

NON - REGISTERED PROVIDERS (PRIVATE COMPANIES) PROVIDING INTERMEDIATE HOUSING

1. Purpose of Report

- 1.1 To decide whether to allow non-registered providers, Private Housing Landlords, to deliver Intermediate/Shared Ownership Housing on future developments.
- 1.2 The recommendations contained in this report have been approved by Executive Management Team and the Affordable Housing Board and are now submitted for the attention of the Scrutiny Panel.

2. Background

- 2.1 New Developments usually provide an element of Affordable Housing through the Planning process future arrangements are likely to change as a result of the Housing and Planning Bill currently proceeding through the Parliamentary process. In the meantime, it is necessary to make this interim change now.
- 2.2 Affordable housing is social rented, affordable rented and intermediate housing, provided to eligible households whose needs are not met by the market.
- 2.3 Intermediate housing is homes for sale and rent provided at a cost above social and affordable rents, but below market levels. These can include shared equity (shared ownership and equity loans) or other low cost homes for sale and intermediate rent.
- 2.4 Shared ownership schemes (part buy/part rent) is where you buy a share of your home (normally between 40% and 75% of the home's value) and pay rent on the remaining share. You can then buy bigger shares at a later stage to own the property outright.
- 2.5 Typically the council's planning policies require developers (as part of the affordable housing provision) to provide between 15-30% of the total development as intermediate housing.
- 2.6 The National Policy Framework (NPPF) requires that affordable housing should include provisions to remain at an affordable price for future eligible households or for the subsidy to be recycled for alternative affordable housing provision.

3. Current Process

- 3.1 To date Intermediate Housing has always been provided by Registered Providers (RPs) and they have always chosen the option of Shared Ownership. RPs normally acquire Shared Ownership properties alongside Affordable Rented Properties.

4. Future options available to Council for Intermediate Housing

- 1 No Change, we only allow Registered Providers to provide intermediate housing.
- 2 We allow both Registered Providers and Private Housing Landlords to provide intermediate housing.

- 3 We wish Registered Providers to have first opportunity, if it can be demonstrated that a disposal to a Registered Provider cannot be reasonably agreed then we will allow a Private Housing Landlord to provide intermediate housing.
- 4 Case by Case basis.

5. Opportunities for Councils using non – registered providers (private companies)

- 5.1 Improve site viability for developers if Private Housing Landlords can provide a better return. This could include sites actually coming forward that might otherwise not or even increase the number of affordable units provided.
- 5.2 Some Private Housing Landlords are prepared to acquire equity in small batches of affordable homes which some RPs are starting to show a reluctance to do.
- 5.3 Potential to improve throughput and quantity of shared ownership homes.
- 5.4 Work under the same Terms and Conditions as RPs and normally use a RP to manage the property.
- 5.5 This is a relatively new scheme and it demonstrates that this Council is prepared to embrace different delivery mechanisms and work innovatively.
- 5.6 A small but growing number of Local Authorities have approved the use of Private Housing Landlords.

6. Risks for Councils using non – registered providers (private companies)

- 6.1 Private Housing Landlords are not an RP so are not regulated by the HCA.
- 6.2 May lose or damage our current good working relationship with RPs which in time could lead to a long term reduction in affordable homes.
- 6.3 RPs currently makes offers for the Rented and intermediate/Shared ownership. Private Housing Landlords would only offer for the Shared Ownership thus leaving the RPs with just the Rented. This could then cause a viability issue for either the RPs or the developer.
- 6.4 Reputational risk to NFDC if things were to go wrong. Private Housing Landlords are more vulnerable to falling into receivership than an RPs. This may be a risk if mortgagees in possession seek to sell these properties free from the affordable housing restrictions contained in standard planning agreements.
- 6.5 Currently any receipts received by the RPs from the staircasing/full purchase of a Shared Ownership property in our District have to be re-invested in further affordable housing in our Region. Private Housing Landlords advise they will recycle the receipts to purchase further Shared Ownership properties but it's not clear whether the staircasing/full purchase of a shared ownership would be on the same basis as an RP and there's no guarantee that it will be in our District or even Region.
- 6.6 Private Housing Landlords could be seen to be in the market to maximise their revenues.
- 6.7 Possible Legal challenge if we were to refuse the use of Private Housing Landlords.

7. What is required of the Council if we wish to use Private Housing Landlords?

- 7.1 Due diligence of each Private Housing Landlord model with an appropriate financial viability appraisal.
- 7.2 Consideration to the planning agreement to ensure it is clear the steps a developer must take to seek a transfer of the intermediate housing to an RP before then being able to offer it to a Private Housing Landlord.
- 7.3 The planning agreement must be clear that the affordable housing is kept as such for future eligible households as required by the NPPF with details of the staircasing/full purchase rights and clarification of the mechanism used by the Private Housing Landlord to ensure any subsidy is recycled.
- 7.4 Any Private Housing Landlord will need to comply with the National Planning Policy Framework; this ensures Affordable Housing is kept at an affordable price for future eligible households or for any subsidy to be recycled for alternative affordable housing provision.
- 7.5 Variations to our S106 agreement to make it clear that intermediate housing on a development can be transferred by a developer to any organisation whose objectives include the delivery of affordable homes, not just to an RP.

8. Recommendation

- 8.1 That the Panel endorses the decision made by The Affordable Housing Board on 4 November 2015 that Option 3 be implemented.

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Background Papers

None.