

WANDSWORTH BOROUGH COUNCIL

HOUSING AND REGENERATION OVERVIEW AND SCRUTINY COMMITTEE –
9TH JUNE 2015

EXECUTIVE – 15TH JUNE 2015

Report by the Director for Housing and Community Services on the Affordable
Housing Development Programme 2014/15, a Review of the Council's Affordable
Rent Guidance and Intermediate Housing Policy and Updates on Other Affordable
Housing Initiatives in Relation to the Wandsworth Housing Offer

SUMMARY

The report reviews affordable housing delivery in 2014/15 with 178 affordable homes being completed and 194 shared ownership sales achieved. Whilst the forecast number of completions was not met the pipeline of starts and completions looks very positive with a forecast of 375 affordable homes being delivered in 2015/16 and the potential to see 1,525 homes built over the next three years.

Right to Buy (RTB) sales were ten ahead of forecast with 85 completions in 2014/15. 20 House Purchase Grants (HPG) were completed in 2014/15 with 6 further purchases in the pipeline with completion anticipated early in 2015/16.

The Wandsworth Housing Offer Delivery Strategy 2014 identified the overall objective of significantly increasing housing options and opportunities available to assist lower income Wandsworth residents with the overall target of delivering a minimum of 18,000 homes over the next 10 years. The Affordable Housing Update therefore sets out a series of recommendations throughout the report and these are set out and summarised in paragraph 3. This includes further revisions to Affordable Rent and Intermediate housing delivery guidelines, changes to the HPGs and the Wandsworth Affordable Housing Grant (WAHG) Programme rates and the ability to offer WAHGs to help bring long term empty homes back into use.

The Director of Finance comments are detailed in paragraphs 95-104.

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GLOSSARY

AHP	-	Affordable Housing Programme
GLA	-	Greater London Authority
HPG	-	House Purchase Grants
HROSC	-	Housing and Regeneration Overview and Scrutiny Committee
LHA	-	Local Housing Allowance
RTB	-	Right to Buy
WAHG		Wandsworth Affordable Housing Grant

RECOMMENDATIONS

1. The Housing and Regeneration Overview and Scrutiny Committee are recommended to support the recommendations in paragraph 3.
2. If the Housing and Regeneration Overview and Scrutiny Committee approve any views, comments or additional recommendations on this report these will be submitted to the Executive for consideration.
3. The Executive are recommended to:
 - (a) approve the Council's Capped and Discounted Affordable Rent guidance levels for 2015/16, as set out in the table at paragraphs 17 and 18. with effect from 16th June 2015. All rents to be inclusive of service charges and subject as required to negotiation with the Council;
 - (b) approve the Council amending and simplifying its affordable housing scenario testing as detailed in paragraph 46 to ensure affordable housing delivery is maximised and sustained with effect from the 16th June 2015;
 - (c) approve, subject to viability testing and availability of funding, the Council offering grants of up to £60,000 per unit through the Wandsworth Affordable Housing Grant Programme to support delivery of low cost rent housing, and for larger family units of more than two bedrooms a grant supplement is made available of £20,000 per additional bedroom up to a maximum £100,000 total grant to encourage the development of larger family units, as detailed in paragraph 49, with effect from the 16th June 2015;
 - (d) approve amending the priority categories in assessing who can purchase low cost homeownership housing as set out in paragraph 41 to include any leaseholder/freeholder who are liable to lose their home through the proposed regeneration of the Winstanley/York Road and Alton estates, with these households being allocated a Priority One category on the Home Ownership Category of Applicants, with effect from 16th June 2015;

- (e) approve that the Director of Housing and Community Services and Director of Finance are given delegated authority to negotiate the purchase of shared ownership units/unsold equity to facilitate and enable resident leaseholder/freeholder decant moves as detailed in paragraph 42;
- (f) discontinue RTB voluntary sales to tenants with the qualifying tenancy, who wish to include family members who do not live at the property with effect from 1st August 2015 detailed in paragraph 59;
- (g) approve the running of the RTB Mobility Grant Scheme to enhance HPG scheme payments with effect from the 16th June 2015 (detailed in paragraph 62) and a positive Housing Revenue Account capital budget variation of £600,000 in 2015/16 to support the enhanced HPG incentives under this scheme;
- (h) approve raising incentive payments for HPG as detailed in Table 6 of paragraph 68 of this report with effect from the 1st August 2015 to assist in meeting the number of forecast moves for this scheme;
- (i) approve amending the tenancy eligibility criteria to receive the full HPG from five years to three years to fall in line with RTB eligibility criteria with effect from 1st August 2015 with HPG proportionate incentives for council tenants of less than three years being adjusted accordingly as detailed in Table 7 paragraph 71(b);
- (j) approve increasing the allowable upper purchase price using HPG for outside of the M25 to £300,000, in the M25 to £350,000 and in Wandsworth to £450,000 with effect from the 1st August 2015 as detailed in paragraph 71(c);
- (k) approve amending the bonus payment awarded to those HPG moves that complete within 6 months from the offer date with effect from the 1st August 2015 detailed in paragraph 71(d);
- (l) approve amending the scheme to extend property purchases abroad outside of EU with effect from 1st August 2015 detailed in paragraph 71(e).
- (m) give the Director of Housing and Community Services in liaison with the Director of Finance the authority to agree to purchase on an exceptions basis a small number of dwellings to meet particular needs and demands and where there is a direct and significant financial benefit to facilitating a move of an existing council tenant as detailed in paragraph 71(f);
- (n) approve the use of Section 106 commuted sums to bring private sector long term empty homes back into use that are then leased to the Council for five years to bring 15 properties back into use in 2015/16 assuming an average grant level of £25,000 as detailed in paragraphs

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80 to 88 of this report and in turn a positive General Fund capital budget variation of £375,000 in 2015/16 to support this grant programme;

- (o) approve the policy updates in relation to acquisitions set out in paragraphs 75 to 78.
- (p) approve that the Director of Housing and Community Services, subject to financial due diligence and appropriate consultation, to develop fair and equitable terms to undertake marketing of residential self build sites to test the viability and interest in resident led development, as detailed in paragraphs 92 to 94;

UPDATE ON THE AFFORDABLE HOUSING DEVELOPMENT PROGRAMME

- 4. The Council's Local Development Framework Core Strategy policy IS5d seeks the maximum reasonable level of affordable housing with a target of 33 per cent of homes delivered subject to financial viability.
- 5. During the financial year 2014/15, 178 new affordable dwellings were completed against a forecast of 292. Major schemes completing included London and Quadrant's housing developments at 32 York Road, SW11 (St. Mary's Park) and The Schoolyard, Eltringham Street, SW18 (St. Mary's Park) delivering 37 affordable homes in total, St. George's Quarter House, Battersea Reach, SW18 (St. Mary's Park) delivering 28 affordable homes and 181-207 Tooting High Street (Geyfords), SW17 (Graveney) delivering 28 affordable homes. The Council completed 13 self build homes utilising £390,000 of GLA AHP funding and Wandle delivered four, four bedroom family houses for low cost rent on a Council disposal site sold to Wandle to deliver housing of this type to meet identified demands. A full listing of schemes can be found at [Appendix 1](#).
- 6. Breaking the affordable units down by tenure and unit size: -
 - (a) of the 178 new build affordable completions in 2014/15, 53 (30 per cent) were for low cost rent and 125 (70 per cent) were for intermediate housing compared to 22% and 78% respectively in 2013/14;
 - (b) the unit size mix for affordable rent was not aligned to planning policy requirements due to 13 (25 per cent) of the units in this tenure being delivered in refurbished accommodation that did not allow for larger family sized accommodation or were provided as supported accommodation where the requirement is for one bed accommodation; and
 - (c) the unit mix for the intermediate housing favoured the delivery of smaller sized one and two bedroom homes and the reason for this is analysed later in the report.

