



PLANNING & HOUSING OVERVIEW & SCRUTINY PANEL

MONDAY, 18TH APRIL, 2016

At 7.00 pm

in the

COUNCIL CHAMBER - TOWN HALL,

SUPPLEMENTARY AGENDA

PART I

<u>ITEM</u>	<u>SUBJECT</u>	<u>PAGE NO</u>
5.	<u>INCREASING HOME OWNERSHIP - PARTNERSHIP AND INVESTMENT PLAN</u> To comment on the report to be considered by Cabinet on the 28 April 2016.	3 - 16

This page is intentionally left blank

Report for: ACTION



Contains Confidential or Exempt Information	Main Report - Part I Appendix A – Part II
Title	Housing Investment Partnership Plan
Responsible Officer(s)	Russell O’Keefe, Strategic Director of Corporate and Community Services. Tel: 01628 796521
Contact officer, job title and phone number	Chris Hilton, Director of Planning, Development and Regeneration Tel 01628 683811 Hilary Hall , Head of Commissioning Adults, Childrens and Health
Member reporting	Cllr Wilson, Lead Member for Planning Cllr Coppinger, Lead Member for Adult Services and Health Cllr Dudley, Lead Member for Finance
For Consideration By	Cabinet
Date to be Considered	28 April 2016
Implementation Date if Not Called In	Immediately
Affected Wards	All

REPORT SUMMARY

1. This report sets out the issues that affect the delivery of affordable housing in RBWM. It considers the changes that are emerging in the Housing & Planning Bill and proposes a plan to maximise the delivery of the manifesto commitments in this area
2. The report recommends that Cabinet agree a plan of actions with the aim of providing an average of 116 units per annum that will allow residents to access home ownership and key worker private rented housing.
3. This report fulfils a request from the Policy Committee on the 19th January 2016 that requested a partnership and investment plan to increase home ownership be submitted to Cabinet for consideration in April 2016.

If recommendations are adopted, how will residents benefit?

Benefits to residents and reasons why they will benefit	Dates by which residents can expect to notice a difference
1. Significantly more Home Ownership and Key Worker rented options in the borough	2019

1. DETAILS OF RECOMMENDATIONS

RECOMMENDATION: That Cabinet:

- I. Approves that following adoption of the Borough Local Plan, that a Supplementary Planning Document should be progressed on the delivery of housing, including affordable, shared ownership and other tenures and types.**
- II. Approves that in modelling the delivery of the regeneration programme, the consultant team (GL Hearn) who have been procured to support the council with the establishment of a joint venture, will develop a detailed model, including tenure mix, on how affordable housing can best be delivered through the regeneration sites. Subject to the detailed financial modelling they will carry out, the aim will be to deliver:**
 - Up to 2,500 homes of which 750 should be affordable with a strong emphasis on affordable home ownership.**
 - A percentage of these (to be agreed) to be Starter Homes.**
 - A private rented (PRS) portfolio of 600 units to be held by the Royal Borough as income-producing assets through the council's property company.**
 - Up to 200 of the PRS units to be reserved for key workers, particularly school teachers. They could be entitled to a 20% discount against market rents, although further work will be needed on discount levels.**
- III. Notes that the council's property company is looking at some specific existing properties for conversion to PRS for key workers and has currently identified 20 units that could be used for these purposes and approves that a supporting policy on eligibility and allocation of all key worker housing will be developed.**
- IV. Approves that detailed discussions and work should be progressed with a range of registered providers in order to better understand how their business models are evolving, in response to the Housing & Planning Bill, and determine how they could best deliver the commitments within the borough (see Appendix A in Part II).**
- V. Approves that as new funding streams are finalised and announced over the coming weeks, meetings will be held at a senior level with the Homes & Community Agency (HCA) with the aim of agreeing a funding arrangement to support the council's commitments.**
- VI. Approves that the council's housing options team working more proactively moving forward with the army welfare service to support those who are due to leave the army with advice on the home ownership options at the earliest available opportunity and with ex service personnel who are currently in housing need and notes that the council's Mayor is bringing together partners such as Haig Homes and local Registered Providers which is enabling officers to develop specific accommodation options.**

