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**Report of: Corporate Director of Transformation, Housing and Resources**

**Relevant Portfolio Holder: Councillor N Pryce-Roberts**

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**SUBJECT: AFFORDABLE HOME OWNERSHIP PRODUCTS**

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Wards affected: Borough wide

**1.0 PURPOSE OF THE REPORT**

1.1 To seek approval for the publication of Rent to Buy and Shared Ownership policies.

**2.0 RECOMMENDATIONS TO EXECUTIVE OVERVIEW & SCRUTINY COMMITTEE**

2.1 That the contents of the Rent to Buy and Shared Ownership policies be considered by the committee and that the agreed comments of the Executive Overview and Scrutiny Committee be passed to Cabinet for their consideration

**3.0 RECOMMENDATIONS TO CABINET**

3.1 That Cabinet approve the Rent to Buy and Shared Ownership policies attached at Appendix A and B, taking into consideration the minute of the Executive Overview & Scrutiny Committee attached at Appendix D.

3.2 That the Corporate Director of Transformation, Housing and Resources in consultation with the relevant Portfolio Holder, be given delegated authority to make changes to each policy to ensure compliance with Homes England requirements, to reflect changes to regulation, legislation, local operational procedures and make any minor / inconsequential changes as required.

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**4.0 BACKGROUND**

- 4.1 Homes England is the Government's housing delivery agency. They operate a range of programmes intended to help increase the delivery of housing including affordable housing.
- 4.2 One programme is known as the Affordable Homes Programme 2021 to 2026 which provides grant to Homes England Investment Partners to help support affordable housing development.
- 4.3 The Council has been an Investment Partner with Homes England since 2020. Since then, it has successfully bid for affordable housing grant.
- 4.4 To receive grant, the Council is required to enter into a non-negotiable Grant Agreement with Homes England. The Agreement requires the Council to fulfil its obligations under that agreement but also references other documents that the Council must comply with, namely:
- Homes England Capital Funding Guide
  - Homes England Audit compliance requirements
  - Lease Agreements
    - *The above is not a full list*
- 4.5 Homes England obligations influence how the Council can shape its policies for the grant funded affordable housing units it delivers as it relates to a range of matters e.g., the eligibility/ priority of applicants, rent setting / service charges, repairs obligations, the type of lease we can use and decisions regarding sustainability and affordability.

## **5.0 CURRENT POSITION**

- 5.1 There is an expectation from Homes England that in addition to Affordable Rent delivery, its Investment Partners will deliver affordable home ownership products particularly on sites with the capacity to deliver more than 30 units. The products being:
- Rent to Buy
  - Shared Ownership
- 5.2 The Council has already identified some potential development sites that would provide more than 30 units and so this means to maximise grant support from Homes England, the Council needs to deliver one or more of the home ownership products as part of its affordable housing tenure offer on those larger sites.
- 5.3 Fairlie in Skelmersdale has capacity to deliver 50 units. The Council's grant application to Homes England based on 13 units of Rent to Buy and 37 units of Affordable Rent proved successful. The Rent to Buy units are projected to be complete in November 2023.
- 5.4 The former Hope High School in Skelmersdale, if viable for development will include one or both home ownership products. It has an indicative practical completion date of November 2025 and capacity of up to 47 units.

- 5.5 In recognition of the need to incorporate home ownership products into the Councils affordable tenure offer, the Council needs to develop supporting policies for each product it intends to deliver.
- 5.6 The introduction and operation of the Rent to Buy and Shared Ownership affordable homeownership products will fall under the existing delegation contained in the Constitution 4.2C, (viii) Housing (Operational), paragraph 1 – To administer, manage and maintain the Council's Housing in accordance with the Relevant Legislation and Policies of the Council.

## **6.0 AFFORDABLE HOME OWNERSHIP POLICIES**

- 6.1 This report introduces two policies for Cabinet consideration:
- Rent to Buy Policy at Appendix A
  - Shared Ownership Policy at Appendix B
- 6.2 Each policy has been shaped to take account of Homes England specific requirements. Those requirements limit the scope for changes to the policy as each home ownership product must be delivered in accordance with criteria and processes set by Homes England as a condition of receiving grant.
- 6.3 The policy documents are intended for use by members of the public who are interested in understanding the affordable home ownership tenures available on a development site where they are offered by the Council.
- 6.4 The policy documents set out the eligibility criteria that applies to each home ownership product and that any applications received from interested parties will require the Council to determine if they meet the eligibility criteria. Further information is also provided which describes how the tenure operates in practice at different stages as well as providing a summary of Council and tenant/ leaseholder responsibilities.
- 6.5 It is not intended for this report to replicate the policies in their entirety as each policy should be read in isolation, however sections 7 and 8 of this report provide summary information describing each affordable home ownership product.

## **7.0 RENT TO BUY**

- 7.1 Rent to Buy is an affordable home ownership product aimed at helping people who want to buy a home but are unable to save a deposit. It allows eligible working households to rent a home at an Intermediate Rent providing them the opportunity to save for a deposit which may enable them to purchase their rented home in the future.
- 7.2 An Intermediate Rent is a rent which is at a value above social rent but below market rent levels. It must not exceed 80% of the current market rent (inclusive of service charges).
- 7.3 Rent to Buy homes will be let at an Intermediate Rent for a minimum of five years during which it is expected that tenants will save for the deposit to purchase their rented home.