7. It was forecast that 292 affordable units would be completed in 2014/15. The shortfall against forecast is largely due to slippage in construction programmes of schemes that were on site at the beginning of the year with these schemes now due to complete in 2015/16. No schemes have been lost from the programme overall. Of note Viridian's Tooting Extra Care Housing Scheme (Tooting) will complete in June 2015 delivering 45 low cost rent supported housing homes, 3-4 Osiers Road, SW18 (Thamesfield) will complete shortly delivering 38 low cost rent and shared ownership homes owned and managed by Paragon and Peabody will complete the development of 22 low cost rent and shared ownership homes as part of redevelopment and improvement of their Elmwood Court, SW11 (Queenstown) estate. A full listing of schemes can be found in [Appendix 1](#).
8. Despite high land values that make registered provider purchase to develop more challenging, registered providers have or are in the process of completing acquired sites purchased on the open market at 102-104 Wandsworth High Street, (Fairfield) and Eltringham and York Road depot sites (Latchmere). In addition, registered providers have also acquired three Council disposal sites at Melody Road (Wandsworth Common), Ribblesdale Road (Furzedown) and 318-320 Earlsfield Road (Earlsfield) for 100 per cent affordable housing schemes as well as developing their own sites, Wandle Housing Association in Mitcham Road (Graveney), Peabody at Elmwood Court (Queenstown) and Viridian at Balham Hill (Balham) for either wholly affordable housing or mixed tenure schemes. Peabody are also due to complete the first phase of their estate regeneration of their St Johns Hill estate (Northcote) in 2016
9. 2015/16 will see the completion of the first affordable housing units in the Nine Elms Vauxhall Opportunity Area with Peabody completing on delivery of 98 shared ownership units on Embassy Gardens (Queenstown) and Viridian are in contract with St James Plc to deliver 116 shared ownership units on Riverlight (Queenstown) in 2016/17.
10. Looking forward, it is forecast that 375 new affordable units will complete in 2015/2016 with potentially a further 1,150 affordable units completing in the two years 2016/2017 to 2017/2018, making a total of 1,525 affordable units in the next three years. Of these, 581 (38 per cent) would be for low cost rent and 944 (62 per cent) for intermediate housing. In addition, during 2014/15, 1,095 affordable housing units were secured in planning permissions of which 494 (45 per cent) were for low cost rent and 601 (55 per cent) were for intermediate housing.
11. In December 2013, the GLA launched the Mayor's covenant for the 2015-2018 AHP, with grant rates similar to the 2011-2015 AHP programme. A total of 14 schemes delivering 378 new affordable homes are due to be completed in the Borough utilising grant funding by March 2018 under this programme. It should be noted that not all affordable housing will be delivered utilising GLA grant. The significant majority of affordable housing in Wandsworth will be delivered under Section 106 legal agreements through private development

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with market housing and commercial development effectively cross subsidising its delivery.

AFFORDABLE RENTS

12. In July 2014, the Executive approved (Paper No. 14-318) affordable rent guidance to reflect the GLA's requirement that 50 per cent of the affordable rent units delivered to be capped at no more than 50% of open market rents (capped rents) and 50 per cent at no more than 80 per cent of open market rents (discount rents). The intention is that discounted rent properties are let to higher income working households and any household not affected by total welfare benefit caps including those exempted given their or their households status (for example war widows, those in receipt of certain disability benefits) and capped rented properties let to households including those working households on lower incomes and those households where there is a greater risk of being affected by total welfare caps.
13. The Council however continued to use the rents set as guidelines with a degree of flexibility being maintained in order to optimise the affordable housing delivered on sites (e.g. to increase unit numbers, provide for lower rents relative to market for larger family homes whilst maintaining a blend of rents that achieved a blended rental rate against market). Use of Borough wide rent guidelines have also tended to suppress rents even further in higher value neighbourhoods relative to market rent levels which has been positive in maintaining affordability.
14. In setting affordable rent guidance, the Council has to address and balance two objectives: the need to ensure affordable rents are affordable relative to incomes in the Borough, taking into account housing benefit and welfare benefit caps, and the ability of registered providers to optimise rent income to support affordable housing delivery in the Borough. Without sufficient rental return it is not be viable for registered providers to continue developing low cost rent housing in the Borough.
15. A consideration when setting guideline affordable rent is the movement in private rents. From March 2013 to January 2014, median private rents in Wandsworth increased by between three and five per cent¹. From March 2014 to April 2015 Local Housing Allowance (LHA) rents have risen between one and two per cent.
16. As in the previous year the Council is proposing that guideline rent levels are increased by two per cent in line with LHA increases but only for one and two bedroom properties. Such an increase aligns with GLA guidance which identifies that affordable rents should be set at no more than local LHA rates. For larger family units of four bed and above it is proposed to reduce the cap on these rents at to £225 per week from £230 per week. This is on the basis of aligning the capped rent to that set for the Council's own social rent units which was subject to detailed analysis and consideration as part of changes to

¹ GLA rent map

the Council's rent policy which took place last year. The intention of capping rents is that it is these properties in particular where families are likely to be at most at risk of being affected by the total welfare benefit cap. It should be noted that all rents include an element for HB eligible service charges.

17. It is proposed that these new affordable rent levels for discounted and capped affordable rent properties will be applicable from 16th June 2015. The capped and discounted affordable rents are detailed in Tables 1 and 2 below.

Capped Rent Guidance

Table 1

	1 bed	2 bed	3 bed	4 bed
Current Affordable Rent Levels for Wandsworth Borough 2014/15 (maximum weekly rent and service charge)	£198	£215	£224	£230
Affordable Rent Levels for Wandsworth Borough 2015/16 (maximum weekly rent and service charge)	£202	£220	£225	£225
Figures for comparison				
Median private sector rents December 2014	£299	£368	£483	£648
Wandsworth Affordable rents as % of median private sector rent	66%	58%	46%	36%
LHA rate April 2015	£254	£281	£337	£417
Wandsworth Affordable rents as % of LHA rate	78%	76%	66%	55%
Income comparators and benchmarks for Wandsworth Proposed affordable rents *	£31,544	£34,354	£35,604	£35,916

*Assumes that housing costs are no more than 45 per cent of net annual household income and that net income is 74 per cent of gross income, in line with the HCA's affordability guidance

18. The rents for new build discounted rent properties would be as follows :-

Table 2

	1 bed	2 bed	3 bed	4 bed
Current Discounted Affordable Rent Levels for Wandsworth Borough 2014/15 (maximum weekly rent and service charge)	£228	£260	£272	£288
Proposed Discounted Affordable Rent Levels for Wandsworth Borough 2015/16 (maximum weekly rent and service charge)	£233	£265	£277	£296
Figures for comparison				
Median private sector rents December	£299	£368	£483	£648

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2014				
Wandsworth Affordable rents as % of median private sector rent	78%	72%	57%	46%
LHA rate April 2015	£254	£281	£337	£417
Wandsworth Affordable rents as % of LHA rate	92%	94%	82%	71%
Income comparators and benchmarks for Wandsworth Proposed affordable rents *	£36,384	£41,381	£43,255	£46,222

*Assumes that housing costs are no more than 45 per cent of net annual household income and that net income is 74 per cent of gross income, in line with the HCA's affordability

19. It is intended that these new rent guidelines will be used to set and negotiate low cost rent levels for both newly built affordable rent properties and existing social rent properties converting to affordable rent to support development and purchase and to maintain affordability relative to LHA thresholds, total welfare benefit caps and average incomes as is demonstrated in the tables above.

20. It is intended that these guideline rents will be used as the basis for financial appraisal purposes when dealing with planning applications and in agreeing Section 106 terms and requirements with the aim of achieving an average market open rate of 65 per cent of Borough average market rates. The principles on which these rents have been set have been agreed with the GLA. The Council will also request as part of the financial appraisal process that appraisals are undertaken assuming rents at 80 per cent of the market rate for the Borough. Such financial modelling will be undertaken on the basis of delivery of a planning compliant scheme and a limited set of scenarios agreed with the applicant taking account of particular site factors (e.g. location, site constraints) and on the basis of optimising the level of and type of affordable housing delivered. This is so the Council can seek to achieve overall the maximum level of delivery of affordable housing whilst balancing delivery to meet the broadest range of needs with a particular focus on meeting the very high demand for low cost housing arising from working households, social renters who may want to downsize and younger households who are seeking more secure forms of housing in the Borough. The Council would also seek at an early stage to establish with the applicant a limited set of scenarios.

21. Appraisals and the type and quantum of affordable housing provided will also account for other forms of structured rented housing that an applicant might be proposing. For instance, if private rent housing is proposed that will be targeted to meet local housing demand adjustments are likely to be made in the type of affordable housing required in order to incentivise and secure accommodation for this purpose. However, such arrangements will only be agreed if there is significant and beneficial additionality for Wandsworth Residents.