2. REASON FOR RECOMMENDATION(S) AND OPTIONS CONSIDERED

Strategic context

2.1 In its 2016 Manifesto the Council committed to:

- Progress further council developments with a Private Rented Sector income goal.
- Protect the Green Belt.
- Deliver home ownership through shared equity and other models where the resident has a stake in their property.
- Support innovative funding options for Right to Buy schemes.
- Reward deserving tenants with higher nomination rights e.g. for contributions to the community.
- Support ex-Forces personnel with access to housing through local policies.
- Use key worker housing policies to support teacher recruitment.
- Continue with the relentless commitment to deliver regeneration of Maidenhead.

2.2 There are a number of pledges in the Conservative Party Manifesto on Housing. The Housing & Planning Bill has been an early piece of legislation in this Parliament to deliver on a number of the policies outlined in the manifesto. There are five key commitments in the national manifesto:

- Help to keep mortgage rates lower by continuing to work through our long-term economic plan.
- Build more homes that people can afford, including 200,000 new Starter Homes exclusively for first-time buyers under 40.
- Extend the Help to Buy Equity Loan scheme to 2020 to help more people onto and up the housing ladder, and introduce a new Help to Buy ISA to support people saving for a deposit.
- Give more people the chance to own their home by extending the Right to Buy to tenants of Housing Associations and create a Brownfield Fund to unlock homes on brownfield land.
- Ensure local people have more control over planning and protect the Green Belt.

2.3 As things stand the current National Planning Policy Framework (NPPF) states that we should ensure that our Local Plan meets the full, objectively assessed need (OAN) for market and affordable housing, and it defines affordable housing as social rented, affordable rented and intermediate housing provided to eligible households whose needs are not met by the market. The definition includes some low cost home ownership models such as shared ownership and shared equity. Eligibility is determined with regard to local incomes and house prices, and provision should be subject to 'in perpetuity' restrictions so they remain affordable for the benefit of future eligible households.

2.4 In December 2015, the Department of Communities and Local Government (DCLG) published a consultation paper on proposed changes to the NPPF. The key elements

of the consultation are founded in the emerging Housing and Planning Bill. The consultation document indicated the potential for changes in the following:

- Broadening the definition of affordable housing to expand the range of low cost housing options for those aspiring to buy their new home;
- Increasing the density of development around commuter hubs to make more efficient use of land;
- Supporting sustainable new settlements, development on brownfield land and small sites, and delivery of housing allocated in local plans; and
- Supporting the delivery of starter homes subject to the current consultation.

Affordable housing types

- 2.5 The section below sets out the affordable housing types, comments on the current arrangements for their delivery in the Royal Borough and how the proposed changes are likely to either improve or restrict their deliverability. It then identifies the emerging opportunities for proposals that best meet the manifesto commitments.
- 2.6 Social Rent - To date the borough's access to social rent is through the nominations agreements with the stock transfer housing associations. This amounts to 200 nominations a year. The amendments in the Housing and Planning Bill are likely to reduce the deliverability of Social Rent, prioritising other tenure types. Indications are that the Homes and Community Agency's (HCA) next round of Affordable Homes Programme will contain no provision for funding social rent and as such viability will be a big issue.
- 2.7 Affordable Rents - Generally more expensive than Social Rents, Affordable Rents are based on 80% of the average market rent for an area, and they are often fixed term contracts of up to five years. They are aimed at a wider group of potential tenants, including working families who might not qualify for Social Rent. Increasingly Registered Providers have been converting their properties from social rents to the affordable rent to improve viability.
- 2.8 Shared Ownership – Shared Ownership schemes are provided through housing associations. The purchaser buys a share of the home (generally a 25-75% share) and pays rent on the remaining share. The borough has been innovative in introducing a “Do It Yourself” shared ownership product that enables residents to exercise choice over where they live by offering Shared Ownership on properties available on the open market. This has benefitted 40 households to own who wouldn't have otherwise by investing s106 monies match funded by Housing Solutions.
- 2.9 Starter Homes - This initiative, which is presently being consulted on, allows first time buyers under 40 to purchase a new Starter Home at a 20% discount to the market price, and at no more than £250,000 outside London and £450,000 in London. This policy envisages planning permission being granted

on employment land not currently identified for housing subject to a condition that starter homes are delivered. However, subject to viability, we may be able to require their provision via planning conditions.

