



To: Executive Councillor for Housing: Councillor Kevin Price
Report by: Alan Carter
Relevant scrutiny committee: Housing Scrutiny Committee 13/1/2015
Wards affected: All

HOUSING COMPANY – Lettings and Rent Policy

Not a Key Decision

1. Executive summary

As the Housing Scrutiny Committee is the Council's main committee that scrutinises housing services, the Committee is requested to comment on the proposed Lettings and Rent Policy for the Council's new 'pilot' Housing Company.

2. Recommendations

The Executive Councillor is recommended:

- Note the comments of the Housing Scrutiny Committee on the proposed Lettings and Rent Policy for the new 'pilot' Housing Company.

3. Background

The Annual Statement 2015/16 includes as a priority for the Council "to use General Fund reserves left lying dormant previously to invest in new intermediate homes at affordable sub-market rents for those with low priority for social rent homes, and generate revenue to protect services."

A report to the Housing Committee in September 2014 detailed the growing issues in the intermediate housing market. The Executive Councillor for Housing agreed to endorse the need to address a range of intermediate housing needs amongst people who cannot afford to buy or rent good quality housing on the open market but who also do not have priority for social housing for rent.

A subsequent report to Strategy and Resources Committee on 13 July 2015 resulted in the Executive Councillor for Finance and Resources agreeing to a pilot project to set up a Housing Company and to use General Fund monies to purchase the market housing that is available on the Council housing development schemes in Water Lane and Aylesborough Close and to let them at rents that are below market levels.

The market housing on these schemes is made up as follows;

Water Lane (Total properties - 9)

- 2 one bedroom flats
- 4 two bedroom flats
- 3 three bedroom houses

Aylesborough Close (Total properties – 14)

- 1 one bedroom flats
- 8 two bedroom flats (including one wheelchair accessible)
- 5 three bedroom houses

Most of the market housing is due to be completed by the end of March 2016.

Delegated authority has been given to the Director of Customer and Community Services to set up the Housing Company and a number of workstreams are underway to;

- Complete a legal process to form the company
- Agree governance arrangements ie agree Board membership
- Draft a business plan including a budget for its first year of operation
- Secure legal and tax advice in respect of this specific proposal
- Produce a risk assessment and mitigations
- Consider letting, management and maintenance arrangements

As the Housing Scrutiny Committee is the Council's main committee that scrutinises housing services, the Committee is requested to comment on and endorse the proposed Lettings and Rent Policy shown as Appendix 1 and 2 respectively. The properties are to be let as three year assured shorthold tenancies.

It is proposed that Town Hall Lettings manage the Housing Companies properties. Town Hall Lettings is the subject of a separate report to the Housing Scrutiny Committee. It is also proposed that Estates and Facilities repair and maintain the properties.

4. Implications

(a) Financial Implications

There are no financial implications relating to this report which focuses on policy and process matters.

(b) Staffing Implications

There are no staffing implications relating to this report which focuses on policy and process matters.

(c) Equality and Poverty Implications

The Executive Councillor for Housing approved revisions to the Council's social lettings policy in September 2015. The EQIA prepared in relation to that policy review provides the context for this report. By restricting eligibility for the new Housing Company lets in relation to incomes and within common understanding of the affordability of housing costs the Rent Policy mitigates and addresses poverty implications.

(d) Environmental Implications

All of the homes acquired will be constructed to Level 4 of the Code for Sustainable Homes.

(e) Procurement

There are no procurement implications relating to this report which focuses on policy and process matters.

(f) Consultation and communication

There are no consultation implications relating to this report which focuses on policy and process matters.

(g) Community Safety

There are no community safety implications relating to this report which focuses on policy and process matters.

5. Background papers

Appendix 5 to Agenda Item 15 – Housing Scrutiny Committee – 24 September 2015.

6. Appendices

Appendix 1 - Lettings Policy

Appendix 2 - Rent Policy

7. Inspection of papers

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Appendix 1 – Housing Company Lettings Policy

1. Objectives

Cambridge is at the centre of an area of growth. Households in the greatest housing need are given priority for social housing in the city. Those who have the financial resource can access market housing. However, the open housing market is unaffordable for a large number of households who work in the city or have long established connections with the city. The objective of the Housing Company is to meet housing need and generate a financial return for the Council on this and any other property related activity.

2. Terminology

The Housing Company will aim to provide rent at less than market levels and typically at 80% of market rent. For the purposes of this document, this will be referred to as intermediate rented housing. In establishing a Lettings Policy for intermediate rented housing, although this will be a separate policy, it will adhere to many of the principles set out in the Council's Lettings Policy for social housing and Affordable Rented through the choice based lettings system.