REVIEW OF THE COUNCIL'S INTERMEDIATE HOUSING POLICY

22. The Council's Intermediate Housing Policy has been in place since January 2011 (Paper No. 11-55) with the aim of ensuring intermediate housing developed and sold in the Borough is targeted to local residents and those working in the Borough and that the units are made available to those on a spread of incomes and not just at the London Mayors upper income thresholds which are reviewed annually. Due regard is given to the following when reviewing the policy: quantum of housing being delivered, financial viability of delivering intermediate forms of housing in the Borough and the income profile of those on the Council's home ownership waiting list who are able to purchase.
23. The number of residents registered with the Council's Home Ownership Team interested in acquiring low cost home ownership housing stood at 4,495 on March 31st 2015. The annual home ownership event in October 2014 was again very well attended with 971 people coming to it, demonstrating the strong demand for low cost home ownership opportunities in the Borough.
24. The GLA also have a pan London website, called Share To Buy, where intermediate properties are advertised and households register their interest. As at April 2015, there were 4,229 applicants living or working in Wandsworth registered of whom 2,534 were interested in purchasing in the borough. 1,862 of the applicants (74 per cent) are one or two person households with 1,424 (56 per cent) having household incomes of £40,000 or less. There continues to be a very high demand and aspiration to own from both Wandsworth residents and those outside the Borough to purchase intermediate housing in the Borough.
25. Appendix 2 to this report profiles information on those currently registered on the Wandsworth Homeownership List. Of the 4,495 applicants registered, 3,276 (73 per cent) have a household income of £40,000 or below per annum and 2,765 (62 per cent) have savings of less than £ 10,000. It should be noted that whilst some households on the list may have the aspiration to own they may not at the present time be in a position to purchase. Where this is the case intermediate rent may be a more viable option for those looking for more stable and permanent accommodation arrangements.
26. Average house prices in Wandsworth increased by 15.9 per cent from £496,479 in January 2014 to £575,291 by January 2015². The open market value for sales of new build shared ownership completed during 2014/15 were as follows: -
- 1 bedroom £238,000 to £380,000, average £311,970
2 bedroom £380,000 to £520,000, average £423,444
27. Given the popularity of low cost homeownership in the Borough it is proposed that the Council will host the low cost home ownership event to be held in the

² Land Registry for England and Wales

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Civic Suite in October to promote low cost purchase opportunities including those arising on new developments. The event will also provide advice and identify the assistance available to those considering shared ownership purchase.

28. A focus for the Homeownership Team this year will be to improve the Council's publicity and information material on shared ownership given that this is often a form of housing which is less well known to would be purchasers. It can also be seen as more difficult to understand given that a mortgage, rent and a service charge will need to be paid and accounted for in terms of housing costs. As set out elsewhere in this report other forms of assisted purchase will also be promoted through targeted campaigns and mail shots and one to one advice and assistance to meet HPGs and RTB forecast moves and sales.
29. Officers will also seek to discuss and provide as a viable alternative option to shared ownership the development and delivery of intermediate rent housing targeted to be let on assured shorthold terms to working households at 80 per cent of market rents set relative to local market rent levels. There are a number of reasons for this: intermediate rent housing may be more affordable than shared ownership housing in some more expensive areas of the Borough, intermediate rent housing provides a more flexible asset type for developers which may be of benefit to the Council when negotiating the quantum of affordable and resident focused housing being delivered and given the high demand for this form of housing particularly as homeownership as an immediate option may be less achievable for a significant number of households.
30. The Council's adopted Core Strategy (October 2010) paragraph 4.152 seeks to ensure that the gross annual household income needed by purchasers of low cost homeownership housing to cover the total annual expenditure on household costs (rent, mortgage and service charge payments) is within the range quoted in the London Plan Annual Monitoring Report or other such relevant Government or other guidance that might apply at the time of the offer by the registered provider. The relevant guidance for the year under review is the London Plan Annual Monitoring Report No.10 (March 2014) which states that the upper limit for intermediate housing is a gross annual household income of no more than £66,000 for one and two bedrooms and £80,000 for three bedrooms or greater.
31. The Council's Core Strategy states that schemes should, where possible, ensure that a significant majority of purchasers (at least two thirds) can be households with gross incomes of £38,000 or less per annum. In July 2014, in recognition of the difficulty in delivering shared ownership properties as affordable to those on £38,000 incomes or less given current market values, the Executive approved (Paper No 14-318) new income bands for intermediate housing affordability ranging from £45,000 for one bedroom units and £50,000 for two bedroom units. In the current review of the Council's Local Plan documents that have been submitted to the Secretary of State for Examination, following approval by the Executive (Paper No 15-65), the

amended Core Strategy states that “the Council will seek to ensure delivery of the maximum level of affordable housing through the testing of a number of scenarios as set out in the Council’s Intermediate Housing Policy” which are set out in the Planning Obligations Supplementary Planning Document (SPD) Paper No 15-66). The SPD indicates that the scenarios will be reviewed by the Council in its Authority Monitoring Report

32. Policy DMH3 (a) of the Development Management Policies Document (adopted February 2012) Table 3.1 seeks the following bed size mix for intermediate housing: -

1 bedroom	35 per cent
2 bedroom	45 per cent
3 bedroom	17 per cent
4 bedroom	3 per cent

33. Under the current review of the Council’s Local Plan document, it is proposed in the changes to the Development Management Policies Document to no longer require any four bedroom units for intermediate housing and that the current three bedroom requirement is reduced to ten per cent and the one bedroom requirement increased to 45 per cent. This is in recognition that no four bedroom intermediate housing units have been developed in the Borough given that these would have effectively been unaffordable or if delivered would have disproportionately reduced the overall quantum of affordable housing delivered given the significant cross subsidy from market development needed to achieve affordability levels required. The increase in the percentage of one bedroom units required is in recognition of the very high demand for smaller units from local residents looking to get a first step on the property owning ladder.

ANALYSIS OF INTERMEDIATE HOUSING UNITS COMPLETED IN 2014/15

34. In 2014/15, a total of 178 new affordable units were completed of which 125 were intermediate housing;
35. Appendix 1 provides details of the schemes where intermediate housing was delivered. Of note is that 50 per cent of units delivered were one bedroom and 50 per cent either two or three bedroom units. Whilst predominantly two bedroom family units were delivered this does show a reasonable balance between the delivery of housing between single/couple housing and housing intended for family households. Although eight schemes completed in the financial year 2014/15 most completed in the last quarter so sales information is not yet available. Of those that have completed and sold the information is as follows :-
- (a) Spectra Apartments, Spectrum Way, SW18 – registered provider Octavia Housing, 19 units of which 9 have been sold to date, 8 sold to households living or working in Wandsworth. The average income of purchasers to date is £46,448.

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- (b) 2 Florence Way, Wandsworth – registered provider Thames Valley HA, 3 units, two of which went to households living or working in Wandsworth. The average income of purchasers to date is £42,500 and two were sold to households with incomes of £38,000 or less.
 - (c) Sesame Apartments, Holman Road, SW11- registered provider Metropolitan, 7 units all of which were sold to households living or working in Wandsworth. Five of the flats have been sold to households with an income of £38,000 or less. The average income of purchasers to date is £43,204.
 - (d) 181 -207 Tooting High Street - registered provider Thames Valley HA, 28 units of which 21 have been sold to date, 19 of which went to households living or working in Wandsworth. Nine of the flats have been sold to those on household incomes of up to £38,000 or less. The average income of purchasers to date is £40,610;
36. There were 194 shared ownership sales in 2014/15 recorded by the Homeownership Team. This included 34 shared ownership resales and also purchase of properties that were finished or completed in 2013/14 and then subsequently sold in 2014/15. This is an increase of 39% in sales of shared ownership compared to the previous year. 172 (89 per cent) were purchased by households living or working in Wandsworth. The average household income of those purchasing new build homes was £43,315 with average savings of £33,316. The average household income of those purchasing shared ownership re-sales was £47,992 with average savings of £26,963.
37. The overall picture of low cost homeownership sales is therefore positive with a significant number and percentage of purchases going to Wandsworth residents or those working in the Borough. Additionally, there continues to be sales to a spread of incomes with this being demonstrated by the average income of households being around the Borough average. There is no reason to review this focus on targeting sales to meet local resident borough need or indeed to move away from policies that seek to meet the sales to meet local resident borough need or indeed to move away from policies that seek to meet the demand for low cost homeownership from households on a range of incomes up to the London Mayor's thresholds.