- 2.10 The Private Rent Sector (PRS) still has a crucial role in providing flexible accommodation to meet local labour market needs and affordable housing. Traditionally the sector has been dominated by individual private landlords but the last few years have seen increased interest from institutional investors looking to own and manage entire blocks of flats for private rent. The Royal Borough's ambition to own income-producing investments is also a key consideration, and this is discussed further below. The Royal Borough has also developed, through Housing Options, trusted relationships with private landlords who provide rents at affordable levels for tenants on housing benefit.
- 2.11 Key Workers – Working people in essential services, such as teachers and social care staff, or in local key employment areas, will be beneficiaries of the changes in the affordable housing sector. The increase in home ownership options are intended to help those in work to acquire a secure home at a discount from market prices. Potentially this group will benefit from some Registered Providers' decisions to re-profile their resident base to focus on working residents who can afford to pay the rent without recourse to welfare benefits. In the Royal Borough it may result in additional opportunities for those previously unable to qualify for mainstream social housing, which include key workers. A programme of Keyworker Housing initiatives, and/or a more 'open door' approach to lettings of new homes, is key to supporting local employment in the Royal Borough of Windsor and Maidenhead given the affordability issues that exist.
- 2.12 Self-Build – The Self-Build and Custom Housebuilding (Register) Regulations 2016, which come into force on April 1st, require us to keep a register of individuals and associations who are seeking to acquire serviced plots of land in the borough. Self-build can often mean low density and, given that land supply is finite, officers are already working to identify every suitable site possible in order to satisfy Objectively Assessed Need as part of the Borough Local Plan process. Custom-build (where developers build to a shell finish and buyers fit out) may be more deliverable and may be worthy of further investigation.
- 2.13 Help to Buy – This is not a tenure type as such but is a package of measures from Government aimed at helping first-time buyers. It includes equity loans, mortgage guarantees and the recently announced Help-to-Buy ISA. All main housebuilders are promoting these products as part of their sales campaigns and the Royal Borough should encourage these initiatives.

Considerations in developing proposals

- 2.14 Against this background, proposals are needed to deliver the commitments that take into account the elements set out below.

- 2.15 The “Value Challenge”: If affordable housing provision results in reduced sales receipts for a developer, then (assuming costs and profit margin are the same) the developer will pay less for land. In some cases this means the landowner receives less, and in other cases where land is expensive to assemble (eg where existing use values are high) it could make the scheme unviable. The affordable housing types listed above vary in the extent of the Value Challenge that they present, with social rent generally presenting the biggest challenge.
- 2.16 The Homes & Communities Agency funding streams are evolving to become more focused on home ownership and they have indicated informally that they expect to announce a new programme in April. A senior level meeting with the council would then be beneficial to explore detailed funding opportunities. Key themes are:
- The Affordable Homes Programme, which to date has provided grants to Registered Providers, will from 2016 to 2020 only fund shared ownership schemes (apart from specialist rental schemes for the elderly). A prospectus is expected in April and potentially the rules will be relaxed to allow developers and local authorities to bid. It will be a £1.2bn programme aimed at funding 38,000 homes.
 - Starter Homes – are likely to need a revolving fund which will be used to acquire non-residential land for existing use value, secure planning approval for residential and then sell to developers for a price that reflects the inclusion of starter homes. The aim is to recover money for future use rather than providing grants to bridge the gap between full residential value and the reduced value of starter homes.
 - Housing Development Fund – a revolving fund that lends to fund site infrastructure, recovering the investment from land receipts.
 - The Homes & Communities Agency is actively acquiring surplus public sector assets and progressing development schemes.
- 2.17 The role of Registered Providers (RPs) is changing. Whilst they are building fewer new homes (a 32% fall since 2010) they are less dependent on grant. From 2008-11 the grant for social housing covered 40% of the cost of development on average, but in 2011-15 it accounted for just 14%. Some are taking on more debt (£100,000 average per new affordable rented house, up from £70,000 a decade ago), some are drawing on reserves and some are disposing of higher value stock to raise funds to reinvest. Many are also changing strategy, focusing on a mix of tenure types which overall is less dependent on grant. Increasing rents, reducing focus on Social Rent and engaging in a mix of tenure types is helping them to develop viable business models.
- 2.18 The Registered Providers that are active in the Royal Borough are the stock transfer associations (Housing Solutions and Radian) with 6,000 affordable rented and shared ownership properties in the borough between them. They also have potential development opportunities locally to expand their stock. The Royal Borough has a good track record of working innovatively with

