

North Tyneside Authority Report to Cabinet 14 September 2015

ITEM 7(d)

Affordable Rent Policy

Portfolio(s): Housing and Transport

Cabinet Member(s): Cllr John Harrison

Report from Service Area: Environment, Housing & Leisure

Officer Responsible: Phil Scott, Head of Environment, Housing and Leisure (Tel: 0191 643 7295)

Wards affected: All Wards

PART 1

1.1 Executive Summary

On 7th April 2014, Cabinet agreed to access a Housing Community Agency (HCA) grant contribution towards the construction costs of 32 affordable homes at Blandford Road, North Shields.

The purpose of the report is to seek Cabinet's approval to adopt an Affordable Rent Policy to allow the Authority access to HCA grant for Blandford Road and future new build affordable homes. Approval of the policy also enables the Authority to consider setting affordable rents where this is considered appropriate in the future and where HCA approval has been obtained.

1.2 Recommendation(s)

It is recommended that Cabinet approve the Affordable Rent Policy as detailed in Appendix 1.

To agree to delegate to the Head of Environment, Housing and Leisure any decisions on selection of property appropriate for affordable rent in consultation with the Cabinet Member for Housing and Transport, Cabinet Member for Finance and Resources and Head of Finance, and for the inclusion of this delegation in the Officer Delegation Scheme.

1.3 Forward Plan

Twenty eight days notice of this report has been given and it first appeared on the Forward Plan that was published on 27 July 2015.

1.4 Authority Plan and Policy Framework

This report is relevant to the following priorities set out in the Our North Tyneside Plan 2014 - 2018:

- **Our Places**
Be places that people like living in and will attract others to either visit or live.
Have more quality affordable homes.

1.5 Background Information

- 1.5.1** The Mayor and Cabinet have clearly stated their policy intention in Our North Tyneside Plan that the Authority will deliver “more quality affordable homes.”
- 1.5.2** In October 2013, Cabinet agreed an ambitious target to increase the pace and scale of the affordable homes delivery programme within North Tyneside, facilitating the development of 3,000 new affordable homes from 2014-2024.
- 1.5.3** This report seeks authorisation from Cabinet to introduce an Affordable Rent Policy (ARP) to take advantage of HCA grant opportunities for Authority housing in North Tyneside.
- 1.5.4** Approval of this policy will enable the Authority to secure allocation of £0.720m of HCA grant funding derived from the development undertaken by Galliford Try, which has built 32 affordable homes at Blandford Road, North Shields, in accordance with the Cabinet decision on 7 April 2014. Once the development is complete and the homes are ready to be transferred to the Authority, it will be necessary for the Authority to enter into an agreement with the Homes and Communities Agency to protect their grant conditions. This will set the rent at an affordable level and control disposal of these homes.
- 1.5.5** The Authority will also be able to explore the possibility of securing grant funding from the HCA via their Affordable Homes Programme 2015-18. The level of this grant funding varies depending upon the cost of the development and other assumptions in the financial model. As a rule of thumb grant rates are approximately £20,000 per property for general needs housing and an additional £3,000 to £5,000 for specialist housing.
- 1.5.6** Adoption of an Affordable Rent Policy
The Coalition Government’s Affordable Homes Programme, launched in February 2011, introduced the Affordable Rent Product as the primary type of rent charged for new-build affordable homes. It also gave housing providers the flexibility to convert a proportion of their existing stock to affordable rent when re-letting void properties.
- 1.5.7** The Affordable Rent Product differs from what the authority currently sets as its rent per property, normally referred to as a “social rent”. When Rent restructuring was introduced for Local Authorities the intention was that local authority social rents would gradually be increased to “target” rents set based on a national formula that takes account both of property values and local earnings. As the authority had one of the lowest levels of rent at the start of rent restructuring and there have been limits set on both the average and individual rent increases each year, North Tyneside rents are for the most part currently below target level. The HCA’s definition of affordable rents is that rent should be set at up to 80% of the gross market rents on the open market or the average private rent level in the area and be reflective of property size.
- 1.5.8** A condition of adopting an Affordable Rent Policy is that the Authority must ringfence the additional rent collected (the difference of rent between the social rent level and affordable rent level) and reinvest this amount in the delivery of further affordable homes.
- 1.5.9** In setting the level of affordable rent the HCA allows some flexibility for the following to be taken into consideration;
- Local circumstances
 - Levels of Local Housing Allowance (LHA)
 - Broad Rental Market Area in which the property is located
 - Wider impacts of Welfare Reform.

