

London Borough of Richmond upon Thames

Interim Policy Statement on Affordable Rent

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1. With an expensive private rented sector in many parts of the borough, Richmond upon Thames expects Registered Providers to adopt a scheme by scheme approach when setting rent levels.
2. The borough will support Registered Providers' programme bids that are aligned to the priorities of the administration as articulated in the Borough Investment Plan (BIP).
3. Bids will be supported that minimise the impact of the Affordable Rent model on three bedroom plus properties either in new provision or re-lets. The need in the borough is still however for family sized accommodation for rent.
4. The borough would encourage Registered Providers to use investment raised from affordable rent from either new provision or re-lets within Richmond upon Thames and would prioritise bids that demonstrate a continuing commitment to invest within the borough. As an LSVT authority we expect the relevant Registered Providers to have due regard to the obligations outlined in the transfer agreement in relation to development opportunities.
5. The Council will support bids that use HCA grant to lower rents so that lower paid working households can access schemes without the risk of becoming benefit dependent. The borough will also consider use of the Housing Capital Programme and Affordable Housing Fund to make rents more affordable and to enable the delivery of schemes that may otherwise not be viable.
6. Bids that contain innovative proposals to lower rents or keep affordable rents at a level that better reflects the income of working social tenants will also be supported.
7. Richmond upon Thames will prioritise bids of Registered Providers where they are willing to negotiate with the borough on the scale of re-lets at affordable rent, particularly during 2012 when Local Housing Allowance (LHA) changes may impact on homelessness in the borough.

Context

8. In November 2010 the Government announced in 'Local Decisions – a fairer future for social housing' the development of a new model for the provision of social housing, the 'affordable rent model'. Rents under the model would be set at up to 80% of market rents with greater flexibility over tenancy duration. RPs are also able to re-let a proportion of housing stock at affordable rents to further increase funding for development.
9. With significant reductions in grant available from the Homes and Communities Agency (HCA) the new model is intended to increase revenue for development.

10. The Localism Bill, currently going through the House of Commons, outlines new duties on Local Authorities (LAs) to develop a Strategic Tenancy Policy. The Bill, likely to be implemented in 2012, will require LAs to review housing need and their local housing market and based on this information set out their requirements in terms of affordable housing type, including their view on the new affordable rent model. RPs must have 'due regard' to the Strategic Tenancy Policy when formulating plans for affordable rent.
11. In February the HCA published its Framework Agreement document providing details of the model and asking for bids by May 5th 2011 for the 2011-2015 programme. Registered Providers have therefore requested information on the Council's position regarding Affordable Rent. This Interim Policy Statement outlines the position of Richmond upon Thames on Affordable Rent prior to the development of our Strategic Tenancy Policy.

Housing Need in Richmond upon Thames

12. Housing need issues in the borough are outlined in the current [Housing strategy](#) and [Housing Strategy Evidence Base](#). Whilst both documents will be reviewed in 2012 they still provide appropriate evidence on the housing issues facing Richmond upon Thames. The Borough Investment Plan (BIP) (2011) provides further information on the Boroughs priorities. Justification for the requirements to develop affordable housing can be found in the [Local Housing Assessment](#) (2007). The borough has a 80% social rented 20% intermediate split in the provision of affordable housing as set out in our [Development Management DPD Core Strategy](#). The [South West London Investment Framework](#) outlines the bed size requirements of affordable housing. The current over-riding need is for affordable family sized accommodation for rent.

Affordability issues

13. The borough has a large private rented market with nearly 17% of households renting privately. Rents are also high in many parts of the borough. There is a large market for young professionals in Twickenham and a high end market including corporate lets in Richmond, Kew and Barnes. Cheaper areas of the borough to rent in have much smaller private rented markets. High rents in the borough raise concerns over how the new model will work in practice in Richmond.
14. There are concerns around the affordability of higher rents for low income working households and those reliant on welfare benefits. In the most expensive wards the model may prove difficult to implement at higher rents due to affordability issues. The position will be particularly challenging for larger three bedroom homes.

Local Context for Delivery

15. With significant reductions to the levels of Local Housing Allowance (LHA) available to tenants in the private rented sector, the borough faces considerable challenges in preventing homelessness. The LHA changes are due to impact existing tenants from January 2012.

16. Vulnerable¹ households that may face rent shortfalls of more than £20 per week could be at risk of homelessness. The borough is therefore considering carefully issues about the extent of affordable accommodation that is available for any potential increase in homelessness due to LHA changes.
17. Richmond upon Thames is a Large Scale Voluntary Transfer (LSVT) authority and the borough has none of its own housing stock in which to address any increased homelessness due to LHA changes. As an LSVT authority the borough is particularly interested in the amount of re-lets RPs will be using under the Affordable Rent model.
18. A key priority for the borough is the affordability of the model for low income working households. There are concerns that the model does not make these families benefit dependent.

2008-11 Funding

19. The Borough wishes to see schemes funded from the 2008-11 programme remain as social rented units. Retrospective conversions to Affordable Rent will not be supported, particularly where Housing Capital Programme funds have been allocated.

Intermediate Home Ownership

20. The borough continues to support Bids that contain 20% of the affordable housing element as intermediate home ownership properties.

Cross Subsidy

21. We will support bids that use cross subsidy, such as outright sale where it can be demonstrated they reduce affordable rent levels. This should not be at the expense of the number of affordable housing units if top up funding is available from the Housing Capital Programme or Affordable Housing Fund.

Further Information

22. For further discussion of bids please contact Robin Oliver, Housing Development Manager, Robin.Oliver@richmond.gov.uk, telephone 0208 891 7446 or Nicky Simpson, Policy and Planning Manager (Housing), n.simpson@richmond.gov.uk, telephone 0208 831 6221.

¹ Households with an older person, with a disability or with dependent children