Housing Solutions and Radian on models such as the DIY Shared Ownership initiative. In addition to these, other active associations include One Housing and Thames Valley Housing.

- 2.19 The Government has announced the introduction of 'Right to Buy' for Housing Association tenants. A deal was struck between the government and the National Housing Federation, whereby housing associations will extend the right to buy to their tenants on a voluntary basis. There is an expectation that properties sold at discount will be replaced, but as yet no defined tenure for the replacement. This may mean that some organisations will replace sold rented units with home ownership. To test this in practice the Government recently announced a Voluntary Right to Buy pilot scheme amongst a small number of housing associations. Eligible tenants can now apply to take up their Voluntary Right to Buy. There are a limited number of sales under this pilot. Successful applicants will be able to progress up to the point of sale, but would not be able to complete until the Housing and Planning Bill becomes law. Learning from these pilots will be taken on board by government before the plan for further roll out is developed. The Royal Borough will be monitoring this closely to look at the opportunities it offers.
- 2.20 There may however be value in wider discussions with some of the big national players such as Places for People, L&Q and others, as well as new innovative Registered Providers such as Haylo Housing (recommended by the HCA). Understanding how their business models are evolving and establishing which providers are best placed to support the Royal Borough in delivering its commitments is a key element in developing proposals.
- 2.21 The role of private sector developers: The draft Borough Local Plan sets a target of 30% affordable housing which it is anticipated can reflect evolving government policy. Based on our current projections of housing development, if half of these are on sites of 15+ dwellings and hence include affordable housing and if 30% of these houses are "affordable" then that suggests 90 affordable units per annum in the borough, developed mainly by the private sector, which are primarily shared ownership, starter homes or other equity-based products. Delivery of these will be subject to viability, but because equity based products generally cause a lower "value challenge", they should be more viable than affordable rent.
- 2.22 The role of the Royal Borough of Windsor and Maidenhead: A competition to select a joint venture development partner for York Road and West Street is underway and it is anticipated that this joint venture, once established, could deliver other sites if the Royal Borough so wishes. Work is underway on how this joint venture will be structured and what it will do, but potentially the Royal Borough controls enough land to deliver up to 2,500 homes either through the joint venture or by other means. The council could:
- Deliver a proportion of these as Starter Homes. This would have a negative impact on the Council's land receipts.

- Deliver a proportion of the units as Private Rented Sector (PRS) to be retained by the Council. The Council could then consider offering discounted rents to key workers.
- The Joint Venture could apply for Homes and Community Agency funding under the Affordable Homes Programme to enable it to offer shared ownership as part of the portfolio.

