



Taunton Deane Borough Council

Tenant Services Management Board 25th September 2017

Diversifying the Choice of Tenure

(This matter is the responsibility of Executive Councillor Terry Beale, Housing Portfolio Holder)

1. Executive Summary

Following the review of the Housing Revenue Account (HRA) Business Plan and the adoption of the Development Strategy in 2016 work has been ongoing to explore the options to diversify the choice of tenures offered within the 'Newbuild Council Housing Program' to bring forward the 'Housing Vision'.

This report outlines the reasons for, and advises on the implementation of two new Council tenures, 'Affordable Rent' and 'Shared Ownership' to be piloted at the Weavers Arms housing development site in Rockwell Green, Wellington.

The offer would diversify the forthcoming housing mix at Weavers Arms from 26 social rented properties to;

21 affordable rented properties
2 shared ownership properties
3 social rented properties for the returning decants.

These new tenures would align the housing scheme with the Council's current aspirations, providing further housing options for local residents and tenants in the area, whilst significantly improving the financial payback for the scheme in response to rising build costs and reduced financial income following the implementation of rent reduction.

With the changes to tenure mix, based on current market information the 'Payback Period' when the income from the properties is enough to payback the cost of development reduces the payback period by an extra nine years compared to a 100% social rent scheme.

The diversifying of tenure allows the Council to have an increased level of revenue which can then be used to finance new development projects through a net positive effect on the HRA business plan.

The knowledge and experience gathered from the range of tenures offered at Weavers Arms, Rockwell Green will inform future development scheme appraisals and enable the Council to offer a wider choice to its residents.

2. Main Report

2.1 Introduction

As a Council we are committed to building new affordable homes because there are so many people who desperately need housing. By definition, 'Affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.'

The broad range of homes being built at the Councils Weavers Arms, Rockwell Green development has offered the opportunity for the Council to explore the introduction of two new tenures, affordable rent and shared ownership in addition to social rent currently offered through the HRA housing stock.

Following the review of the Housing Revenue Account (HRA) Business Plan and the adoption of the Development Strategy in 2016 work has been ongoing to explore the options to diversify the choice of tenures offered within the 'Newbuild Council Housing Program' to bring forward the 'Housing Vision'.

The following extract is from the HRA Business Plan 2016-2046.

Quote:

2.2 Housing Vision

Taunton Deane Borough Council has recently revised the operating model for its housing services in light of community needs and public policy agendas.

The Council recognises that it can usefully broaden its housing offer so that it more effectively caters for residents' housing needs and aspirations at different points in their lives.

In the coming years the Council will move towards delivery of a new aim, which is to provide good quality stable accommodation that facilitates movement towards tenures beyond social housing. This means we will have properties, policies and working practices that are aligned to support residents' aspirations and therefore their 'housing journey'.

This enhances, rather than replaces, the vision stated in 2012 which is to have a long term sustainable Business Plan that secures a better life and future for its tenants and properties. It also supports overall Council objectives to be recognised nationally as a place that is developing sustainably, securing a better life and future for its people, businesses and communities.

