

BRIEFING PAPER

SUBJECT: STARBOARD WAY, LORDSHILL, NEWBUILD TENURE MIX
DATE: 13 JANUARY 2022
RECIPIENT: OVERVIEW AND SCRUTINY MANAGEMENT COMMITTEE

THIS IS NOT A DECISION PAPER

SUMMARY:

1. Approval is being sought at Cabinet on 17th January 2022 for the tenure mix at the Starboard Way new build housing scheme which comprises 103 affordable homes. This report details the preferred mix of tenure types and provides an exit strategy in the event of inadequate sales demand for the homes earmarked as Shared Ownership.
2. The Corporate Plan Southampton: City of Opportunity - 2021-2025 states that 'We will provide people with choices for home ownership'. This has resulted in a proposed increase in the number of Shared Ownership Homes from the 19 No. which were approved for this tenure designation in January 2021. (The remaining balance of 84 No. homes having been designated as Affordable Rent in January.) Because of the ongoing delivery of homes completions and associated lettings of rental tenure homes, scope for significant redesignation to Shared Ownership has been constrained but an increase is still achievable.
3. The tenure mix recommended for approval allows the introduction of up to an additional 18 Shared Ownership homes (37 No. in total), subject to sales demand. The recommended mix also includes the new designation of at least 37 No. Social Rent homes which had previously been designated as Affordable Rent.
4. The recommendations of the Cabinet report act to increase Shared Ownership at Starboard Way. This has been identified as something which requires a scheme-specific approval from Cabinet.

BACKGROUND and BRIEFING DETAILS:

5. The recommendations of the report act to increase Shared Ownership numbers instead of provision of Social Rent homes. This has been identified as something which requires scheme specific approvals under the Tenancy strategy.
6. At the original Cabinet/Council approval stage for the project in July 2019, 47 of the 103 homes were designated as Shared Ownership. (Mix; 47 Shared Ownership:56 Affordable Rent.)
7. Then the number of Shared Ownership homes was subsequently reduced under delegated powers to 19 in January 2021, which resulted in an increase in the number of homes being allocated for Affordable Rent. (Mix: 19 Shared Ownership, 84 Affordable Rent.)

BRIEFING PAPER

8. The Corporate Plan Southampton: City of Opportunity - 2021-2025 states that ‘We will provide people with choices for home ownership’. The proposal to increase the number of Shared Ownership homes at Starboard Way is consistent with this objective.
9. Because of the ongoing construction delivery programme of the project and previous handovers and lettings, the choice of properties to reassign to Shared Ownership is reduced.
10. 9 of the proposed Shared Ownership homes are 4 bed houses. Historically in the sector this has not proven to be a house type which typically sells in great numbers. The report however details an exit strategy which should allow reversion to rented tenure in the event of inadequate sales demand. (See Annex 2.)
11. Provided that risk management is implemented in line with the recommended exit strategy and that final tenure designation decisions can be made swiftly according to changing circumstances, the risk will be mitigated. Significant void periods would be undesirable, costly and would not respond to housing need from people on the council’s housing register. Confidential Annex 4 details some of the void implications in terms of costs.
12. This should mean that properties being marketed for Shared Ownership and which do not attract sufficient sales demand, can instead be let as rented homes to people on the council’s housing register.
13. The recommended mix could therefore adapt to sales demand to create a balance between responding to housing need from people on the council’s housing register and meeting the Corporate Plan Southampton: City of Opportunity - 2021-2025.
14. The new scheme mix will be as shown below.

	Flat				House				Total
	0	1	2	3	1	2	3	4	
Social Rent	0	14	18	0	0	0	0	5	37
Affordable Rent	0	0	0	0	0	18	11	0	29
Shared Ownership	0	3	6	0	0	0	19	9	37
Overall	0	17	24	0	0	18	30	14	103

15. If the scheme results in the creation of a number of specialist housing units (homes), requiring shared occupancy, the total number of units will increase to be more than the 103 total. Details are contained in Annex 1.
16. An external market appraisal was commissioned for the scheme in order to receive expert advice on the marketability of Shared Ownership. Due to its commercial sensitivity this information is contained in confidential Annex 5. The information in this report has shaped the recommended exit strategy. See Annex 2.
17. The market appraisal advice with regards to the 4 bed houses is that ‘*historically, although 4-bedroom shared ownership homes have not had very strong demand, there has been a historical need for small numbers of such units.*’ The advice does however say that

BRIEFING PAPER

'potential purchasers may wish to buy a 4 bedroom to convert one into a home office with the trend of 'home working' being accelerated due to the COVID pandemic''.

18. The sales advice received states that Southampton City Council should consider offering just four of the 9 x 4 bed properties for Shared Ownership. Initially, the council would like to offer all 9 homes for Shared Ownership. However, it will not be financially sustainable for the Council if there is little or no interest in these units (homes). If this proves to be the case then the homes could instead be redirected for rent, to people on the housing waiting list. The exit strategy in Annex 2 details action in event of poor demand for Shared Ownership.

