

Bath & North East Somerset Council

DECISION MAKER:	Cllr Richard Samuels, Deputy Council Leader and Cabinet Member for Economic Development and Resources Cllr Tom Davies, Cabinet Member for Adults and Council House Building.	
DECISION DATE:	On or after 7th August	EXECUTIVE FORWARD PLAN REFERENCE:
		E 3279
TITLE:	Shared Ownership Housing Programme	
WARD:	All wards	
AN OPEN PUBLIC ITEM		
List of attachments to this report: Appendix 1: High Level Business Case		

1 THE ISSUE

- 1.1 The Council has a clear ambition to increase the delivery of affordable housing to meet the needs of residents who are unable to compete on the open market. To support this ambition the Council has secured registration with the Regulator of Social Housing as a Local Authority Registered Provider of Social Housing. This means that the Council can now directly provide and manage social housing.
- 1.2 Working with Aequus, the Council's wholly owned development company, it is proposed that some of their existing and in-development market homes are retained by the Council and offered as shared-ownership homes to local residents.

2 RECOMMENDATION

That the Cabinet Member for Economic Development & Resources and the Cabinet Member for Adults & Council House Building agree to;

- 2.1 The development of the shared ownership housing programme detailed within the report and the business case contained in Appendix 1;
- 2.2 To establish a Fully Approved Shared Ownership Housing Programme for 2021/22 of £780,500, recognising an allocation from Provisional Affordable Housing Programme of £188K along with new sources of funding.

2.3 Future shared-ownership schemes are authorised through the established corporate process for affordable housing budget approvals.

3 THE REPORT

3.1 The Council has an ambition to increase the delivery of affordable housing to meet the needs of residents who are unable to compete on the open market. To support this ambition the Council has secured registration with the Regulator of Social Housing as a Local Authority Provider of Social Housing. This means that the Council can now directly provide and manage social housing. In addition, the Council has also secured Investment Partner status with Homes England. This means that the Council can bid for funding on comparable terms with other RPs.

3.2 The combination of these formal registrations provides the Council with further opportunities to explore how to leverage existing skills and assets to further add-value and enhance delivery. One such option is the ability for the Council to retain some of the homes delivered by Aequus, the Council's wholly owned development company, and offer them as shared-ownership homes to local residents.

3.3 Shared-ownership works on the basis that a share of the property value is sold to the resident and rent is paid to the landlord on unsold or 'retained' share. For units delivered via the planning system, and to ensure the property is affordable, the Council aims to specify the portion to be sold and place a cap on the rent charged on the retained share. A typical example might be 40% sold and the cap on rent charged on the retained share being 1.5% per annum. This would be expressed as an equity share arrangement of 40/1.5%. However, sometimes providers seek to increase the equity share arrangement to 50/2.75% particularly on higher value properties to reduce subsidy requirements. By directly controlling the scheme the Council can adjust the percentage share sold and/or percentage charged to ensure that the product is affordable for local residents.

3.4 Shared-ownership has a number of benefits for purchasers who are unable to compete on the open market, including:

- Smaller deposit required – as only purchasing a share of the property;
- Typically reduced monthly costs – when compared to a fully mortgaged property;
- Potential to grow equity – their share is linked to the property value and so if prices increase then so does their share;
- Staircasing – the ability to purchase an increased share of the property if financial circumstances allow.
- Personalisation – it is their property and they can decorate as they wish.

3.5 The proposed shared-ownership programme is initially based upon the Council purchasing 2 properties from Aequus in their Joseph Court, Sladebrook Road development. Further properties could be purchased in due course if deemed appropriate.

3.6 The benefits for the Council of this proposal include:

- Delivering a genuinely affordable housing product for those residents who aspire to home-ownership but cannot compete on the open market;
- Leveraging the benefits of Aequus housing delivery & providing increased social value to developments;
- Developing our direct delivery and management of affordable housing knowledge and skillset;
- Reassures both the Regulator of Social Housing and Homes England of our commitment to directly deliver and manage affordable housing.

3.7 The high level business case, attached in appendix 1, provides a summary of the financial modelling which supports this proposal.

4 STATUTORY CONSIDERATIONS

4.1 As a Local Authority Registered Provider of Social Housing the Council has the power to provide low-cost home ownership products, including shared-ownership homes, as defined in s70 Housing & Regeneration Act 2008.

5 RESOURCE IMPLICATIONS (FINANCE, PROPERTY, PEOPLE)

5.1 Total scheme costs are £780.5k. £444k of this will be covered by sales (£360k) and Homes England funding (£84k). The remaining amount will be funded through scheme supported borrowing (£148.5k) and finally a subsidy from the Council's Affordable Housing Grant budget (£188k).

5.2 It should be noted that Homes England Funding is not guaranteed until the bid has been formally submitted and agreed by their governance process, however, a pre-bid assessment has been undertaken by Homes England Officers who supported the bid and recommended formal submission.

5.3 The revenue commitments are £8,101 p.a. which includes management, maintenance, voids and bad debts and the scheme supported borrowing costs. This will be fully funded by the rental income stream on the retained share.

5.4 The Council will retain £405k of the capital share. This can be sold to the owner (staircasing) or recycled when/if the owner sells the property.

6 RISK MANAGEMENT

6.1 A risk assessment related to the issue and recommendations has been undertaken, in compliance with the Council's decision-making risk management guidance.

7 EQUALITIES

7.1 The delivery of low-cost housing, particularly affordable housing, has a positive impact on equality. It provides affordable housing options for those residents who are unable to compete on the open-market and may otherwise be forced to leave the area or reside in unsuitable housing conditions. Nationally social housing also supports a disproportionate number of BME residents, particularly black households; low income residents including carers and those with a disability; and lone parents.

8 CLIMATE CHANGE

8.1 The homes produced by Aequus are designed and built to very high energy efficiency standards. The Sladebrook Scheme (new-build) is being built to AECB equivalent standard, which enables the homes to reduce CO₂ emissions by up to 70% compared to a standard home.

9 OTHER OPTIONS CONSIDERED

9.1 Not purchasing the units. However, the benefits detailed above would not be achieved by this approach.

10 CONSULTATION

10.1 Consultation has taken place with the Cabinet Members and Statutory Officers.

Contact person	Graham Sabourn, Head of Housing. 01225 477949
Background papers	None
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