ANALYSIS OF INTERMEDIATE HOUSING UNITS SECURED BY PLANNING OBLIGATIONS IN 2013/2014

38. In 2014/15, 1,095 affordable housing units were secured through planning obligations with a tenure split of 494 (45 per cent) affordable rent units and 601 (55 per cent) intermediate units. Of note is the 103 intermediate units secured as part of the Battersea Power Station Phase 3 (Queenstown) detailed application which includes 51 family units and the 32 intermediate units secured as part of the Former Christies Warehouse, Ponton Road, SW8 (Queenstown) application.

39. Of the 601 intermediate housing units granted planning permission in 2014/15, a total of 312 units (50 per cent) had to be affordable to those on gross household income in the range of £45,000 - £55,000. The remaining 289 properties needed to be affordable to applicants with a gross annual household income not in excess of the London Plan Annual Monitoring Report. In terms of bed size mix, the mix secured through planning permissions closely reflected the mix required in Policy DMH3, albeit with a slightly higher percentage of one beds and slightly lower percentage of two beds. Overall the Council's planning policies and the Intermediate Housing Policy have continued to be delivered in large part.
40. The Council's Intermediate Housing Policy currently prioritises applicants as follows:

Table 3

Wandsworth Priorities - Category of Applicants	
Priority 1	Wandsworth Council tenants with a recognised medical need or living in overcrowded conditions and having a minimum of 150 points in the transfer queue, decants, essential repair cases, tenants under occupying and homeless persons.
Priority 2	All other Wandsworth Council tenants and tenants of housing associations currently occupying property within the Borough and serving armed forces personnel.
Priority 3	Wandsworth Shared Owners needing to move to a larger property.
Priority 4	First-time buyers who currently live within the Borough.
Priority 5	First time buyers who work in Wandsworth but do not live in the Borough.
Priority 6	Existing Wandsworth Home Owners who need to move to a two or three bedroom property, whose household income is less than £60,000 per annum and who cannot afford to buy on the open market.
<p><i>Note:</i> Wandsworth Council Tenants may be entitled to apply for a HPG. Applicants are initially put forward for the number of bedrooms required to house them and their families. If more than one applicant from the same priority group applies for a property the applicant with the earliest registration date under the scheme will take precedence. All applicants are subject to a financial appraisal at the point of offer.</p>	

41. Over the past year the Council has progressed its estate regeneration plans for Winstanley/York Road, Clapham and the Alton estate in Roehampton. The proposals will involve a significant number of current leaseholders and some freeholders homes being demolished and the Council have developed a leaseholder/freeholder "offer" to those leaseholders/freeholders affected by the proposals. One alternative form of accommodation resident leaseholders/freeholders may be interested in, would be to acquire shared ownership in the borough through utilisation of the capital receipt and compensation they will receive as part of the leaseholder/freeholder offer. In

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recognition of these particular circumstances it is therefore proposed that any Council leaseholder/affected freeholder that is liable to lose their home through a proposed regeneration of a Council estate and that are interested in moving to shared ownership are allocated a Priority One category on the Home Ownership Category of Applicants from 16th June 2015.

42. It is also proposed that the Director of Housing and Community Services and Director of Finance are given delegated authority to negotiate the purchase of shared ownership units/unsold equity to facilitate and enable resident leaseholder/freeholder moves. This is for the following reasons:
 - (a) That whilst a resident leaseholder/freeholder may be willing to pay rent on unsold equity held by a registered provider the terms of the resident offer from the Council is that no rent is paid on unsold equity taking account of other terms set by the Council (e.g. that the unit is of the same bedroom number as the unit being demolished);
 - (b) This can clearly not be an open ended commitment and any purchase or part purchase of a shared ownership unit by the Council would have to represent value for money relative to the commitments being made by the Council as part of the resident offer (e.g. rehousing in the area); and
 - (c) The unit(s) purchased would clearly need to be one that council leaseholders/freeholders would be interested in purchasing.

43. In recognition of the increasing market values, the changes by the GLA to affordable rent detailed in paragraph 12 and the availability of Wandsworth Grant to support affordable rent delivery in the borough, the Executive approved in July 2014 (Paper No. 14-318) to the Council updating its intermediate housing policy of requiring intermediate housing for two thirds of one and two bedroom intermediate accommodation being affordable on those on gross annual household incomes of £38,000 and for three bedroom intermediate housing properties being affordable on those on gross annual household incomes of £45,000 and replacing with the scenario testing set out in paragraph 44 of this report, to ensure affordable housing delivery is maximised and sustained with effect from the 8th July 2014 to meet demand as set out in the Strategic Housing Assessment 2012.

44. The following three scenarios were to be tested when considering the delivery of affordable housing, initially assuming a policy compliant affordable housing scheme of 60 per cent affordable rent and 40 per cent intermediate housing:

Scenario 1	Scenario 2	Scenario 3
Intermediate Housing Provided using Mayors Income Thresholds currently £66K for a 1 and 2 bed property and £80K for a 3 bed property.	Intermediate Housing Provided with 50 per cent provided affordable to those on incomes at or below £50K with 50 per cent provided to the Mayors income thresholds.	Intermediate Housing provided on the following basis: 50 per cent of one bed units affordable to those on incomes at or below £45K with 50 per cent meeting the Mayors affordability criteria. 50 per cent of family units (2 bed plus) affordable to those on incomes at or below £55K with 50 per cent meeting the Mayors affordability criteria.
Option 1 - Affordable Rent provided as 50 per cent Discount and 50 per cent Cap.	Option 1 - Affordable Rent provided as 50 per cent Discount and 50 per cent cap.	Option 1 - Affordable Rent provided as 50 per cent Discount and 50 per cent cap.
Option 2 – Affordable Rent provided at 100% Discount.	Option 2 – Affordable Rent provided at 100% Discount.	Option 2 – Affordable Rent provided at 100% Discount.
£30K grant per unit offered by the Council .if available	£30K grant per unit offered by the Council. if available	£30K grant per unit offered by the Council. if available

45. The Housing Development Team have used the three scenarios in testing affordable housing assumptions in financial toolkits submitted with planning applications to determine the type and quantum of affordable housing with the aim of finding the optimal mix of affordable housing delivery in terms of policy compliance to meet need and in terms of quantum delivered. However a number of issues have arisen as follows :

- (i) Applicants and their advisors have found the modelling complex and if undertaken to its full extent, creates 12 different scenarios;
- (ii) The difference between the three scenarios has been limited, with scenario two producing little difference between scenarios one and three;
- (iii) The application of Council grant funding has made no impact on the level of affordable housing provided. The purpose of the funding was to encourage an increase of affordable housing by converting planned market units to affordable. However, the difference in value of market

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and affordable housing is so significant in most sites in the borough that a grant of up to £30,000 is insufficient to fund such conversions.

46. It is therefore proposed to simplify the approach to have two scenarios as follows :

Scenario 1	Scenario 2
Intermediate Housing Provided using Mayors Income Thresholds currently £71K for a 1 and 2 bed property and £85K for a 3 bed property assuming a ten per cent deposit.	Intermediate Housing provided on the following basis: 50 per cent of one bed units affordable to those on incomes at or below £45K with 50 per cent meeting the Mayors affordability criteria. 50 per cent of 2 bed units affordable to those on incomes at or below £55K with 50 per cent meeting the Mayors affordability criteria. 50 per cent of 3 bed units affordable to those on incomes at or below £60K with 50 per cent meeting the Mayors affordability criteria. All scenarios assume a ten percent deposit being available
Affordable Rent provided as 50 per cent Discount and 50 per cent Cap.	Affordable Rent provided as 50 per cent Discount and 50 per cent cap.
£60K grant per unit offered by the Council .if available	£60K grant per unit offered by the Council. if available
Size mix to be agreed with the Council's Housing Development and Planning Development Teams.	Size mix to be agreed with the Council's Housing and Planning Development Teams.