RESOURCE/POLICY/FINANCIAL/LEGAL IMPLICATIONS:

Capital/Revenue

19. The details of the financial modelling are contained in Confidential Annex 4. Current modelling shows that the outturn financial viability for the Housing Revenue Account (HRA) is contained within that of the previous approval.
20. The appraisal has shown that all rented 4 bed properties can be delivered at Social Rents. Social Rents are circa £90 per week cheaper than the alternative Affordable Rent.
21. Because implementation of the exit strategy could have a range of tenure outcomes, it could also deliver a range of financial outcomes. However, all outcomes would still fall within the appraisal viability.

Property/Other

22. Financial modelling includes allowances for maintenance and cyclical repairs related to tenure type.
23. Project management resources are likely to be relatively high in the administration of exit strategy. Therefore, there will be a need to maintain appropriate resources in the Regeneration team until completion of the project and all homes are let or sold.

Legal Implications: Statutory power to undertake proposals in the report:

24. The recommendations of the report act to increase Shared Ownership numbers. This has been identified as something which under the Tenancy Strategy requires scheme specific approval from Cabinet. Any scheme specific approval under the strategy must be considered on a case-by-case basis and requires a report to Cabinet setting out the full evidence base and reasons for stand-alone scheme approval including the financial implications for the HRA.
25. The council can make use of Affordable Rent as detailed in the Southampton Tenancy Strategy 2020-25. The council will only make use of Affordable Rent as an alternative to the default Social Rent after careful consideration, on a scheme-by-scheme basis, of the impact on the Housing Register as well as Local Housing Allowance rates and affordability.

BRIEFING PAPER

26. The Council must comply with the requirements set out in the Homes England Rent standard 2020, which requires approval of the Secretary of State or a Homes England Housing Supply delivery agreement. Where Affordable Rent is being charged, the maximum rent inclusive of service charge for a new tenant under a new tenancy is 80% of the market rent.
27. Under Section 9 of the Housing Act 1985 the council has the power to provide housing accommodation.
28. Under Section 21 of the Housing Act 1985 the council has the general power of management of housing accommodation.
29. The council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness-the best value duty.
30. Under Section 3 of the Local Government Act 1972 the Council has the power to do anything incidental to the exercising of any of its functions.
31. The general power of competence under section 1 of the Localism Act 2011 gives local authorities a broad range of powers "to do anything that individuals generally may do" subject to limits within other legislation and there are no adverse limits on the proposed scheme under the current legislation.

Other Legal Implications

32. The completed legal agreement forming part of the planning consent (the Unilateral Undertaking, under Section 106 of the Town and Country Planning Act) allows for a request to change the agreed s106 units (homes) to be made prior to occupation of the units (homes).
33. The design sale and marketing of any scheme is subject to compliance with the Equalities Act 2010 and in particular s.149, Public Sector Equalities duty to ensure rights of access to those who have protected characteristics and to eliminate discrimination in access to public services and assets

OPTIONS and TIMESCALES:

34. Do nothing is not consistent with The Corporate Plan Southampton: City of Opportunity - 2021-2025.
35. The current approved mix did not include Social Rent. The proposed change to include a number of Social Rented properties is in line with the Council's Tenancy Strategy and provides more rental choice for tenants. Imminent handovers of completed properties would either remain void, pending a different formal approval, or alternatively need to be let within a narrower tenure choice

BRIEFING PAPER

36. Alternative unit tenure designations were considered with details below:

- 1 and 2 bed flats and 4 bed houses let at Affordable Rent instead of the recommended Social Rent would make them less affordable. There is opportunity within the financial model to make them more affordable, by letting them all at Social Rent.
- Letting 1 and 2 bed flats and 4 bed houses at various combinations of Affordable Rent and Social Rent would complicate council processes and cause a disparity in rent levels for neighbouring residents.
- Allocation of more homes as Shared Ownership than the recommendation is not consistent with marketing programme requirements or timings of property completions.
- Allocation of fewer homes as Shared Ownership than the recommendations is not consistent with The Corporate Plan Southampton: City of Opportunity - 2021-2025. The recommended exit strategy does however allow for fewer Shared Ownership homes in the event of inadequate sales demand.

RISK MANAGEMENT IMPLICATIONS

37. Any increase at all in Shared Ownership numbers introduces an additional sales risk. 4 bed Shared Ownership homes in particular, present an additional potential risk because of their size. This larger occupancy house type is less in demand than smaller house types and affordability becomes an increased associated risk resulting in poor sales, voids and loss of income.

38. Provided that risk management is implemented in line with the recommended exit strategy in this report and that final tenure designation decisions can be made swiftly according to dynamic circumstances, the risk will be mitigated. This would act to protect the council from reputational damage and help to maintain scheme financial viability.

Appendices/Supporting Information:

1. Annex 1 - Specialist Housing
2. Annex 2 - Exit Strategy
3. Annex 3 - ESIA
4. Confidential Annex 4 - Cost & Viability
5. Confidential Annex 5 - Sales and Marketing advice

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