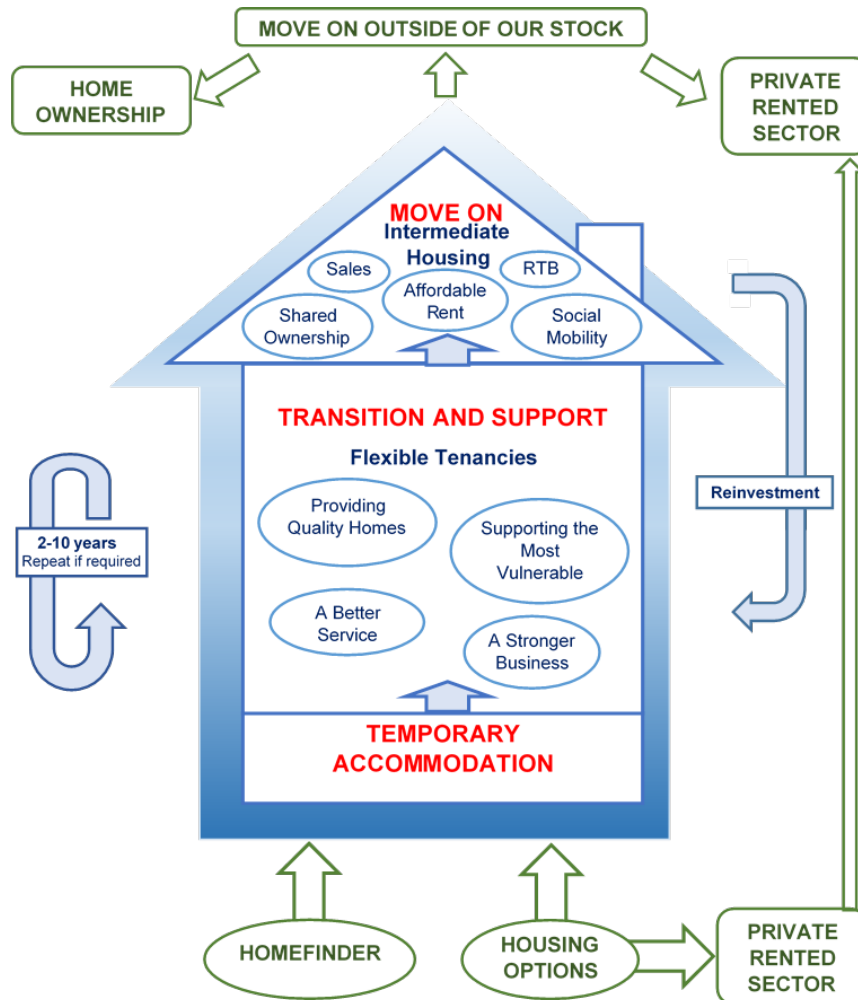


Figure 2: Proposed future housing model

Note: Flexible tenancies may provide some exemption for families with children

The diagram above represents the more dynamic service we intend to offer. Our service will be one that helps people to access accommodation that meets their needs at a particular point in their lives.

Within social housing we will help people to develop stable lives and life skills, and then if appropriate we will look to help them move into home ownership over time as and when this meets their needs and aspirations.

We will provide a small supply of alternative housing products, and where these products provide additional revenue we will reinvest the financial proceeds in social housing that meets a range of needs.

Unquote:

2.3 Affordable Rent

The introduction of affordable rent would help fund the building of new Council homes in the Borough. Rising build costs and reduced financial income present significant challenges to developing HRA housing stock.

Affordable rent is subject to rent controls that require a rent of no more than 80 per cent of the local market rent (including service charges, where applicable).

The rent is set using property valuations from professional valuers and reviewed on an annual basis. They take account of factors such as the local housing market and the individual property features. Consideration is also given to the relevant Local Housing Allowance (which is the benefit residents would receive if they were renting from a private landlord).

If the tenant is eligible for Universal Credit they will be able to claim for all levels of affordable rent below the Local Housing Allowance subject to personal circumstance.

Properties would be advertised in the same way as current Council Properties through the choice-based lettings scheme, Homefinder Somerset. They would be marked affordable rent and the level of rent shown.

A local letting plan has been developed by the Lettings team and received 'in principle' approval.

The affordable rent is inclusive of service charge. It is intended that the service charge will be the same cost and service delivery as that for a social rent property. Finance are involved in the process to ensure the rents and service charge income is appropriately reported in the HRA accounts.

It is not proposed to make any specific changes to the existing lettings process or tenancy arrangements. A tenant on an affordable rent or social rent will be treated the same and be governed under existing policies and processes.

