

AGENDA ITEM

REPORT TO CABINET

16 JUNE 2011

**REPORT OF CORPORATE
MANAGEMENT TEAM**

CABINET DECISIONS/KEY DECISIONS/COUNCIL DECISION

Housing and Community Safety – Lead Cabinet Member – Councillor Steve Nelson

**HOMES AND COMMUNITIES AGENCY ‘2011-15 AFFORDABLE HOMES PROGRAMME’
DIRECT IMPLICATIONS FOR TRISTAR HOMES LIMITED**

1. Summary

To provide Cabinet with 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.

To advise 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.

2. Recommendations

1. Members note the requirements placed on all Registered Providers seeking grant funding to build new housing as detailed in paragraphs 3 - 5 of this report.
2. Cabinet agree the introduction by Tristar Homes of ‘Affordable’ and ‘Target’ affordable rents for all new tenants as detailed in paragraphs 6 to 12 of this report, in line with new Government policy.
3. Cabinet formally support Tristar Homes in their bid to the Homes and Communities Agency to secure grant funding to deliver new housing for rent in the Borough.

3. Reasons for the Recommendations/Decision(s)

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. Members’ Interests

Members (including co-opted Members with voting rights) should consider whether they have a personal interest in the item as defined in the Council’s code of conduct (**paragraph 8**) and, if so, declare the existence and nature of that interest in accordance with paragraph 9 of the code.

Where a Member regards him/herself as having a personal interest in the item, he/she must then consider whether that interest is one which a member of the public, with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice the

Member's judgement of the public interest (**paragraphs 10 and 11 of the code of conduct**).

A Member with a prejudicial interest in any matter must withdraw from the room where the meeting considering the business is being held -

- in a case where the Member is attending a meeting (including a meeting of a select committee) but only for the purpose of making representations, answering questions or giving evidence, provided the public are also allowed to attend the meeting for the same purpose whether under statutory right or otherwise, immediately after making representations, answering questions or giving evidence as the case may be;
- in any other case, whenever it becomes apparent that the business is being considered at the meeting;

and must not exercise executive functions in relation to the matter and not seek improperly to influence the decision about the matter (**paragraph 12 of the Code**).

Further to the above, it should be noted that any Member attending a meeting of Cabinet, Select Committee etc; whether or not they are a Member of the Cabinet or Select Committee concerned, must declare any personal interest which they have in the business being considered at the meeting (unless the interest arises solely from the Member's membership of, or position of control or management on any other body to which the Member was appointed or nominated by the Council, or on any other body exercising functions of a public nature, when the interest only needs to be declared if and when the Member speaks on the matter), and if their interest is prejudicial, they must also leave the meeting room, subject to and in accordance with the provisions referred to above.

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RECOMMENDATIONS

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DETAIL

Background

1. Over recent months the Government has announced a range of reforms to the way social housing will be delivered and funded in future. These reforms include 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.

2. Building upon these recent 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).
3. The Government is 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 will in the future be funded. For example:
 - (a) There is a clear expectation that the majority of new build properties (with very limited exceptions) will 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 will 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 (see paragraph 4 below).
 - 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.

Rent conversions and the broader implications for all RPs

4. As part of the new bidding process, all RPs are 'strongly encouraged' by the HCA to assess the additional financial capacity that they can 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.
5. In order to ensure that this is 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.

Implications for Tristar Homes Limited

6. As Members are aware Tristar Homes are a key partner of the local authority and are 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.
7. However in order to secure future HCA funding, Tristar Homes (like all RPs) will be required to convert to affordable rents as/when properties are 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

8. Even in the short time since the stock transfer has taken place (December 2010) Government policy has moved on and the HCA has made it clear that 'conversion' to affordable rents is 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.
9. Tristar recognise the importance of protecting rents for existing tenants and are not proposing to charge 'affordable rents' for tenants transferring into current Tristar stock.
10. Tristar have now formally approached the Council and asked to be released from the commitment made to new tenants. In summary Tristar Homes are 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 are any that are not existing Tenants of Tristar Homes at the point that they move. 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 may recall that pre-transfer the Council was following a Rent Restructuring policy; the Council would have reached 'target' rent levels by 2015/16.

11. An example of the difference between current rents, target rents and affordable rents can be demonstrated in the example below which is 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

12. In terms of how many potential new tenants this proposal will 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 continues, in the region of 7.6% of Tristar properties will change to the new 'affordable' and/or 'target' rent on an annual basis. At present 75% of all Tristar tenants are in receipt of Housing Benefit, new tenants moving in at affordable and/or target rent levels will continue to be eligible for Housing Benefit at these new rent levels.
13. Members are 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 is known (anticipated to be July 2011 at the earliest).
14. Tristar are clearly aware of the implications of these proposed changes for new tenants and have sought the views of existing tenants via their existing tenant consultation mechanisms and have advised that involved tenants supported their proposal.

The views of the Homes and Communities Agency

15. Given that Tristar are 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.

The timing of the bid by Tristar Homes to the HCA

16. As detailed earlier in this report, 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 Councils 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.
17. Cabinet are 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.

FINANCIAL IMPLICATIONS

18. There are no financial implications to the Council arising from this report.

LEGAL IMPLICATIONS

19. Views from the Head of Legal Services have been sought on the issues outlined in this report. The Head of Legal Services has advised that whilst the decision by Tristar Homes to increase rent levels conflicts with statements in the Offer Document and Tristar obligations in the Transfer Agreement (Schedule 5, Part 2, clause 7.1) there has been a material change in circumstances since the Transfer Agreement was signed requiring a change to what was originally agreed between the parties.
20. On this occasion, the changes in Government policy have been significant and could not have been foreseen at the time of balloting tenants (March 2010) nor at the date of signing the Transfer Agreement (December 2012).

RISK ASSESSMENT

21. In assessing the risk consideration has been given to the implications of not supporting Tristar in their bid for funding to the HCA. Without the support of the Council it is unlikely that Tristar's funding bid would be successful which would directly impact on their ability to build new homes in the Borough.

SUSTAINABLE COMMUNITY STRATEGY IMPLICATIONS

22. Securing HCA funding would contribute to the following key policy platforms within the Sustainable Community Strategy:

- Environment and Housing: 'place shaping', addressing housing need.
- Health and wellbeing: improving the quality of accommodation and provision of services to housing and vulnerable households.

EQUALITIES IMPACT ASSESSMENT

23. This report has been subject to an Equality Impact Assessment, in summary as the proposed rent conversions would affect all new Tristar tenants it was determined not to have either a positive or negative impact (and as such no remedial actions are required).

CONSULTATION INCLUDING WARD/COUNCILLORS

24. The changes in rent policy will potentially affect all wards were Tristar Homes currently own properties.

25. Once the outcome of all RP bids are known, it is proposed that ward members with schemes within their ward boundaries are informed.

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Background Papers

2011-2015 Affordable Homes Framework (DCLG and HCA)

Education related

No

Ward(s) and Ward Councillors:

All

Property

No