



Revised Interim Policy Statement on the Provision of New Affordable Housing

1. Introduction and background

- 1.1 This revised interim statement updates our policy position on Affordable Rent and affordable housing more generally following our initial interim statement issued in April 2011. It has been produced in response to the outcome of bids in relation to the Government's Affordable Homes Programme 2011-15 and in advance of our developing a tenancy strategy, in accordance with the provisions of the Localism Bill, which we plan to have in place by April 2012 or shortly thereafter.
- 1.2 This statement seeks to advise registered providers on the Council's strategy for meeting housing need, and to that end what types of affordable housing product we consider to be appropriate, with the proviso that the position may change in the future. It also covers the re-letting of existing social or target rented units as affordable rented homes and a number of related matters.
- 1.3 We are aware that authorities in the capital have been working to agree a common position, with discussions centering on what would be an acceptable price point for new Affordable Rented homes. While providers are able to produce homes at up to 80% of market rents, we understand that many London boroughs, particularly those in central areas where market rents are especially high, would wish to see Affordable Rent levels capped at a lower point.

2. Housing need in the borough

- 2.1 The Council's understanding of housing need in the borough is informed by its 2011 update housing needs assessment, shortly to be published. A key finding from this is that there has been a considerable increase in the need for affordable housing since publication of the original study in 2008. This is supplemented by recent studies on the needs of older people and those with physical and/or sensory disabilities. The findings from these latter studies and other sources of our understanding of need are summarised in our latest housing strategy, published in February 2011. This also sets out key findings from the draft SW London Strategic Housing Market Assessment 2011, which places the borough in the wider sub-regional context.
- 2.2 In response to the Government's proposals on affordable rent, the Council has carried out its own analysis of the affordability of this product locally. This, together with our overall understanding of housing need and the pressures of housing demand, as reflected in the make-up of the housing register, inform our present stance on affordable rent and determine what we believe would be appropriate affordable housing investment in the borough in the short to medium term.

3. New Affordable Rent provision

- 3.1 In Sutton's case the analysis we've carried out suggests that new units priced at 80% of the market would meet a significant level of need. However, this is based on the assumption that such rent levels (and applicable service charges) continue to be fully covered by housing benefit and that there would not be any significant loss of benefit to households when Universal Credit is introduced. We are concerned, though, that the impact of the proposed total benefits cap could make larger (three bed plus) properties particularly unaffordable for families reliant wholly on benefits.
- 3.2 Whilst we would be happy to see all new one and two bedroom Affordable Rent units priced at 80% of the market, we would not support all larger units being produced at this level; we would prefer these to be set at a maximum of 65% of the market or at least a significant proportion (e.g. 50%) of them being set at this lower level. We would, however, wish to see appropriate price differentiation between property sizes and types (e.g. the rent for a two bedroom house should be significantly lower than that of a similar three bedroom house in the same location). We would be happy to look at each scheme in light of its own particular circumstances and would be willing to consider alternative size/price point combinations providing there is a rationale for these.
- 3.3 In terms of the mix of unit sizes, Sutton's housing strategy is quite clear on this point: our supply-demand analysis indicates that we need to seek a broad balance of one, two and three bedroom homes (roughly 30-35% of each), plus at least 5% of 4+ bedroom units. We are also seeking to ensure that there is a good geographical spread of new supply and that we avoid concentrations of social housing in the borough and too high a proportion of particular unit sizes in certain areas. For all sites, particularly those providing supported housing and regeneration schemes, the level and type of affordable housing will need to be agreed on a scheme by scheme basis. We also wish to see that all homes are built to good design, space and environmental standards, are sustainable and are in keeping with or enhance the locality in which they are situated.

4. Pipeline schemes

- 4.1 We would be open to providers re-examining pipeline schemes where they are not funded or currently on site and there has been prior discussion and agreement with the Council in order to provide Affordable Rent properties, but only if this would result in a greater number of new affordable homes being produced in the borough.

5. Conversions of target rent to affordable rent

- 5.1 A major concern we have is in regard to the re-letting of existing target-rented housing association homes as Affordable Rented units. We acknowledge the likelihood of the need for this to happen in order that providers can fund new development in the current economic climate, and indeed meet the HCA's expectations. However, we would wish to ensure, firstly, that this is kept to the minimum necessary and that, secondly, the financial gain is re-invested within our borough and not used to cross-subsidise new development elsewhere.
- 5.2 That said, we would be prepared to consider being part of an arrangement whereby a provider operating within Sutton and our neighbouring boroughs or perhaps within the SW London sub-region reinvests surpluses within the wider area on the basis that this

is balanced out over time to ensure that individual boroughs reap the rewards of this in proportion to the number of socially rented units converted in their areas.

5.3 In order to preserve existing social rented properties to meet the needs of families, we would not wish to see the conversion of three bed plus properties, supported living units or wheelchair adapted homes unless absolutely unavoidable.

5.4 We are also mindful of the resultant effects of conversion and the situation where tenants living next door to each other could be paying very different levels of rent for exactly the same accommodation. We would wish to understand from providers intending to convert their stock how they propose to manage the perceived unfairness of this and the potentially destabilising effect this might have on a local community.

6. Nomination rights

6.1 As the strategic housing authority we will wish to see the current level of nomination rights to existing housing association stock maintained and to enter into similar agreements for new Affordable Rented developments. We envisage these being let via our choice based lettings system in the same way that social rented units are.

7. Flexible tenancies

7.1 With regard to flexible tenancies, we have yet to consider the implications of such a significant change of national housing policy, both in terms of how this might help us to make best use of the Council's own stock and how the policy might apply to the stock of other registered providers. In principle, however, we support the greater flexibility that the proposed changes allow, and we will be giving a great deal of thought on how to respond to this opportunity as we review our allocations policy and develop our tenancy strategy over the coming months.

7.2 We expect registered providers' policies to be aligned with our tenancy strategy once this is in place, and any proposal to introduce flexible tenancies in Sutton in advance of April 2012 should be caveated as being subject to review. We are aware that some registered providers have interpreted the Affordable Housing Framework to mean that units provided at Affordable Rent must also be let on fixed-term tenancies. This is not the case and therefore this is an area where there is, and should be, scope for alignment with local authority tenancy strategies.

8. Affordable home ownership

8.1 We would be happy to see development proposals include an element of affordable home ownership subject to this comprising no more than 40% of units within a development and to it being demonstrated that such products are at a cost which is significantly below market entry and indeed is affordable for people on low to middle incomes taking into account all costs involved (mortgage payments, rents, service charges etc). Further, we would also support providers offering Affordable Rent products that tenants can purchase on shared ownership terms at the expiry of their tenancy.

9. Use of existing social re-lets

9.1 In order to best meet housing need our intention, subject to the outcome of our forthcoming allocations policy review and acknowledging the requirement to maintain the current 'reasonable preference categories', is to prioritise ongoing social re-lets

(around 600 pa.) for certain groups such as decants, under-occupying tenants, domestic violence and other emergency cases. We will also consider prioritising social re-lets for working households where being placed in Affordable Rented homes might result in their being caught in a 'benefit trap'.

10. Disposals and stock rationalisation

- 10.1 We expect providers to consult with the Council at an early stage regarding any proposals they may have for either disposing of stock or transferring its ownership. We would also wish to see any surpluses generated from disposals reinvested in the borough or within the sub-region providing that 'quid pro quo' arrangements operate.

11. Framework Delivery Agreement

- 11.1 We are keen to work closely with registered providers to maximise the amount of affordable housing in the borough and would expect providers to have early discussions with us about developable schemes.

3 October 2011