7.4 After the initial five-year letting period the Council may:

- continue offering the property as Rent to Buy
- sell the home on an outright basis with the tenant being given the right of first refusal or
- retain and convert the home to rented housing, on either an affordable or market rent basis
- allow the tenant to purchase the property on shared ownership terms

7.5 A tenant can also purchase their property before the end of the initial five-year rental period but at the discretion of the Council.

## 8.0 SHARED OWNERSHIP

8.1 Shared Ownership is an affordable home ownership product through which households can purchase a share, as low as 10% in a new home and pay a regulated rent via a lease arrangement on the remaining unsold share.

8.2 By purchasing a share, households can benefit from the stability of home ownership without having to meet the deposit and borrowing requirements of purchasing 100% of the property.

8.3 From the point of initial purchase, householders have the option of buying extra shares in the home, known as staircasing. This means householders can, "staircase" to full ownership over time dependant on their financial circumstances.

8.4 Staircasing can take place in tranches as low as 1%, but this is limited to the first 15 years of the lease, or the first 15 years of ownership for a new tenant if the lease is assigned. Thereafter staircasing will need to take place at no less than 5% tranches.

8.5 Homes England set financial eligibility criteria for shared ownership. A household can be considered for shared ownership if both of the following apply:

- their **gross** household income is £80,000 a year or less
- they are unable to afford all the deposit and mortgage payments for a home on the open market that meets their needs

One of the following must also apply:

- they are a first-time buyer
- they used to own a home, but cannot afford to buy one now
- they own a home and want to move but cannot afford a new home suitable for their needs
- they are forming a new household - for example, after a relationship breakdown
- they are an existing shared owner and want to move

8.6 The Council will be responsible for essential external and structural repairs in the first 10 years to:

- the load bearing framework of the premises

- the external fabric of the premises; and/or
- the Service Media forming part of (but not exclusively serving) the premises
- all other structural parts of the premises, the roof, foundations, joists and external walls of the premises

8.7 This applies to new-build properties only and will be effective from the date it is built (i.e. Practical Completion) and will last until the end of the first 10 years or the date the shared ownership leaseholder staircases to 100%, whichever is the earlier. If a property is resold in the first 10 years, the next shared owner will be entitled to benefit from the remaining external and structural repair period.

8.8 Additionally shared owners benefit from a general repairs and maintenance allowance, in which they can claim up to a maximum of £500 in costs per year with no more than one years' worth of unspent allowance be rolled over into the following year

8.9 When assessing the viability of a site in which to deliver shared ownership, the repairs obligations as outlined in paragraphs 8.6-8.9 are also factored into the viability appraisal so that the financial liability of those obligations is captured.

## **9.0 CONSULTATION**

9.1 It is usual to undertake consultation with a range of stakeholders when introducing new policies. In this instance wider consultation outside of the Council is not appropriate.

9.2 This is because each policy has been shaped to take account of Homes England specific requirements. Those requirements limit the scope for changes to the policy as each home ownership product must be delivered in accordance with eligibility criteria and processes set by Homes England as a condition of receiving grant.

## **10.0 SUSTAINABILITY IMPLICATIONS**

10.1 At this time there are no significant sustainability impacts associated with this report

## **11.0 FINANCIAL AND RESOURCE IMPLICATIONS**

11.1 There are no financial and resource impacts by virtue of producing Shared Ownership and Rent to Buy Policies.

11.2 It is expected that the resource implications of supporting the required operational processes will initially be met using existing resources, however as the number of units increase across each home ownership product, there may be a need to increase staffing resources to ensure appropriate management of the home ownership property portfolio. Any increase in staffing resource is expected to be met using management fees.

11.4 While this report seeks approval for the publication of Rent to Buy and Shared Ownership policies as the operational process to support delivery of each home ownership product take shape, there may be a need to seek and pay for the

provision of outside support, e.g. to undertake financial assessments. Where this is the case, the support costs will be factored in the fee charged to the applicant.

## **12.0 RISK ASSESSMENT**

- 12.1 There are no risk issues by virtue of the publication of the Shared Ownership and Rent to Buy policy.
- 12.2 The affordable home ownership products are new to the Council and relatively complex therefore operational risk will need to be identified and managed, particularly while the Council and its officers become experienced and proficient in operating each product.

## **13.0 HEALTH AND WELLBEING IMPLICATIONS**

- 13.1 The development of the Rent to Buy and Shared Ownership policies aims to support the delivery of affordable home ownership tenures for those households who are in affordable housing need.
- 13.2 It is known that the provision of affordable, good quality housing coupled with a sense of stability can have a range of positive impacts on households being able to achieve their potential and improve their sense of wellbeing.
- 13.3 Good quality housing also has physical health benefits as those homes are not subject to damp or other defects which may adversely impact occupants' health.

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### **Background Documents**

There are no background documents (as defined in Section 100D (5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

There is a significant direct impact on members of the public, employees, elected members and / or stakeholders. Therefore an Equality Impact Assessment is required.

A formal equality impact assessment is attached as an Appendix C to this report, the results of which have been taken into account in the Recommendations contained within this report

### **Appendices**

- Appendix A – Rent to Buy Policy
- Appendix B – Shared Ownership Policy
- Appendix C – Equality Impact Assessment