Proposed actions

- 2.23 Planning policy: Following adoption of the Borough Local Plan it is proposed that a Supplementary Planning Document should be progressed on the delivery of housing, including affordable, shared ownership and other tenures and types. This will follow the Housing & Planning Bill and will provide clarity as to how different tenure types will be delivered. Planning officers will work proactively with developers to maximise delivery of affordable units.
- 2.24 Regeneration and property: It is proposed that in modelling the delivery of the regeneration programme, the consultant team (GL Hearn) who have been procured to support the council with the establishment of a joint venture, will develop a detailed model, include tenure mix, on how affordable housing can best be delivered through the regeneration sites. Subject to the detailed financial modelling that is underway, the aim will be to deliver:
- Up to 2,500 homes of which 750 should be affordable with a strong emphasis on affordable home ownership.
 - A percentage of these (to be agreed) to be Starter Homes.
 - A PRS portfolio of 600 units to be held by the Royal Borough as income-producing assets through the council's property company.
 - Up to 200 of the PRS units to be reserved for key workers, particularly school teachers. They could be entitled to a 20% discount against market rents, although further work will be needed on discount levels.
- 2.25 In addition, the council's property company is looking at some specific existing properties for conversion to PRS for key workers and has currently identified 20 units that could be used for these purposes. A supporting policy on eligibility and allocation of all key worker housing will be developed by the council.
- 2.26 Registered Providers: It is proposed that detailed discussions and work should be progressed with a range of providers in order to better understand how their business models are evolving, in response to the Housing & Planning Bill, and determine how they could best deliver the commitments within the borough. (See Appendix A in Part II for details)
- 2.27 The Homes & Communities Agency: As new funding streams are finalised and announced over the coming weeks, meetings will be held at a senior level with the Homes & Community Agency (HCA) with the aim of agreeing a funding arrangement to support the council's commitments.

2.28 Supporting ex- service personnel with accommodation: It is proposed that the council’s housing options team work more proactively moving forward with the army welfare service to support those who are due to leave the army with advice on the home ownership options at the earliest available opportunity and with ex service personnel who are currently in housing need. The council’s Mayor is bringing together partners such as Haig Homes and local Registered Providers which is enabling officers to develop specific accommodation options.

2.29 The table below sets out the potential affordable units to be delivered from these proposed actions over the next 15 years, subject to feasibility work. This would see, on average, an estimated 116 units per annum delivered including key worker PRS.

	Planning policy (private developers)	RPs	RBWM regen prog and property company	TOTAL
Full market sale	5,525 full value units, tenure mix to be determined by the market	Appetite of RPs is to be fully determined.	1,350	7,275
PRS			400	
Key Worker PRS			220	220
Equity-based affordable including shared ownership & starter homes	975 units estimated to be delivered by RP’s		550	1,525
Affordable rent	Limited	Limited	Limited	Limited
TOTAL	6,500		2,520	9,020

Option	Comments
Not pursue proposals for affordable housing provision	This will fail to meet the manifesto commitments. It will not meet the needs of residents.
Pursue some of the key actions	This will go some way to meeting manifesto commitments and to meeting residents’ needs
Pursue all the key actions proposed Recommended	This will fully deliver on key manifesto commitments and will serve the needs of

Option	Comments
	residents

3. KEY IMPLICATIONS

Defined Outcomes	Unmet	Met	Exceeded	Significantly Exceeded	Date they should be delivered by
SPD for housing submitted for adoption	After Q4 2016/17	Q4 2016/17	Q3 2016/17	Q2 2016/17	December 2016
Affordable housing model established for RBWM regen programme	After Q1 2016/17	Q1 2016/17	N/A	N/A	30 th May 2016
Supporting policy on eligibility and allocation of key worker housing developed	After Q1 2016/17	Q1 2016/17	N/A	N/A	30 th May 2016
Develop a 10% DIYSO model with Housing Solutions	After Q1 2016/17	Q1 2016/17	N/A	N/A	30 th May 2016
Reach agreement with HCA defining the a basis for their support	After Q2 2016/17	Q2 2016/17	N/A	N/A	30 th July 2016
Number of new units per annum (predominant ly from 2019 onwards*)	under 116	116	117 – 130	over 130	1 January 2020

* units per annum that will allow residents to access home ownership and key worker private rented housing.

4. FINANCIAL DETAILS

- 4.1 Agreeing the proposals in principle does not have any financial cost. Individual projects (particularly the RBWM regeneration programme) will have cost implications but these will be the subject of future papers.