The following is a comparison of indicative rent levels based on Weavers Arms, Rockwell Green. The rents are still subject to a final valuation and for comparison purposes the £1.42 service charge has been deducted from the Affordable Rent level as the Tenant will pay the same Service Charge whether Affordable or Social Rent. The difference is how the Service Charge is collected.

	Affordable Rent	Social Rent	LHA
1 Bed Flat	£87	£70	£92.05
2 Bed Bungalow	£123	£87	£120.82
2 Bed House	£118	£87	£120.82
3 Bed House	£137	£97	£145.67
4 Bed House	£146	£105	£184.11

The above rents are indicative only as the rent values are set once a valuation has been completed within 3 months prior to handover.

Affordable rent will be set at a blanket rate of 80% of the open market rent and includes service charges. All the properties except the disabled adapted bungalows have affordable rents which fall below the Local Housing Allowance.

If Weavers Arms as an example is run as a 100% Social Rent scheme the 'Payback Period' when the income from the properties is enough to payback the cost of development is an extra nine years compared to a 100% affordable rent scheme. This then releases further funding to bring forward more council housing.

The above figures are indicative and to illustrate the financial aspects of a rental change. It is intended that the three returning tenant households who were rehoused to enable the development to proceed will be allocated properties at a social rent level. In the event the decant tenant then vacates the property it would revert to an affordable rent level.

2.4 Shared Ownership

Weavers Arms, Rockwell Green also offers a further opportunity to explore diversifying the range of tenure and aspire to the 'Housing Vision'. It is intended for two of the properties to be Shared Ownership.

Shared Ownership is a form of Low Cost Home Ownership and offers a route into owner occupation for those who would not normally be able to afford to purchase on the open market. The resident buys a share of the property and pays rent on the share they do not own. The higher the share they own the less rent they pay. i.e the property is shared in terms of ownership between the resident and the Council.

A project group has been established including representatives from Housing and Finance services to pilot the sale of two properties for shared ownership. The principle of shared ownership has been established for many years, however within the Council the understanding of the tenure and the associated internal processes need to be established.

External advice is being sought from the Council's Housing Association partners and legal advisors who have extensive experience of shared ownership.

The intention is to market the properties to local people with a 40% first tranche sale in the property. i.e the purchaser owns 40% of the property and 60% is rent charged by the council. The opportunity to give priority sale to our existing Council tenants is being explored.

The shared ownership rent and mortgage payments are calculated from the property value and the percentage of share owned. For the rent payment, this can be set at up to 2.75% of the open market value on the unsold share in accordance with Homes and Communities Agency guidelines.

The following is an illustration of the level of cost for a 2 bed shared ownership property. The mortgage payments made by the purchaser will depend on how they fund their 40% share.

Open Market Value (OMV)	£165,000
40% of the OMV	£66,000
10% Deposit (could be 5%)	£6,600
Mortgage on remaining amount	£59,400
Indicative Monthly Mortgage Payments	£357
Monthly Rent Payment to Council for 60% of property	£230
Indicative monthly payment	£587

The property marketing and sale process would be undertaken by a local estate agent who can also offer independent mortgage advice to the purchaser. The purchaser would not be obliged to use the mortgage service offered by the Estate Agent, however the purchaser is responsible for their own financial arrangements to purchase the property share not the Council.

Each purchaser will be vetted to ensure they meet the eligibility and affordability criteria set out through the Homes and Communities Agency Sustainability Calculator. Detailed advice from the housing association partners is being sort on the relevant checks required to ensure the purchaser can afford the property taking into consideration living costs. The intention is to apply a local connection cascade similar to the proposed lettings plan to ensure local people have the priority.

The intention is to use the Homes and Communities Agency Standard Shared Ownership Lease. This is the legal document that sets out details of rent and how it is increased, arrangements for buying further shares in the property, service charges and buildings insurance, purchaser's responsibilities and the Council's responsibilities.

The leaseholder is liable for all maintenance costs on the property, but must obtain Council approval to undertake property improvements.