1.5.10 The proposed Affordable Rent Policy ensures that our affordable rent level is no higher than LHA to ensure that rent remains affordable to those tenants in receipt of benefits. Those tenants with larger families may however still be impacted by the proposed changes to benefit caps.

1.6 Decision options

The following decision options are available for consideration by Cabinet:

Option 1

Approve the recommendations as set out within section 1.2 of this report.

Option 2

Not approve the recommendations.

1.7 Reasons for recommended option

Option 1 is recommended for the following reasons:

- It will support progress on delivering the Elected Mayor and Cabinet's commitment to deliver more quality affordable homes at a reduced capital cost to the Authority.
- It will allow the Authority to secure £0.720m grant for the purchase of 32 dwellings at Blandford Road. The Authority will receive £0.648m with a 10% administration fee being retained by Galliford Try subject to us obtaining a signed delivery agreement with the HCA.
- It will allow the Authority to consider future bids to the HCA's Affordable Homes Programme.
- It will enable the Authority to consider charging an affordable rent on new homes built with HCA grant and, where it is deemed appropriate, within our current housing stock where HCA approval is also obtained. Properties will be selected by the Head of Environment, Housing and Leisure and the Head of Finance, in consultation with the Cabinet Member for Housing and Transport and Cabinet Member for Finance and Resources. A request will then be made to the HCA for approval of selected homes to secure grant.

1.8 Appendices

Appendix 1: NTC's Affordable Rent Policy.

Appendix 2: List of relevant events from the HCA's Capital Funding Guide.

Appendix 3: Equality Impact Assessment.

1.9 Contact officers

Martin Bewick, Strategic Housing Manager, tel (0191) 6436206

Paul Worth, Housing Operations Manager, tel (0191) 6437554

Phil Scott, Head of Environment, Housing and Leisure, tel (0191) 6437295

Alison Campbell, Finance Business Manager, tel (0191) 6437038

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) Cabinet Report 7 April 2014 – Delivering Affordable Homes at Blandford Road

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

When a Local Authority secures HCA grant, they must accept certain obligations regarding the retention and re-cycling of this grant when certain 'relevant' events occur, purchase via Right to Buy, (RTB), being the most common although properties are protected from RTB for fifteen years by the cost floor element of the RTB calculation. All relevant events are outlined in Appendix 2.

Should the RTB be exercised and a grant funded property bought, the grant element must be retained by the Authority and re-invested directly in the development of more affordable homes. The Authority would need to comply with all HCA guidance on this process.

The Authority must also retain the 'uplift' from social rent to affordable rent and re-invest in the development of further affordable housing.

An affordable rent must be updated when a property becomes void, and the market re-tested in order to calculate the new rent for the new tenant moving in.

By accepting the grant the cost of the Blandford Road scheme is reduced by £0.648m which frees up financing for other elements of the HRA new build programme as part of the Authority's Investment Plan.

2.2 Legal

By law the Authority is allowed to implement an affordable rent policy.

Local Authorities are subject to the Rent Rebate Subsidy Limitation System (RRSLS). The RRSLS means that above a certain average rent level an Authority is not paid the full subsidy for housing benefit. In order to allow properties let at an affordable rent to be exempt from this a Local Authority must show the auditor of their Subsidy Claim Form a letter signed by their Section 151 Officer, addressed to the Department for Communities and Local Government which:

- Lists the addresses of all Affordable Rent properties – broken down between existing homes that have been converted to Affordable Rent, and newly built homes let at Affordable Rent;
- Confirms that the rents will not rise except in line with Government policy;
- Confirms any properties re-let have had their rents re-set, if needed, to ensure they remain at no more than 80% of market rent;
- Confirms that all income derived from the higher rent has been spent or will be spent – and only spent – on new affordable housing; and
- Confirms the amount of capacity generated by conversions of existing properties to Affordable Rent is no greater than that specified in their delivery agreement with the Homes and Communities Agency.

2.3 Consultation

2.3.1 Internal Consultation

Elected members and Senior Officers have been consulted for their views

2.3.2 External Consultation

Not required.

2.4 Human rights

There are no human rights issues directly arising from this report.

2.5 Equalities and diversity

An Equality Impact Assessment is attached as Appendix 3 and recommends the policy for adoption.

2.6 Risk management

There are no risk management implications arising from this report.

2.7 Crime and disorder

There are no crime or disorder implications directly arising from this report.

2.8 Environment and sustainability

There are no environment and sustainability implications arising from this report.

PART 3 - SIGN OFF

- Deputy Executive
- Head(s) of Service
- Mayor/Cabinet Member(s)
- Chief Finance Officer
- Monitoring Officer
- Head of Corporate Strategy