47. The expectation is that developers would have early discussions with the Council's Housing Development and Planning to agree the scenarios to be modelled.

WANDSWORTH AFFORDABLE HOUSING GRANT PROGRAMME

48. The Executive approved on the 8th July 2014 (Paper no 14-318) for the Council to offer grants of up to £30,000 per unit if appropriate and subject to viability testing, where such grants increase the number of low cost homes delivered and/or family homes provided.
49. This has both been used in modelling of financial appraisals and in discussions with registered and private developers to essentially seek to secure additional affordable housing delivery. However, to date there have been no applications to take up this grant offer or reason to apply the grant to a particular development as the grant on offer has not increased the level of

affordable housing that could be achieved. This is mainly due to the cost of converting market housing in the borough to low cost rent housing. It is firstly proposed that the grant level is increased to £60,000 which equates to the benefit that a new low cost rent unit is to the Council in terms of savings relating to accommodating a homeless household. Second that for larger family units of more than two bedrooms a grant supplement is made available of £20,000 per additional bedroom up to £100,000 total grant to encourage the development of larger family units. In increasing grant levels the following is relevant:

- (a) Grant actually paid will be subject to availability;
- (b) The offer of grant must lead to additionality being achieved which is of demonstrable benefit to the Council and Wandsworth residents;
- (c) Grant must continue to represent value for money relative to other affordable housing delivery options such as Council self build and purchase options; and
- (d) £60,000 will be the assumed grant level used for affordable housing appraisal purposes unless otherwise agreed.

INCENTIVE AND LOW COST HOUSE SALES ACTIVITY

- 50. The following table sets out actual performance against target forecast in 2014/15 and provides a target forecast for home ownership activity in 2015/16.

Table 4

Sales of Council dwellings	Forecast 2014/15	Actual 2014/15	Forecast 2015/16
RTB	75	85	75
Other home ownership schemes			
Shared Ownership Nominations Scheme (SONS)	135	194	286
IMR (Intermediate Rent)	8	5	0
HPG (Portable Discount Scheme)	30	20	50
Freehold Reversionary Sales	22	29	25
Grant Total	270	333	436

- 51. The following paragraphs describe the sales schemes promoted by the Council.

Right to Buy Sales

- 52. In July 2014, the government further increased the Right to Buy discount entitlement by raising the maximum discount for a house to 70% of its value and the Order also provided for an annual increase calculated in line with the percentage change in the Consumer Prices Index (CPI). This increase takes effect on 6th April each year; in respect of the financial year 2015/16, the relevant CPI figure is 1.2 per cent and the new maximum discount is now

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£103,900.

53. On 26th May 2015 the RTB eligibility period will reduce from five years public sector tenancy to three. In view of this it is reasonable to anticipate that the number of tenants looking to purchase may increase slightly but with pent up demand now having been addressed through the introduction of higher discounts there is likely to be a continued levelling off of sales. Therefore, the forecast number of sales in 2015/16 has been held at 75 to reflect this recognising the pipeline position in terms of applications in and cases with the Council's Legal Service.
54. In order to be able to retain the capital receipts from RTB sales, the Council entered into an agreement with the CLG concerning how those receipts would be spent. Paper No. 12-364 set out the requirements of this agreement. The agreement applies only to those RTB sales above the number assumed each year in the Housing Revenue Account (HRA) self financing settlement. For Wandsworth this means that one for one replacement and full retention of RTB capital receipt is only relevant for those RTB sales achieved above the following number each year

Table 5

	2014/15	2015/16	2016/17
Number of RTB sales assumed in the self financing settlement and therefore excluded from the one to one replacement agreement	23	24	24

55. The 23 sales assumed in the self financing settlement have been exceeded for 2014/15 and officers are, therefore, taking forward options to invest these receipts in one to one replacement, including financing Council self-build options and purchase and supporting registered provider development. At the end of 2014/15, the receipts retained for one for one reprovision totalled £17.9 million.
56. The agreement states that the retained amount can make up no more than 30 per cent of the costs of the reprovision. Therefore, if the Council was to utilise all the receipts retained to date, total expenditure on replacement would need to be £59.8 million. Under the terms of the agreement these retained receipts need to be spent within three years of receipt. This means that the Council is committed to financing and delivering between 200-300 low cost rent homes.
57. Under the changes to RTB legislation, purchasers since August 2005 have been obliged to offer their property back to the Council if they want to sell under the Right of First Refusal (ROFR) regulations which came into force when a property is sold with discount. When a home owner wishes to "sell on" a property, which is subject to the ROFR regulations, they are required to serve a notice on the Council asking if it wishes to:-
- (a) buy the property back;

- (b) nominate a Registered Social Landlord (RSL) to buy back the property;
or
 - (c) allow the applicant to sell 'as they see fit' on the open market.
58. In order to avoid challenge, each request must be viewed on a case by case basis and a procedure is in place where requests are reviewed by the Director of Housing and Community Services and the Director of Finance. There were four ROFR requests in 2014/15 and of these one was a three bed; two were two beds and one was a one bed. Each request is considered individually with regard to the performance against the forecast for that property type, the financial requirements of the purchase and the suitability of the property concerned for applicants with special and/or high housing needs. One of the properties was considered suitable for buy back under ROFR during 2014/15 as this property was located on the Regeneration Area on the Alton Estate. Officers will continue to consider each request on their own merit
59. It is not intended to continue RTB discretionary sales to tenants who wish to include family member who do not live at the property given the very small number of sales of this nature and the complexity often involved in these applications in securing the interests of Council tenants who wish to buy with the help of family members. In this respect sales under the General Consents policy create an additional administrative burden over and above that for statutory RTB applications as these cases require additional checks and an interview as part of the application process. It is proposed to end discretionary sales from the 1st August 2015 to enable notice to be given that the scheme is ending and to change information and publicity materials. With any applications of this nature registered before this time being processed as required. With the discretionary sales option being removed it would ensure that all applicants would have to demonstrate that they have lived at the property for the required length of time. It would also reduce the risk that ineligible claimants receive the discount.
60. There are a number of matters that the Homeownership Team will need to give particular focus to this coming year:
- (a) Higher discount offers for RTB does mean that there is an increased unintended but perverse incentive and risk of a very small minority to try to purchase in some fraudulent way. The Homeownership Team has worked very closely with the Council's audit service and area housing teams to ensure that checks are fit for purpose including all applicants now being visited unannounced at their tenancy in order to confirm occupation. In addition all written correspondence has been reviewed and amended to make it very clear that any form of fraudulent or criminal activity related to the RTB will not be tolerated;
 - (b) There have been a higher number of applicants who have found it increasingly difficult to secure loan financing to assist with purchase given the tighter controls that have been applied by lenders relative to certain building types in recent years. This effect of the lending market being more risk cautious/averse is something that the Council has highlighted as an issue to Government but has little influence on

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locally. There are a number of responses the Council is exploring and will pursue:

- (i) Ensure that the HPG provides a viable way and alternative option to the RTB to purchase for more council households so they can continue to have a right to purchase; and
 - (ii) As set out later in this report actively seek to purchase ex RTB properties on the Council's estates for use as low cost rent housing to assist particularly those resident council leaseholders already affected by red lining on the basis of the units assisting with decanting and temporary accommodation needs; and
- (c) The Homeownership Team has a national reputation for the effectiveness and efficiency in administering the RTB. If the RTB is extended on the same terms as for a council tenant to housing association tenants the Team is geared up to being able to share experiences with local housing associations.