Staircasing is the term given to buying extra shares in the shared ownership property. The intention is to allow 100% staircasing owing to restricting staircasing to for example 80% significantly affects the mortgage options for the applicant.

Shares are sold at the current market value, and the proportion of rent will reduce in accordance with the extra shares purchased. Options for the Council to have first option to purchase back the property in the event of an onward sale after 100% staircasing is being explored.

Guidance on the details of this lease and any suggested amendments to align with the Council's requirements including staircasing is being provided by an external legal service who have extensive shared ownership experience.

Legal advice and internal procedures will also include options in the event a shared owner is in, or about to be in, mortgage arrears and potentially lose their home, including the likelihood of repossession by the main mortgage lender. Options could include the shared owner selling some of their share back to the Council in order to reduce their mortgage to a more affordable and sustainable level, or by selling all their shares back to the Council and becoming a tenant.

2.5 Weavers Arms Tenure

The final intended mix for the 26 new homes at Weavers Arms, Rockwell Green will be:

Social Rent (3 properties)

- 1 x 2 bed House
- 1 x 3 bed House
- 1 x 2 bed bungalow

Affordable Rent (21 properties)

- 12 x 1 bed flats
- 3 x 2 bed house
- 2 x 2 bed bungalows
- 3 x 3 bed house
- 1 x 4 bed house

Shared Ownership (2 properties)

- 2 x 2 bed house

With the changes to tenure mix, based on current market information the 'Payback Period' when the income from the properties is enough to payback the cost of development is the same as the 100% affordable rent scheme and reduces the payback period by an extra nine years compared to a 100% social rent scheme.

The knowledge and experience gathered from the range of tenures offered at Weavers Arms, Rockwell Green will inform future development scheme appraisals and enable the Council to offer a wider choice to its residents.

3. Finance Comments

The total indicative costs of the Weavers Arms regeneration project as presented in this report is £3.64 million. This has been financed by £991k of RTB receipts and £2.65m of borrowing.

A financial feasibility has been carried out and the scheme currently provides a positive Net Present Value. This means that the scheme's current value will not arise at a loss to TDBC. The scheme is expected to payback within 26 years.

The diversifying of tenure allows the Council to have an increased level of revenue which can then be used to finance new development projects. This will enable the Council to carry out its plans to have a truly flexible housing model that allows tenants to move through the model and be financially secure. There will be a net positive effect on the HRA business plan.

The HRA borrowing position included within this amount will remain comfortably within the HRA capital debt cap imposed by central government.

4. Legal Comments

Through SHAPE Legal Services an independent solicitors with extensive legal experience with shared ownership is being appointed to provide professional advice regarding shared ownership with a specific emphasis on the Shared Ownership Lease.

5. Links to Corporate Aims

The diversifying of tenure offered by the Council links to Key Theme 1 'People' within Taunton Deane Borough Councils Corporate Strategy 2016-2020 to facilitate an increase in the availability of affordable homes and council homes for local people to both buy and to rent.

6. Environmental and Community Safety Implications

The diversifying of tenure within the Council HRA housing stock will offer balanced and sustainable communities. A consistent feature of mixing tenures on estates has been an overall improvement in property prices, reduced turnover, increased demand, tenant satisfaction and improved area reputation.

7. Equalities Impact

A copy of the EIA is attached to this report as Appendix A. It has been identified that shared ownership applicants may require additional support when applying for a property.

8. Recommendations

The decision for the tenure of the scheme has been discussed and agreed with the Director – Housing and Communities, in consultation with the Portfolio Holder for Housing Services. The decision will be advertised through the Weekly Bulletin following consultation comments received from Tenants Forum and Tenant Services Management Board.