	2015/16	2016/17	2017/18
	Revenue £'000	Revenue £'000	Revenue £'000
Addition	£0	£0,000	£0
Reduction	£0	£0	£0

	2015/16	2016/17	2017/18
	Capital £'000	Capital £'000	Capital £'000
Addition	£0	£'000	£0
Reduction	£0	£0	£0

5. LEGAL IMPLICATIONS

- 5.1 Danger of not meeting the requirements under the NPPF may increase the risk of legal challenge, losing planning appeals and costs awards.

6. VALUE FOR MONEY

- 6.1 None

7. SUSTAINABILITY IMPACT APPRAISAL

- 7.1 None

8. RISK MANAGEMENT

Risks	Uncontrolled Risk	Controls	Controlled Risk
Reduced focus on Social Rent may provide problems for residents who can't afford to be homeowners	Medium	Other affordable housing options, including new models will be taken forward.	Low
Reduced focus on Social Rent means we could be challenged at BLP Inquiry for not meeting our OAN	Medium	Develop SPD in conjunction with emerging guidance following the Housing & Planning Bill.	Low

9. LINKS TO STRATEGIC OBJECTIVES

9.1 Residents First

- Support Young People
- Work for stronger communities

Value for Money

- Increase non-Council Tax Revenue
- Invest in the future

Delivering Together

- Strengthen Partnerships

10. EQUALITIES, HUMAN RIGHTS AND COMMUNITY COHESION

10.1 None

11. STAFFING/WORKFORCE AND ACCOMMODATION IMPLICATIONS

11.1 Ability of workforce to have increased options for accessing affordable home ownership.

12. PROPERTY AND ASSETS

12.1 Inclusion of affordable housing will have a negative effect on the likely land receipts from RBWM assets. This will be modelled and will be considered separately by Regeneration Sub Committee as part of developing an affordable housing model for the programme.

12.2 Development of PRS will create new revenue streams for the Council.

13. ANY OTHER IMPLICATIONS

13.1 None.

14. CONSULTATION

14.1 Informal discussions have been held with the HCA and a number of RPs.

15. TIMETABLE FOR IMPLEMENTATION

Date	Details
24 December 2016	Put in place supplementary planning document for housing
31 May 2016	Development of detailed affordable housing model for the regeneration programme
30 June 2016	Determine whether a procurement process should be undertaken to select an RP partner to work alongside the

Date	Details
	York Road / West Street development partner
30 June 2016	Develop a supporting policy on eligibility and allocation of key worker housing.
31 May 2016	Develop a 10% DIYSO model with Housing Solutions
31 July 2016	Work with the HCA to try and agree a funding arrangement

16. APPENDICES

- Appendix A – Part II details

17. BACKGROUND INFORMATION

- Manifesto Commitments
- Housing and Planning Bill

18. CONSULTATION (MANDATORY)

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
Internal				
Cllr Burbage	Leader of the Council	5/4/16	5/4/16	
Cllr D Wilson	Cabinet Member for Planning	31/3/16	31/3/16	
Alison Alexander	Managing Director/ Strategic Director Adults, Children and Health	4/4/16	4/4/16	
Simon Fletcher	Strategic Director Operations and Customer Services	31/3/16	31/3/16	
Russell O'Keefe	Strategic Director Corporate and Community Services	30 March	31 March	Comments included throughout
Chris Targowski	Cabinet Policy Manager	24/3/16	24/3/16	
Chris Hilton	Director of Development and Regeneration	N/A	N/A	Author
Jenifer Jackson	Borough	24/3/16	24/3/16	

Name of consultee	Post held and Department	Date sent	Date received	See comments in paragraph:
	Planning Manager			
Anna Trott	Cabinet Secretary	4/4/16	4/4/16	
External				

19. REPORT HISTORY

Decision type:	Urgency item?

Full name of report author	Job title	Full contact no:
Chris Hilton	Director of Planning, Development and Regeneration	01628 683811