Government Right to Buy Mobility Grant Scheme

61. In April 2015 the Council put forward a proposal to Communities and Local Government for grant to support an enhanced House Purchase Grant Scheme to support moves into homeownership for council tenants and that would enable the reuse of social rent units that were freed up to meet a range of priority housing needs.
62. The Council was successful in its bid for £600,000 and it is now recommended that the enhancement to the HPG is approved by the Council subject to confirmation that the Council will receive the funding. The terms which the Director of Housing and Community Services proposed to the CLG and is seeking support for are that the Council enhances its HPG scheme from £60,000 up to £90,000 for 20 qualifying tenants who meet the selection criteria set out by the Government below:
- (a) older tenants who have expressed an interest in RTB but may not be able to secure a mortgage;
 - (b) tenants of employment age where they may commute to work with the grant allowing them to purchase a property closer to their employment;
 - (c) tenants who are in properties built of non-standard construction where there is mortgage redlining; and
 - (d) tenants under occupying particularly larger family units (e.g. 4 beds and plus) to try and meet local needs by freeing up properties where there is a significant shortage.
63. Applications will be sought from Council Tenants on the following "first come first serve" basis:
- (a) Applications are taken for a fixed period;
 - (b) Assessment is on the basis of priority being given in the following way:

- (i) Applicants who meet A-C criteria and D given the priority that needs to be given to freeing up 4 bed and plus homes;
 - (ii) Applicants who meet criteria A-C and are registered with the Council for HPGs but have not managed to secure a property; and
 - (iii) Applicants who meet criteria A-C and approach the Council with evidence that they are in a position to purchase or secure an identified property; and
 - (iv) If there is significant interest a “tie breaker” will be the time someone has been a tenant with those with longer tenancy terms getting priority.
64. The offer of an enhanced grant will be made and held for a fixed period. If after this fixed period a property has not been identified/ purchased the grant will be offered to the next household on the waiting list for grant.
65. The enhanced HPGs level is intended to be a more direct alternative in monetary value to the RTB discount and provide existing secure tenants with a greater choice in terms of housing options that they can exercise. One assessment will be whether it actually relative to the existing scheme secures more moves relative too household circumstances and the type of properties released. This will clearly inform the nature and form of the Council’s existing HPG ensuring that the target number of moves set is achieved.
- House purchase grants – sometimes called portable discounts**
66. The HPG has been a very popular scheme and has two benefits. First, to the Council in that it frees up a social rent unit for reuse when that tenancy might well have run for many years given that the social tenant lacked alternative housing options. Second, that the scheme helps meet aspiration to own and also allows households to relocate either to more suitable accommodation, to be nearer to work and/or relatives who may provide informal support.
67. In 2014/15, 20 moves were achieved under the HPG freeing up units for letting to households in housing need or for sale, with spend being £1,083,676 against a budget of £1,500,000. There are currently 6 purchases in the pipeline where it has not been possible to complete sales in this financial year and there is a waiting list of 30 willing purchasers.
68. Feedback from events held to promote the HPG and RTB have generally identified RTB being the current purchase preference of existing Council social renters, given that the discount has been increased to £103,900 and will rise annually against the Consumer Price Index. This compares to the current cash incentives for HPGs shown in the table below.

Table 6

Bed Size	Current Grant Level	Proposed Grant Level
		From 01/08/2015
Studio	£35,000	£40,000
1	£35,000	£50,000
2	£60,000	No change
3	£60,000	No change
4	£60,000	No change
5	£60,000	£80,000
6	£60,000	£80,000

69. There are very clear benefits to ensuring that the HPG remains a popular and a viable way to buy and move for social renters:
- (a) Whilst RTB sales release capital for reinvestment relatively HPG provides units for reuse quicker than new development or indeed forms of purchase where RTB receipts are utilised for this purpose;
 - (b) HPG gives prospective social rent purchasers more options if set at the right level to enable purchase where for instance they cannot get a loan to buy their social rent tenancy under the RTB or where they want or need to move to another area, location or type of property.
70. Clearly there are other subsidiary and joint benefits to the household over and above freeing up a council rent home for reuse. As an example a social tenant moving closer to relatives to receive care and support, in this country or even further afield, is moving on the basis that a different quality of care and support is likely to be provided relative to options more locally available.
71. It is proposed to revise and amend the HPGs in the following ways:
- (a) Revise the standard incentives as set out in Table 6 to seek to increase take up from households occupying very large family units where there is a disproportionate benefit in freeing up these units to meet a significant demand. For households occupying five bedroom plus accommodation it is proposed that the RTB discount as it stands will be matched where a Government RTB Mobility Grant is also being offered. In turn increasing incentives to free up one bedroom units for households looking to downsize to smaller homes so a supply of such homes are more readily available to the Moves and Mobility Team;
 - (b) That a council tenant can receive the full grant level after being a tenant for three rather than five years to fall in line with the new RTB eligibility and to revise the percentage progression as set out in Table 7 below:

Table 7

Current Tenancy years	% of grant	Proposed Tenancy years	Proposed % of grant	6 bed	5 bed	4 bed	3 bed	2 bed	1 bed	0 bed
5+	100%	3+	100%	80,000	80,000	60,000	60,000	60,000	50,000	40,000
4-5	80%	2-3	60%	48,000	48,000	36,000	36,000	36,000	30,000	24,000
3-4	60%	0-2	N/A	0	0	0	0	0	0	0
2-3	40%	N/A	N/A	0	0	0	0	0	0	0
0-2	0%	N/A	N/A	0	0	0	0	0	0	0

- (c) To increase the upper purchase prices to outside M25 in the UK to £300,000, in the M25 to £350,000 and in Wandsworth to £450,000 to reflect increase in house prices in and out of London. For purchases outside of the UK it is recommended that the upper purchase price is held at £200,000. However, it is also recommended that discretion is given to the Director of Housing and Community Services to review these thresholds particularly in individual cases where there is a clear benefit to the Council in enabling a move out of social rent stock and/or where the household would have been eligible for the full HPGs anyway (e.g. where a large family units is released or where flexibility in relation to upper purchase price enables a household to remain living in the Borough).
- (d) Under the current HPG scheme tenants are eligible for a bonus payment of £1,000 when:
- (i) they apply before 1st October each year and complete their purchase within 6 months of the offer date or
 - (ii) they apply after 1st October each year and complete their purchase by 31st March.

As the average property transaction takes approximately 3 months this payment is often paid, however many of the cases often take far longer especially those who encounter problems. By stepping the bonus payment it would encourage tenants to speed up the completion process in the quickest possible time, which in turn would qualify them for a greater bonus amount that may also assist in covering sundry costs related to moving and indeed in accelerating a move. This would also allow the Home Ownership Team to fully maximize their time and resources towards offering as many grants as possible in the forthcoming financial year.

Completions within 3 months = £2,000 bonus
 Completions within 4 months = £1,500 bonus
 Completions within 5 months = £1,000 bonus
 Completions within 6 months = £500 bonus

This increase is intended to:

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- Boost the number of sales from current numbers being achieved which has been significantly below forecast;
 - Provide households who for whatever reason can not or do not want to exercise their Right To Buy the opportunity to buy and provide more choice
 - Give a realistic alternative to the RTB for existing social renters and in turn
 - i. achieve a greater level of mobility out of Council social rent stock and release
 - ii. units for reletting
- (e) The current HPG scheme allows tenants to use their grant towards purchasing a property within the UK or the EU. The maximum property purchase price must not exceed the ceiling level which it is proposed remains at £200,000 with the HPG financing any “gap” in funding that remains after the social tenants income and savings are taken into account. The tenant must instruct two solicitors to deal with the sale; one based within the UK (who is familiar with conveyancing law within the country of choice) and the other solicitor being based within the country the tenant intends to move to.

The number of purchases outside of the UK has been minimal with only a total of 5 to date. It is proposed that the current restriction on purchases outside of the EU should be lifted to allow tenants to consider purchasing properties worldwide on the basis that this would for instance give long standing tenants the opportunity to buy and purchase abroad where this opportunity might not be available at present.

This is due to a growing number of enquiries received by the Home Ownership Team from tenants who wish to consider using the grant to purchase outside the EU in regions of the world such as the Caribbean and the Far East. A number of these enquiries are from older tenants considering retirement options where a contribution from the Council would enable what would be a positive move. The same rigorous approach to ensuring proper use of public funds will apply with the onus on the applicant to fully satisfy the Council that any move/purchase is a bone fide one. This extension of the scheme and indeed purchases outside of the UK will be closely monitored to ensure that the scheme remains one which is proportionate in terms of the incentive offered and clearly beneficial not just to the Council in terms of releasing a rented unit, that may have been occupied otherwise for many years, but to the social rent tenant in terms of the benefits of relocation.

- (f) It is also proposed to give the Director of Housing and Community Services in liaison with the Director of Finance the authority to agree to purchase in any one year a very limited number of homes where there is a direct and significant financial benefit to facilitating the move of an

existing council tenant subject to available funding. An example of this would be where a council tenant is under occupying a very large family unit or a home with a high value the release of which would relative to purchase of an alternative home (e.g. near to family and friends in another part of the country who would provide care and support) be of benefit to the Council. It is anticipated that any home purchases would be made available to the moving tenant on a low cost rent basis.