3. Eligibility Criteria

- a. To be eligible to apply for accommodation owned by the Housing Company households should first be registered on the Council's choice-based letting system, Home-Link. (New applicants will receive information on the difference between a social letting and a letting with the new Housing Company).
- b. To be registered the household will need to satisfy the Council's core eligibility and qualification criteria as set out in chapter 3 of the Council's Lettings Policy for social and affordable housing.
- c. The accommodation must be affordable to households applying. The Strategic Housing Market Assessment definition of what is an affordable amount to pay for housing is no more than 33% of gross household income. If an applicant has an income that demonstrates that the Housing Company rent would consume less than 25% of gross household income then it will be assumed that the household can solve its own housing need. Based on the proposed 2015 market rent levels the following gross household earned income figure ranges would be considered for each bedroom category:

1 bedroom - £24,000 to £34,000

2 bedroom - £33,000 to £44,000

3 bedroom - £38,000 to £50,000

The Council's Lettings Policy for social and Affordable Rented housing currently has the scope to place households, who have sufficient income or capital to find alternative housing solutions, in a low priority band.

Under section 4.13.1 of the Council's Lettings Policy for social and Affordable Rented housing "all qualifying applicants are entitled to apply for housing regardless of income levels. However if an applicant is assessed as having income and/or capital, which will enable them to resolve their own housing need they will not receive any preference for social housing and, when bidding, will appear on the shortlist after all other applicants that do not have the resources to resolve their own need.

When a property becomes available for letting through the Housing Company, applicants registered on Home-link who have incomes that would qualify them for housing by the new Housing Company will be invited to opt for this housing rather than social housing.

This assessment will be based on the following;

- a) The total income of the applicant/partner
- b) Any capital available to the applicant/partner
- c) Average property prices and rents in the area for the type of accommodation needed by the household
- d) The ability of the applicant/partner to rent a property in the private sector based on a realistic assessment of their financial position and commitments.
- e) The ability of the applicant/partner to acquire a mortgage and maintain required repayments based on a realistic assessment of their financial position and commitments."

If there is no suitable household registered on Home-Link the property will be advertised locally and the same eligibility criteria will apply.

4. Prioritisation of households for allocation of intermediate Rented housing

Once a household has met the eligibility criteria as outlined above priority will be given to households in the following order:

- Households to whom the Council has accepted a homelessness duty

- Households that free up a public sector home i.e. existing council or Registered Provider tenant who are residing in Cambridge City
- Other households registered on Home-Link who are residing in Cambridge City, with preference given to continuous residence of 12 months or over
- Other households registered on Home-Link

Banding and priority dates - Priority within each of the four categories above will be determined firstly by the band the household has been allocated on Home-Link and secondly by their priority date (the date the household moved into that band)

Household size – households will be able to be considered for properties that match their bedroom eligibility as set out in the Council's Lettings Policy for social and Affordable Rented housing or allows them to under-occupy by one bedroom under the same bedroom eligibility criteria.

Once the accommodation is offered to an applicant it will be subject to a satisfactory credit check and a month's rental deposit in advance

Appendix 2

Rent Policy

1 Purpose

The purpose of this policy is to explain how the Housing Company will set the rents of its properties.

2 Objectives of the Housing Company

Cambridge is at the centre of an area of growth. Households in the greatest housing need are given priority for social housing in the city. Those who have the financial resource can access market housing. However, the open housing market is unaffordable for a large number of households who work in the city or have long established connections with the city. The objective of the Housing Company is to meet housing need and generate a financial return for the Council on this and any other property related activity

Social Housing rents are generally set at levels up to 60% of market rents and the Council's Tenancy Strategy guides the rents set for those most in housing need. To meet its objectives the Housing Company will set its rents at 80% of market rents. At October 2015 this means they will generally be affordable for households with incomes of £24,000 to 50,000 per annum or more.

3 Implementation

All new tenancies will have a rent set at 80% of the upper quartile market rent. This will be assessed based on the most recent data available supplied by Hometrack or in the event of Hometrack no longer supplying data any other independent source of property market information.

In line with the terms and conditions of the tenancy, rents will be reviewed annually and will be reset at 80% of the upper quartile market rent, again assessed based on the most recent data available supplied by Hometrack. Tenants will be given one month's written notice of any change in rent. When reviewing rents the Housing Company will have regard to their affordability balanced with the Companies objective to deliver a financial return to the Council.

4 Service Charges for Communal Parts of the Building, Garages and Parking Spaces (if applicable)

Service Charges will be assessed and reviewed annually at the same time as rent reviews.