to tenants aspiring to home ownership. Initial tenancies are for a period 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.
- 2.2 At the end of the first 5 year tenancy, a proportion of the RENTplus 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.

- 2.3 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.
- 2.4 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 Local Authority.

3. ISSUES FOR CONSIDERATION

RENTplus

- 3.1 The main concern expressed by Members was the issue of perpetuity. Typically affordable housing is provided in perpetuity with any subsidy from that sale reinvested to provide alternative affordable housing. Members were concerned that RENTplus failed to meet this perpetuity test.
- 3.2 To address this concern, RENTplus have committed to provide a continual cycle of investment to ensure an ongoing programme of homes within the area. This commitment would be secured through a Memorandum of Understanding between the parties.
- 3.3 During discussions Members came to the view RENTplus provided an opportunity to meet the needs of the intermediate market i.e. families that would not typically qualify for affordable housing but were excluded from the owner occupation market. This outweighed concerns regarding perpetuity. The group therefore considered that Rent Plus should be supported subject to certain criteria detailed below.
- 3.3 The other area of concern was a lack of clarity around the scale of any RENTplus programme. The Group agreed that the majority of new provision should be homes which enabled the Council to continue to meet the Council's Statutory Housing duty; which in most cases would be Social or Affordable Rented housing. A small programme of alternative forms of affordable housing would however be appropriate.
- 3.4 In order to address concerns regarding the issue of perpetuity and scale, the Group agreed that
- a) the level of Rent Plus be limited to a maximum 10% of all affordable housing delivered in the South Hams in a financial year.
 - b) that Rent Plus only be considered on sites that achieve 35% or more affordable housing and;
 - c) that Rent Plus is introduced on a trial basis for a period of 5 years.

Alternative Delivery Models

- 3.5 The Group were keen to explore alternative delivery models and how the Council could develop an approach to investment which delivered affordable housing and contributed toward the Income Generation.
- 3.6 A key area of discussion was the option of traditional Council owned housing. The group were advised by the Affordable Housing Manager (AHM) that it was unlikely to be practical or efficient for the Council to build, own and manage Council Housing in a traditional way as the Council had done prior to stock transfer in 1999. The reason for this was the onerous requirement to hold a Housing Revenue Account (HRA). Whilst there had been a number of beneficial reforms to the HRA system, it was recommended by the AHM that Council owned housing through an HRA would not be efficient.
- 3.7 The AHM advised the group that the Council were progressing a small number of development projects which might be retained to generate income. A small programme would be permissible outside of an HRA but should the Council wish to increase the level of retained assets it would need to consider establishing an appropriate vehicle for those assets. There were a number approaches such as Local Development Companies which could hold assets free of HRA requirements.
- 3.8 The group requested that the AHM prepare a detailed report on Alternative Housing Investment Models to be submitted to a future meeting of the Community Life and Housing Scrutiny Panel.

4.0 LEGAL IMPLICATIONS

- 4.1 A Memorandum of Understanding will be agreed between the Council and RENTplus to reflect the recommendations contained within this report.

5. FINANCIAL IMPLICATIONS

- 5.1 In circumstances where a RENTplus home is sold on the open market, a proportion of the sale price is gifted to the Local Authority. RENTplus works with tenants to assist them to achieve home ownership it is therefore unlikely that homes will be sold on the open market.

6. RISK MANAGEMENT

- 6.1 The key risks relate to the level of RENTplus relative to traditional forms of affordable housing and how the model would work in practice. These risks have

been mitigated through the recommendation to limit the scale of RENTplus and introduce the model on a trial basis.

7. OTHER CONSIDERATIONS

Corporate priorities engaged:	The report primarily relates to the Homes priority but has links with the Economy, and Community Life priorities.
Statutory powers:	Localism Act General Powers of Competence
Considerations of equality and human rights:	This matter is assessed as part of each specific project.
Biodiversity considerations:	This matter is assessed as part of each specific project.
Sustainability considerations:	This matter is assessed as part of each specific project.
Crime and disorder implications:	This matter is assessed as part of each specific project.
Background papers:	
Appendices attached:	None