72. The current approved budget for HPGs in 2015/16 is £2,500,000 and the forecast target for moves is 50. It is intended that the new levels of cash incentives to be effective from 1st August 2015. For those currently in the process of purchasing with HPG, as long as they are able to purchase at existing levels of HPG, the new levels will not be offered. For those who can not proceed at the existing levels but could proceed at a level of grant up to the proposed new grant levels, grant will be offered up to the levels effective from 1st August 2015.
73. The impact of the revisions to the HPGs will be reviewed in November 2015 to with a focus on assessing whether the HPGs is a viable alternative to the RTB with any proposals for further revisions being put forward at this time in order to ensure delivery of the forecast target number of moves. The Home Ownership Team is also recasting its publicity and information material to directly promote the new scheme and will work closely with the Moves and Mobility Team in promoting and explaining the HPGs for their target clients.

Freehold Reversionary Sales

74. In 2014/15 there were 29 completed Freehold sales (76 units) this is an increase from 2013/14 of 24 and was largely due to a high number of reversionary sales on the Magdalen Park Estate prompted by the major works programme planned there. There are 37 cases in the pipeline with 9 cases at legal. There are no new major work projects programmed this year for small blocks, the majority are in larger or infill blocks on estates so it is likely that the completion number will fall slightly.

Table 9

Breakdown of block types who completed in 201415		
2 flats within block	3 flats within block	4 flats or more within block
22	6	1

OTHER COUNCIL AFFORDABLE HOUSING INITIATIVES

Borough Acquisitions

75. In July 2014, the Executive approved (Paper Nos. 14 -317 and 14-318) funding of £5m and £4m respectively to support the Council acquiring properties for temporary accommodation purposes out of borough and borough buy back of RTB properties on the two estates identified for estate

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regeneration purposes.

76. The Executive has subsequently approved further funding for these acquisitions totalling £52m over the next 2 years with the following spend profile approved in 2015/16 - £28m, and 2016/17 - £26m. Any unspent resources from 2014/15 will be considered as part of the capital programme review in September 2015.
77. To date, 15 out of borough acquisitions have completed (including two in borough but outside the regeneration areas and two properties in regeneration areas but not due for demolition) at a total cost (including on costs) of £4,282,026, giving an average cost of £285,468. There have been two completed acquisitions of properties in the regeneration areas that are due for demolition with total purchase costs of £563,288.
78. The Resources and Commitments Report provides further detail of the purchase profile of units in terms of size and location. However, the following is relevant for this Affordable Housing Update:
 - (a) The Council will continue to purchase properties which both enable it to meet its homelessness rehousing duties and that are viable assets which it can reasonably anticipated by the Assistant Director (Property Services) will hold or increase in value;
 - (b) Purchase of properties in or near to the estate regeneration areas will be a particular focus this year. There is a clear benefit to purchasing stock near to regeneration areas for two purposes. One is to facilitate moves of council tenants or leaseholders who wish or need to move early or as part of phased decant plans. Two is that in purchasing a unit for social rent it would be reasonable to net off this purchase against re-provision of this type of affordable housing unit in the regeneration area itself.
 - (c) The Council will continue to review its purchase profile relative to opportunities to purchase in and as near to the Borough as is reasonably possible in order to meet the demand for temporary accommodation and to achieving value for money in maximising purchases relative to the budgets available.
 - (d) In 2015/16 the Council will bring forward a report setting out options that would allow the Council to let accommodation on more flexible terms (including at market rents and on assured shorthold tenancies where there is no RTB).

Council Development

79. The Council currently has identified 14 Council owned sites that will deliver around 140 residential units. 75 of these units are either on site or planning applications are due to be submitted shortly and are anticipated to complete in 2018/19. A separate report on this Agenda (15 –xxx) provides a detailed update on progress on each of the 14 sites. The Council is therefore on track to achieve its Wandsworth Housing Delivery target of a minimum of 200 council developed units over the next 3-5 years and will seek to exceed this

target and aim to deliver from its overall programme 300 homes for low cost rent over the next five years.

80. The Private Sector Housing (PSH) team works to bring longer term empty properties back into residential use. Where grant is offered to achieve this, such homes are utilised to meet the high demand for low cost rent housing. Longer term empty homes can also become a problem to other residents who will complain about them blighting a road/area.
81. The empty property grant has provided up to £25,000 per unit with one of the grant conditions being that the unit is then leased back to the Council for a period of five years to assist in meeting and addressing local and usually urgent housing demands. Funding for these grants has up until now been provided by the Greater London Authority (GLA) but this funding has been discontinued and there is currently no new funding allocated in 2015/16 for the continuation of empty property grants. As a last resort, the PSH team can take enforcement action, such as the use of compulsory purchase orders, to bring long term empties back into use, but this process takes time and can be very costly.
82. Increasing the number of grant approvals has been the focus of work for the PSH Team rather than enforcement given the clear benefits to the Council. This has resulted in 13 dwellings being brought back into use through the empty property grant scheme in 2014/15. In addition to the grant cases, a further 19 units have been brought back into use through taking enforcement action and providing advice.
83. Funding for the sub regional Empty Property Officer has been confirmed for 2015/16 but funding for grants is not available.
84. Working through the South West London Housing Partnership representations are being made to the GLA to make funding available so that empty property grants can continue to be offered. However, it is not clear whether these representations will be successful particularly given that available grant funding is now being targeted to support new development.
85. The 2014 Wandsworth Housing Offer Delivery Strategy identified: "Over the period of this Strategy the Council will, subject to funding being available, lease and purchase a target number of long term empty properties to provide low cost rent housing where they are blighting a neighbourhood and/or where such purchases assist with the improvement and regeneration of an area". A commitment has therefore been made within an adopted Council strategy to target, tackle and bring back into use a small number of the more difficult and longer term empty properties.
86. A directly Council funded empty homes grant programme which is focused on securing accommodation for Council use has a number of benefits. Firstly, it can provide temporary housing to homeless households where a duty is owed to accommodate them. This has the potential for reducing temporary accommodation costs by providing alternative options to bed and breakfast

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and other short term accommodation options such as bed and breakfast annexes providing self contained accommodation but at a very high cost to the Council. Members may also wish to consider whether a small number of units might be let to working households on an intermediate rent basis given the commitments within the Council's adopted Housing Strategy to broaden out the affordable housing offer. Thirdly, empty properties brought back into use count toward housing delivery targets and contribute toward the Council's commitment to deliver a minimum of 18,000 homes over the next 10 years and attract New Homes Bonus which can have a significant financial benefit to the Council's General Fund.

87. The opportunity is available to support an empty property grant programme through Section 106 affordable housing commuted sums where empty properties are brought back into use at below market rent. This would be on the basis of Section 106 funding paying a grant in exchange for allocation and leasing rights with the owner covering the rest of the works costs. It is proposed therefore that the Wandsworth Affordable Housing Grant Programme is extended to fund the delivery and leasing to the Council for five years of 15 properties at a cost to the programme of £375,000 for 2015/16 assuming an average grant level of £25,000. The current pipeline of empty properties that could be supported and brought back into use indicates that this allocation would be fully taken up in this financial year.
88. It is also recommended that the units brought back into use would be allocated in the following way:
- (a) A minimum of 10 units would be secured to meet the housing needs of homeless households requiring temporary accommodation.
 - (b) The option available to let five units to working households with some level of priority for low cost housing and where the profile of accommodation would better suit single and couple households (e.g. bedsits). Rents would be set at 80 per cent of the prevailing local market rent with any surplus income being secured for the General Fund.

Modular Development

89. The Council has been seeking to identify some "pilot" sites to develop modular housing to provide temporary housing. Modular development has a number of benefits including :
- (a) The low cost of construction and development
 - (b) The speed of delivery
 - (c) The ability to move to move units at a relatively low cost to another site if the original site is required for an alternative use
90. The Council has identified two Council owned sites that it might be suitable for potential development for modular construction, as they may be subject to more comprehensive redevelopment in the future and therefore not suitable for permanent development at this current time. These have been discussed

and visited by the Council's planning officers who agree in principle these are suitable for such development and the planning officer is currently preparing planning guidance for the two sites.

