

National Affordable Housing Policy

Housing Initiatives Working Group, 3 March 2011, item 8

Committee: Housing Initiatives Working Group

Agenda Item

Date: 3 March 2011

8

Title: National Affordable Housing Policy Update

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Item for information

Summary

1. This report advises the Working Group on updates in National Policy that will affect the provision of Affordable Housing in the District.

Recommendations

2. That the Working Group notes the national policy changes.

Financial Implications

3. The implications of national policy changes will have an affect on the level of public subsidy available to develop new affordable housing.

Background Papers

4. The following papers were referred to by the author in the preparation of this report and are available for inspection from the author of the report.

Homes and Communities Agency Framework Document 2011-15

Impact

5.

| | |
|---------------------------------|-----|
| Communication/Consultation | N/A |
| Community Safety | N/A |
| Equalities | N/A |
| Health and Safety | N/A |
| Human Rights/Legal Implications | N/A |
| Sustainability | N/A |
| Ward-specific impacts | N/A |
| Workforce/Workplace | N/A |

Situation

6. The Homes and Communities Agency (HCA) is the funding body for Affordable Housing as set out in the 2008 Housing and Regeneration Act. During its three year 2008-11 National Affordable Housing Programme, the HCA had a budget of around £8.4bn to spend on affordable housing throughout England and Wales. The average grant rate for social rented housing during the 2008-11 funding round in the East of England was £60k per unit and £20k for intermediate housing including shared ownership.
7. The HCA has been given a budget of £4.4bn for its National Affordable Housing Programme 2011-15, of which £2.2bn is already allocated for approved schemes, and at least £600m is expected to be spent in London. Pro-rata, this means that there is around £50m per annum available to fund affordable housing in the former Eastern Region, or roughly £1m per year for Uttlesford. Given the average grant rates of £60k per unit, this would be enough to deliver 16/17 social rented units per year under the previous funding system
8. In order to allow development to continue with these limited funds, the HCA has released its Framework Document for 2011-15, which sets out how affordable housing can be funded during the next four years. The main product for delivering affordable housing will be the new "Affordable Rent" tenure.
9. "Affordable Rent" will allow Registered Providers (generally Housing Associations) to charge up to 80% of open market private rents (subject to a

National Affordable Housing Policy

Housing Initiatives Working Group, 3 March 2011, item 8

local RICS red book appraisal) and therefore use the additional rent received to subsidise the build costs of new affordable housing even if it is higher than the Local Housing Allowance. The Government has confirmed that the rise in rents will be taken into account in the setting of Housing Benefit. At the time of writing 80% of market rents in Uttlesford for a two bedroom house the average rise in rents is likely to be £125 per week. The average rent rise (on 1,2,3 and 4 bedroom properties) is likely to be around £58 per week on the new Affordable Rent tenancy from an average social rent of £93 to a new average rent of £151 per week. This difference in rent could have implications on affordability for those in need, particularly those in work and on low incomes. The HCA has made it clear that Affordable Rent should be the main method of delivering affordable housing except in exceptional circumstances and that the model will also be applied for the provision of new housing for both supported and older persons housing.

10. The table below shows the full difference between market rents (as identified in the three Local Housing Allowance areas in Uttlesford) , social rents and the new affordable rent tenure as predicted by the East of England Local Government Association: (The 80% affordable rent will have to include service charges, whereas the current rents do not include services charges, which will slightly decrease the differential)

