

STOCKTON-ON-TEES BOROUGH COUNCIL

CABINET RECOMMENDATIONS

PROFORMA

Cabinet Meeting16th June 2011

1. Title of Item/Report

Homes and Communities Agency '2011-15 Affordable Homes Programme' Direct implications for Tristar Homes Limited

2. Record of the Decision

Members considered a report that provided an overview of the Home and Communities Agency '2011-2015 Affordable Homes Framework' and highlight the direct implications for all Registered Providers seeking to secure grant funding to build new affordable housing. The report also advised Members of the broader implications (of the above) for Tristar Homes Limited, specifically Tristar Homes proposal to move to 'Affordable' and 'Target' rents for all new tenants.

The Government had announced a range of reforms to the way social housing will be delivered and funded in future. These reforms included for example:

- Giving greater flexibilities to Registered Providers (formerly known as Housing Associations or Registered Social Landlords) to determine the types of tenancies they grant to new tenants and;
- The introduction of a new 'Affordable' Rent product. 'Affordable' homes will be made available to tenants at a rent of up to 80% of the market rent and will be let in the same way as existing social housing.

Building upon the reforms the Department of Communities and Local Government (DCLG) Homes and the Communities Agency (HCA) published the '2011-15 Affordable Homes Programme Framework'; and invited bids from all Registered Providers (RPs) seeking to secure grant funding to enable them to deliver new build housing (the deadline for bids was the 3.5.11).

The Government was seeking to maximise the number of new homes built in the future and as such '2011-2015 Affordable Homes Programme Framework' detailed a number of fundamental changes to the way new build housing would in the future be funded. For example:

(a) There was a clear expectation that the majority of new build properties (with very limited exceptions) would be allocated on the basis of the new Affordable Rent product i.e. a move away from the current 'social' housing rent level.

(b) The level of 'grant' support provided via the HCA would from 2011 be significantly reduced. The Framework advised this could be achieved by either:

i. Additional borrowing capacity generated by RPs from the conversion of social rented properties to 'Affordable' Rents at relet.

ii. The use of cross subsidy (i.e. provider surpluses or other incomes).

(The concept is that RPs can generate income themselves and should therefore be less reliant on public subsidy).

And/or

iii. Other sources of funding or means of reducing costs such as free or discounted public land.

As part of the new bidding process, all RPs were 'strongly encouraged' by the HCA to assess the additional financial capacity that they could generate by 'converting' from social rent levels (rents charged now) to the new, higher 'affordable' rent, as/when properties are re-let. With this additional financial capacity used to build new housing supply.

In order to ensure that this was achieved, each RP was required to submit (as part of their bid to the HCA) details of the proportion of their re-lets that they propose to convert.

Members were reminded that Tristar Homes were a key partner of the local authority and were committed to working with the Council to address both current and future housing need via the delivery of new build housing. This commitment was clearly documented in the 'Offer Document' issued to tenants as part of the stock transfer process.

However in order to secure future HCA funding, Tristar Homes (like all RPs) would be required to convert to affordable rents as/when properties were re-let. The requirement to convert rents does not sit comfortably with the commitments made by Tristar in the 'Offer Document' issued to all tenants (before the tenant ballot) in March 2010. The Offer Document contained a number of commitments from Tristar covering a 5-year period and in relation to rents it included the following:

Offer Document extract - page 36 extract: Would tenants' rents stay affordable? - Yes, Tenants would pay no more in rent than if homes stayed with the Council

Offer Document extract - page 38 extract: What rents would new tenants pay? - New tenants would be charged the same rents as existing tenants

Even in the short time since the stock transfer had taken place (December 2010) Government policy had moved on and the HCA had made it clear that 'conversion' to affordable rents was now essential in order to stretch financial capacity for new build. However, should Tristar implement a 'conversion' policy without the support of the Council they would be in breach of the Transfer Agreement agreed with the Council.