91. Once these are prepared, officers intend to approach companies, who specialise in modular housing, for expressions of interest in taking the schemes forward. This is a fairly limited market and advice will be sought from the Procurement Advisory Group as to the best route to procure a delivery partner for this initiative. If a provider was secured, resident consultation will be undertaken prior to any planning application being made. The two sites identified, will be subject to financial due diligence and viability testing relative to other options, to ensure this approach is the most financially beneficial to the Council.

Resident Self -Build

92. In January 2015, the Executive approved (Paper No. 15-15) the "Wandsworth Housing Offer Delivery Strategy". This included the proposal to take forward a pilot of resident led development with marketing of three Council owned sites to test interest.
93. Subsequently, the Council has identified a first Council owned site that may be suitable for such marketing that would have the capacity to develop two homes.
94. This site is currently with the Council Design Services Team for feasibility. It is recommended that approval is given to the Director of Housing and Community Services, subject to financial due diligence, viability testing against other sale and development options and appropriate consultation, to develop fair and equitable terms for this scheme and to undertake marketing of this site to test the viability and interest in resident led development. The Assistant Director for Housing Strategy and Development will also in liaison with the Assistant Director Property Services identify another two sites for marketing subsequent to testing the approach and interest in the site identified thus far.

COMMENTS OF THE DIRECTOR OF FINANCE

95. The Director of Finance comments that the level of government grant available nationally to fund new build has dropped significantly and registered providers (including councils) are expected to raise additional funds to build from charging higher "affordable" rents, up to a maximum of 80 per cent of market rents. The proposed rent levels for both capped and discounted rents are intended to indicate to registered providers the level of affordable rents on new builds and re-lets that the Council would expect to see charged and reflect affordability. These proposed rent levels would also apply to any affordable rents the Council introduced. These rent levels are reassessed annually for new tenancies and for Council owned properties are uplifted as part of the Councils HRA rent setting report where an existing tenancy at affordable rent is already in place.

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96. Affordable rents can only be charged on new build properties, including those that are classed as stock re-provision under the reformed RTB scheme, and those re-let properties (arising from vacancies in the existing stock) that form part of an agreed development programme with the GLA. As a result, the vast majority of affordable housing rented stock in the Borough owned by the Council and registered providers is expected to continue as social rented housing for some time to come. The number of properties let under the affordable rent tenure will incrementally increase as time goes on, albeit slowly, as more new development is completed. As at the end of 2014/15 the Council had 24 properties let on affordable rent terms.
97. Under the retention agreement RTB one for one receipts can be used to fund no more than 30 per cent of the cost of replacement units and must be spent within three years of receipt or repaid to the CLG with interest. As at the end of 2014/15 the Council has £17.9 million of retained receipts requiring total expenditure of £59.8 million. Based on the forecast of 75 RTB sales in 2015/16 the estimate of RTB receipts retained in year is £5.2 million requiring a further £17.3 million of expenditure. The Council has and is developing plans, including self build and acquisitions that utilise the available resources. The expenditure and borrowing required to necessitate full utilisation of the retained receipts needs to be carefully monitored so that the previously identified potential HRA borrowing of £100 million for the regeneration areas remains affordable and within the HRA's borrowing limits and that the Council has capacity to deliver the volume of new build schemes required. Decisions on retention or repayment of RTB one-for-one replacement receipts will continue to be made on a quarterly basis.
98. As one for one RTB receipts can only fund 30 per cent of replacement build costs, the balancing 70 per cent of build costs must therefore be funded from some other source, either Section 106 receipts or from borrowing, or externally through a registered provider. The CLG have confirmed that it is not permissible to use non RTB HRA capital receipts to fund the proportion of build costs not covered by the one for one retained receipts. Any element of the retained receipts given to registered providers as grant under the Wandsworth Affordable Housing Grant Programme will not require the Council to fund the additional 70 per cent of development costs including land acquisition. This requirement would then fall to the recipient of the grant and reduce the Council's expenditure liability. Increasing grant levels to housing providers up to £100,000 per unit depending on the size of property delivered will be met from the existing £4 million allocation within the General Fund capital programme and be subject to appropriate value for money assessment.
99. HPGs release properties to the housing queues where the long-run value of immediate availability compared with normal tenancy turnover if applied to the homeless is £59,300 based on the cost of the cheapest form of replacement temporary accommodation. HPGs are charged to the HRA capital programme whereas any allocations made to the homeless queue reduce the cost to the General Fund. Following a comprehensive review of the grant levels, which acknowledged the negative impact the increased level of RTB discounts were

having on the scheme, evidenced as the total number of HPGs granted in 2014/15 was only 20 against a target of 30, it has again been necessary to review the grant levels. The proposed increases will be funded from the existing budget of £2.5 million for 2015/16 in the HRA capital programme.

100. In April 2015 the Council successfully bid for £600,000 of RTB Mobility Grant from the Department for Communities and Local Government to support an enhanced House Purchase Grant Scheme which will enable the Council to increase HPG payments by an additional £30,000 where the selection criteria is met. This will be available to a maximum of 20 qualifying applicants up to a value of £600,000 in 2015/16 for which a positive HRA capital budget variation is recommended for approval, to be fully funded from the Government grant.
101. The proposals regarding Resident Self-Build and Modular Development will only be progressed where financial appraisal demonstrates that the scheme is the most financially advantageous when compared with site sale or other development options.
102. The Council has an active programme of identifying and bringing empty properties back into use, which has previously been supported through external funding made available from sub region for grants. In addition, the available funding also covered the cost of the empty property officer and it has been confirmed that it will continue to do so until the end of 2015/16 to coincide with the approved extension of the post.
103. The benefit to the Council of continuing with the empty property grants scheme can be measured through the financial benefits that are currently delivered through the New Homes Bonus which is payable where certain empty properties are returned to use. Under the scheme the Council can benefit from the bonus paid, equivalent to six times the national Band D council tax, for certain empty properties brought back into use and an additional bonus where the property is used for affordable housing. In addition if the Council facilitates the return to use of the empty property through the grant scheme a condition of the grant is that the Council will be able to nominate tenants to that property. This creates a General Fund financial benefit in that it provides additional units for temporary accommodation and may therefore reduce the need for higher cost accommodation.
104. It is therefore proposed to continue to offer empty property grants which will be funded from Section 106 resources for affordable housing. Based on 15 grants per annum at £25,000 per application this would cost £375,000 per annum for which a General Fund capital budget variation in 2015/16 is recommended for approval.

CONCLUSION

105. This Affordable Housing Update Report has identified good progress in delivery of affordable housing options for local residents. Of particular note is the higher than forecast sale of shared ownership properties and the continuing very high number of homes being sold to Wandsworth residents

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and those who work in the Borough. Such returns are very much the result of the Council being committed ensuring and stipulating that such homes are first offered to Wandsworth residents and those working in the Borough.

106. Whilst there has been some slippage in delivering the affordable housing programme overall the units not delivered by year end are due to complete in this current financial year so have not been lost to overall delivery. What is also notable is that the affordable housing delivery pipeline remains healthy in large part due to the significant level of residential led development taking place in the Borough and particularly in the Nine Elms and Vauxhall Opportunity Area.
107. The Report does propose revisions to Affordable Rent Levels and also the new build affordable housing modelling options. Revisions propose small percentage changes to Affordable Rent levels relative to similar CPI led increases to Local Housing Allowance rates and the intention with the affordable modelling options is to simplify the scenarios that prospective developers are required to test but to maintain a focus on maximising the delivery of affordable housing.
108. The report recommends changes where progress has not met forecast expectations. In particular this has led to the proposal to further update the House Purchase Grant programme by increasing incentives nearer to RTB discount incentives and revising grant rates on offer from Wandsworth Council with a particular focus on delivering larger family homes.

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BRIAN REILLY
Director of Housing and Community Services

1st June 2015

Background Papers

There are no background papers to this report.

All reports to Overview and Scrutiny Committees, regulatory and other committees, the Executive and the full Council can be viewed on the Council's website (www.wandsworth.gov.uk/moderngov) unless the report was published before May 2001, in which case the committee secretary (Thayyiba Shaah –, 020 8871 6039; email tshaah@wandsworth.gov.uk) can supply if required.