

RENTS INFORMAL POLICY GROUP

24 October 2014

Attendance:

Councillors:

Tait (Chairman) (P)

Izard (P)
Berry (P)
Dibden

McLean (P)
Scott (P)

Officers in Attendance

Richard Botham – Head of Landlord Services
Andrew Palmer – Head of Strategic Housing
Emma Coombs – Assistant Project Manager (Minutes)

1. **APOLOGIES**

Cllr Dibden

2. **DRAFT TERMS OF REFERENCE**

Cllr Tait asked if it would be appropriate to expand the Terms of Reference to include discussion on whether future development sites should include a number of properties for market sale.

“To review how rents are set for new build Council homes, and to consider the impacts ~~of~~ any recommendations s on the HRA Business Plan”

3. **Discussion Paper**

Rent Setting Policy for new build Council properties

The paper explores the current policy and how it fits with the national policy, and enables discussion.

Cllr Tait asked for clarification on what affordable rent is.

At the moment, social rent is equivalent to 45-55% of market rent.

Affordable rent is classed as up to 80% of market rent.

Typically with RP development, 1 and 2 bed properties are likely to be nearer 80% of market rent, however 3 and 4 bed properties will be less than due to them becoming unaffordable.

The Assistant Director (CHO) advised that since the introduction of affordable rents, the Council has seen no reduction in the number of people bidding on affordable rent properties over social rent.

Cllr Berry said that she is aware of people who do not bid on Affordable Rent properties as they cannot afford the rent.

Cllr Berry recommended that the group reads the DTZ Report on housing needs of and affordable rents. Agreed this report would be circulated to Members of the IPG.

The IPG agreed that the basis for a policy on new rented is that it is fair and appropriate whilst also being good for the Business Plan.

When working out how much rent should be charged on new council properties, the actual cost of development is first taken into account. A viability assessment is then done to see how much rent must be charged in order for the scheme to pay back in a 30 year period.

The rent must cover the building of the property and costs incurred.

When looking at the new houses in Itchen Abbas, the rents charged actually work out at less than the social rent formula. However the rents are still one of the highest rents being charged by WCC due to the area.

Cllr Tait asked what are we trying to achieve with our current policy? More homes or lower rents, or both?

Cllr Berry said that Sovereign have made the decision to keep the rents of their existing stock at social rent because so many tenants cannot afford affordable rent. In turn, Sovereign uses cross-subsidy and their shared ownership units to pay for more new housing.

Cllr Izard asked if service charges are charged on top of the rent. BG confirmed that for social rent, service charges are charged on top, however for affordable rent, this includes the service charges. With the inclusion of service charges, the full cost cannot go higher than 80% of market rent.

The new build properties are more energy efficient and, using Bourne Close as an example, tenants are paying higher rent but lower energy costs. This could mean that tenant may actually end up paying less than that of a tenant living in an existing social rent property in Stanmore.

It is down to personal choice for the tenant, whether they want to / can afford social or affordable rent.

Cllr Berry asked if viability assessments could use a 50 year payback period instead of 30. BG confirmed this can be used on some schemes.

RB said that if lower rents are important, then this may well mean cutting services to make this an affordable option.

Cllr Tait asked if one of the RPs could come in talk to the group about their experience with rent setting.

First Wessex's Business Case is to charge 80% of market rent, to build more properties.

What are the Council's priorities?

If the lack of housing is the problem – charging a higher rent would mean more money being available to build more properties.

If affordability is the issue, then charging less rent may be the answer.

Cllrs asked if selling two units on the New Queens Head site could pay for lower rents to be charged.

BG said that actually the viability model shows that renting the properties for 30 years may actually produce more income than selling them at the start.

~~Another suggestion was charging higher rents on one development in order to afford lower rents on another.~~ Another consideration for the group is whether or not to charge higher rents on one development to support lower rents on another.

Specific recommendations

Officers to present an Options paper to inform further debate

Ask an RP to come along to the next meeting. Hazel Warwick from First Wessex to be invited.

Find out how other Councils are achieving social rent on their new build properties

(RB said this is likely to be done by cutting other services. In Winchester's case – this would be estimated to likely cost £50 million over the 30-year HRA Business Plan).

Look at ~~the~~ greater housing numbers but without charging 80% rent, potentially y through the use of cross subsidy.

A strategic picture of what is happening in the wider world.

Who the tenants are who pay 80% of market rent; income, household make up, benefits, whether they work etc.

General analysis of the housing list to look at average household incomes

Look at advantages and disadvantages of selling on the open market vs subsidies. It is recognised This will depend on the scheme e.g. Micheldever vs Stanmore.

The setting up of a Local Housing Company was brought up however this is not within the scope of this group.

Current council housing stock tenant survey; average household income, age of children, number of children, on benefits, no of people in household.

~~Profile the housing waiting list.~~

Look at the DTZ report recommended by Cllr Berry

4. **WHAT OUTPUTS ARE ESSENTIAL?**

Following discussion, the Group agreed that there should be 3 future meetings:

1. Discussion with RP about wider housing approach to rent setting
2. Presentation and discussion on rent setting options
3. Wrap up and final decision on chosen option

5. **MEETING**

Date of next meeting to be agreed subject to the availability of a representative from First Wessex ~~rep~~.