| Local authority/ Broad Rental Market Area (BRMA) | Shared | 1bed | 2 bed | 3 bed | 4 bed | 5 bed | Average (1-4 Bed) |
|--|--------|--------|--------|--------|--------|--------|----------------------|
| Uttlesford | | | | | | | |
| 1. Cambridge BRMA | | | | | | | |
| Median wkly market rent within BRMA | 77.17 | 136.93 | 151.89 | 182.96 | 276.16 | 345.21 | 186.99 |
| 80% 'Affordable Rent' level | 61.74 | 109.54 | 121.51 | 146.37 | 220.93 | 276.17 | 149.59 |
| Current av RSL net weekly rent | 67.99 | 74.27 | 87.99 | 98.77 | 109.35 | n/a | 92.60 |
| Wkly flexibility to fund development | -6.25 | 35.27 | 33.52 | 47.60 | 111.58 | n/a | 56.99 |
| 2. Harlow & Stortford BRMA | | | | | | | |
| Median wkly market rent within BRMA | 76.14 | 126.58 | 161.10 | 201.37 | 276.16 | 400.44 | 191.30 |
| 80% 'Affordable Rent' level | 60.91 | 101.26 | 128.88 | 161.10 | 220.93 | 320.35 | 153.04 |
| Current av net wkly RSL rent | 67.99 | 74.27 | 87.99 | 98.77 | 109.35 | n/a | 92.60 |
| Wkly flexibility to fund development | -7.08 | 26.99 | 40.89 | 62.33 | 111.58 | n/a | 60.45 |
| 3. Stevenage & North Herts BRMA | | | | | | | |
| Median wkly market rent within BRMA | 73.83 | 120.82 | 149.59 | 182.96 | 241.64 | 344.05 | 173.75 |
| 80% 'Affordable Rent' level | 59.06 | 96.66 | 119.67 | 146.37 | 193.31 | 275.24 | 139.00 |
| Current av net wkly RSL rent | 67.99 | 74.27 | 87.99 | 98.77 | 109.35 | n/a | 92.60 |
| Wkly flexibility to fund development | -8.93 | 22.39 | 31.68 | 47.60 | 83.96 | n/a | 46.41 |

11. The HCA has also put forward that a percentage of “re-lets” (i.e. properties that become void and require new tenants) will be let at ‘affordable rents’,

National Affordable Housing Policy

Housing Initiatives Working Group, 3 March 2011, item 8

subject to an agreement with the HCA to use the additional funds to provide new affordable housing. These funds will not be ring fenced to a specific area, meaning that it will be possible to use the additional revenue to fund affordable housing in another part of the Country. Housing Association Partners have raised the question of re letting social rented dwellings on shared ownership tenure to generate larger capital receipts for development.

12. There have been a number of requests from Registered Providers to convert existing completions that have been agreed at social rent levels to affordable rent tenures. This includes requests for sites where s106 and nomination agreements have been signed.
13. The West Essex Partnership (Harlow, Epping Forest and Uttlesford) have suggested working with Registered Providers to try and encourage reinvestment of additional funding within the West Essex area. This can be further investigated during the formulation of the Strategic Tenancy Policy.
14. Local Authorities are also encouraged to consider how they can contribute towards new supply through the use of their own land holdings, via negotiation on S106 agreements and through other sources of funding such as the New Homes Bonus or Community Infrastructure levy. Local Authorities will be able to consider providing housing at 'social rents' through the use of their own assets and the HCA will consider providing subsidy if it achieves similar value for money to that achieved by affordable rent offers.
15. The changes set out in this document will be converted into statute by the Localism Bill. This will also require Local Authorities to develop a "Tenancy Strategy" which will set out requirements for lengths of future tenancies and the tenure of re-lets. The Tenancy Strategy will set out high level objectives around creating and maintaining mixed and sustainable communities and tackling overcrowding. Registered Providers will have to be consulted on these strategies which they will have to have regard to when setting their own tenancy management policies.
16. The HCA is yet to confirm whether or not the Affordable Rent tenancy will be extended to Local Authorities, however the CLG has hinted that this may happen in the near future.
17. Registered Providers have been asked to submit their four-year development plans to the Homes and Communities Agency in the next three months, for funding to then be distributed to Registered Providers for the next four years. Officers plan to meet with our leading Registered Providers over the next two months to discuss these documents and to start to formulate policies on both a suggested approach to Affordable Rent and the direction of the development of Tenancy Strategy.
18. The additional emphasis on Registered providers borrowing more against increased future incomes will increase their financial exposure and this should be monitored by UDC in conjunction with the HCA to ensure that Registered Providers Partners are financially stable.

Risk Analysis

19.

| Risk | Likelihood | Impact | Mitigating actions |
|--|--|---|---|
| Housing Associations may be more exposed to risks of using private finance | 2 – Officers should monitor Housing Association’s financial situations through their business plans. | 3 – Impacts could be severe, however past instances of this have been dealt with by the HCA with minor impact | Monitoring financial positions to ensure that Housing Association Partners are not over-exposed to borrowing. |

1 = Little or no risk or impact

2 = Some risk or impact – action may be necessary.

3 = Significant risk or impact – action required

4 = Near certainty of risk occurring, catastrophic effect or failure of project.