Contact: Jo Humble
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Taunton Deane Borough Council and West Somerset Council
Equality Impact Assessment Form and Action Plan

Appendix A

Expand boxes as required. Guidance notes are stored - TDBC link:

<http://portal/sites/policyPerf/strategyandpartnerships/equality/Equality%20Impact%20Assessment%20GuidanceTemplate/Forms/AllItems.aspx> WSC 'W' drive: W:\Equalities\EIA TEMPLATE

<p><i>"I shall try to explain what "due regard" means and how the courts interpret it. The courts have made it clear that having due regard is more than having a cursory glance at a document before arriving at a preconceived conclusion. Due regard requires public authorities, in formulating a policy, to give equality considerations the weight which is proportionate in the circumstances, given the potential impact of the policy on equality. It is not a question of box-ticking; it requires the equality impact to be considered rigorously and with an open mind."¹</i></p>			
Officer completing EIA form:	Job Title:	Team/Service:	
Jo Humble	Housing Development and Enabling Manager	Housing Enabling and Development	
Why are you completing the impact assessment? <i>Please ✓ as appropriate</i>			
Proposed new policy or service	Change to policy or service	New or Change to Budget	Service review
	√		
1 Description of policy, service or decision being impact assessed:			
<p>Following the review of the Housing Revenue Account (HRA) Business Plan and the adoption of the Development Strategy in 2016 work has been ongoing to explore the options to diversify the choice of tenures offered within the 'Newbuild Council Housing Program' to bring forward the 'Housing Vision'.</p> <p>The offer would diversify the forthcoming housing mix at Weavers Arms from 26 social rented properties to;</p> <ul style="list-style-type: none"> 21 affordable rented properties 2 shared ownership properties 3 social rented properties for the returning decants. <p>These new tenures would align the housing scheme with the Council's current aspirations, providing further housing options for local residents and tenants in the area, whilst significantly improving the financial payback for the scheme in response to rising build costs and reduced financial income following the implementation of rent reduction.</p>			

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2 People who could be affected, with particular regard to the legally defined protected characteristics²:

The housing scheme proposal would facilitate the delivery of affordable housing in the Borough to those identified in housing need. It is not specific to a 'protected group'.

Lettings will be taken for the affordable rented properties from the choice based lettings system 'Homefinder Somerset' which has an equality and diversity policies in place to ensure protected groups are not disadvantaged.

The applicants for the shared ownership properties will be vetted to ensure they meet the eligibility and affordability criteria set out through the Homes and Communities Agency Sustainability Calculator, taking into consideration the legally defined protected characteristics.

3 People and Service Area who are delivering the policy/service/decision:

Housing and Communities led by Housing Enabling and Development team working with Housing Services.

4 Evidence used to assess impact: *Please attached documents where appropriate.*

Homefinder Somerset Equality Impact Assessment -

<http://www.homefindersomerset.co.uk/NovaWeb/Infrastructure/ViewLibraryDocument.aspx?ObjectID=555>

5 Conclusions on impact of proposed decision or new policy/service change:

The proposed changes to the housing scheme tenure mix at Weavers Arms will not directly impact upon people with any of the defined characteristics.

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6 Recommendation based on findings. These need to be outlined in the attached action plan.

There is no adverse equality impact identified

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Equality Impact Assessment Action Plan					
Group Affected	Action required	Expected outcome of action	Person to undertake action	Service Plan - for monitoring	Expected Completion date
Age	None.				
Disability	None				
Gender Re-assignment	None.				
Marriage and Civil Partnership	None.				
Pregnancy and Maternity	None.				
Race ³	None.				

³ Including ethnicity, national origin, colour, nationality, gypsies and travellers.

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Equality Impact Assessment Action Plan							
Group Affected	Action required		Expected outcome of action		Person to undertake action	Service Plan - for monitoring	Expected Completion date
Religion and Belief	None.						
Sex	None.						
Sexual Orientation	None.						
Rurality	None.						
Author's Signature:	Jo Humble		Ref/Report Title:	Diversifying Tenure	Date:	25 th September 2017	EIA Version: 1.0
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