Tristar recognise the importance of protecting rents for existing tenants and were not proposing to charge 'affordable rents' for tenants transferring into current Tristar stock.

Tristar had formally approached the Council and asked to be released from the commitment made to new tenants. In summary Tristar Homes were proposing:

(a) To charge an 'affordable rent' for all new tenants moving into houses and if further additional financial capacity is required to then include relets to new tenants in bungalows. (New tenants were any that were not existing Tenants of Tristar Homes at the point that they moved. This would exclude previous Tenants and current Tenants from other landlords).

(b) For the remaining property types, all new tenants would commence their tenancy at the 'target rent' level.*

*Members were reminded that pre-transfer the Council was following a Rent Restructuring policy; the Council would have reached 'target' rent levels by 2015/16.

An example of the difference between current rents, target rents and affordable rents was demonstrated in the example below which was based on average rent for a three bed house for the current rent year:

Current rent £70.54
Target rent £78.32
Affordable rent £102.58

In terms of how many potential new tenants this proposal would effect,

during the last financial year 9.5% of Tristar stock became vacant (985 properties) of which 791 properties were relet to new tenants. Assuming this pattern continued, in the region of 7.6% of Tristar properties would change to the new 'affordable' and/or 'target' rent on an annual basis. 75% of all Tristar tenants were in receipt of Housing Benefit, new tenants moving in at affordable and/or target rent levels would continue to be eligible for Housing Benefit at the new rent levels.

Members were asked to note that the proposed changes in rental charges to new tenants could not be implemented until the outcome of the Tristar bid for funding to the HCA was known (anticipated to be July 2011 at the earliest).

Tristar were clearly aware of the implications of these proposed changes for new tenants and had sought the views of existing tenants via their existing tenant consultation mechanisms and had advised that involved tenants supported their proposal.

Given that Tristar were seeking to be released from this commitment to new tenants so soon after the date of transfer, the views of the HCA were sought. In particular the HCA were asked if they were prepared to allow an 'exception' for Tristar Homes not to convert rents. Whilst the HCA acknowledged the position of Tristar and specifically the relative short period of time since the date of transfer they could not provide any comfort that an exception would be made. On this basis it was determined that not to include details of 'conversions' in their bid to the HCA would be too risky.

As all RPs were required to submit their bids for HCA funding by the 3.5.11. Due to the purdah period it was not possible to bring a report to Cabinet (and Council) at an earlier date. As such the Council's Corporate Management Team (CMT) considered Tristar's request and agreed to refer the matter on the basis of urgency, to the Cabinet Member for Housing and Community Safety and the Mayor to consider 'in principle', pending a detailed report being presented to Cabinet (before being referred to Council) for consideration.

Cabinet were asked to note the departure by Tristar from the transfer obligation on rent levels for new tenants and to formally support them in securing funding for new build housing from the HCA.

RECOMMENDED to Council that

1. the requirements placed on all Registered Providers seeking grant funding to build new housing be noted.

2. the introduction by Tristar Homes of 'Affordable' and 'Target' affordable rents for all new tenants be agreed in line with new Government policy.

3. Tristar Homes be formally supported in its bid to the Homes and Communities Agency to secure grant funding to deliver new housing for rent in the Borough.

3. Reasons for the Decision

To ensure that the housing needs of both current and future residents of the Borough are met by investment into our Borough by both our partner Registered Providers and the Homes and Communities Agency to fund the delivery of new affordable housing.

4. Alternative Options Considered and Rejected

None

5. Declared (Cabinet Member) Conflicts of Interest

Councillor Nelson declared a personal prejudicial interest in the item entitled Homes and Communities Agency – 2011 -15 Affordable Homes Programme Direct Implications for Tristar Homes Limited as he was a member of Tristar Homes Board. Cllr Nelson spoke in relation to the item but left the meeting room during debate and voting on the matter.

6. Details of any Dispensations

Not applicable

7. Date and Time by which Call In must be executed

Not applicable

Proper Officer
20 June 2011