

Title: Authority to sell properties developed at The Paddocks Cubbington.
Authority to sell further percentages of shared ownership properties up to 100% and to offer lower initial equity stakes for shared ownership homes.

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Portfolio Holder: Councillor Paul Wightman

Wards of the District directly affected: All wards

Approvals required	Date	Name
Portfolio Holder		Paul Wightman
Finance		Charlie Griggs
Legal Services		Katherine Tebbey
Chief Executive		Chris Elliott
Director of Climate Change		Dave Barber
Head of Service(s)		Lisa Barker
Section 151 Officer		Andrew Rollins
Monitoring Officer		Graham Leach
Leadership Co-ordination Group		
Final decision by this Committee or rec to another Cttee / Council?	Yes/ No Recommendation to: Cabinet / Council Committee	
Contrary to Policy / Budget framework?	No/Yes	
Does this report contain exempt info/Confidential? If so, which paragraph(s)?	No/Yes, Paragraphs:	
Does this report relate to a key decision (referred to in the Cabinet Forward Plan)?	No/Yes, Forward Plan item – scheduled for (date)	
Accessibility Checked?	Yes/No	

Summary

This report seeks delegated authority for Officers to complete sales of open market homes and partial sales of shared ownership homes at The Paddocks, Cubbington and for all future Council delivered housing sites. Agreement is also sought for alterations to the Head of Housing's authority relating to shared ownership staircasing and initial sales.

Recommendation(s)

- (1) That Cabinet approve delegated authority to the Head of Housing, in consultation with the Portfolio Holder for Housing and Assets, to sell open market homes and part sale of shared ownership homes on Council delivered housing sites, and asks Council to amend the Constitution to reflect this.
- (2) That Cabinet approve delegated authority to the Head of Housing, in consultation with the Portfolio Holder of Housing and Assets, to sell further percentages of shared ownership properties to allow staircasing up to 100%, and asks Council to update the Constitution to reflect this
- (3) That Cabinet amends delegated authority HS(93)(i) to reduce the minimum equity a shared ownership lessee may acquire from 25% to 10%, to align with the new Homes England model lease, and asks Council to update the Constitution to reflect this

1 Reasons for the Recommendation

Recommendation 1

- 1.1 This matter has arisen as the Council prepares to sell new homes developed at The Paddocks, Cubbington. This is a Council led development of 17 new homes comprising:
 - 10no. open market homes
 - 5no. rented affordable homes
 - 2no. shared ownership homes
- 1.2 All of the homes have been developed within the Housing Revenue Account (HRA). The rented affordable homes will remain in the HRA and will be let to households on the Council's housing register; however, the open market homes are to be sold with the revenue being returned to the HRA.
- 1.3 The shared ownership homes are to be partially sold; buyers will purchase part of the property from the Council and pay rent to the Council on the unowned part. The Council retains the freehold to the property unless and until the resident buys more shares in the property in the future to reach 100% ownership (this process is known as staircasing). Again, the revenue from the sale and rent of the shared ownership units will be returned to the HRA.
- 1.4 Details of the scheme have been previously approved by Cabinet, including purchase of the site and the development build costs.
- 1.5 The development has now reached an advanced stage of construction and the Council has received offers on 5 of the 10 homes for open market sale. However, in order to proceed to exchange the Head of Housing requires

authority to sell the homes. Without this the units cannot be sold and the Council cannot collect its return on investment.

- 1.6 To allow for future developments and those in the pipeline, the request is for the authority to extend to all Council developments in addition to the Paddocks.

Recommendation 2

- 1.7 Purchasers of shared ownership homes buy an initial proportion of a property based on what they can afford to buy. They will then pay rent on the remaining portion of the property. The initial proportion they can buy ranges from 10% of a property to 75%.
- 1.8 During their ownership, residents may find their financial position improves and they can buy additional shares in their property. This is known as staircasing. As a resident increases the amount of their home that they own, the rent they pay decreases. In most case owners can purchase up to 100% of their home but in some cases ownership is restricted to 80%. The right to purchase additional shares is set out in the lease along with the maximum amount that can be purchased.
- 1.9 Though the right to purchase additional shares is set out in the lease, currently the Head of Housing does not have authority to process requests from residents to purchase additional shares in their home. To provide good customer service and expedite resident requests, authority is sought for the Head of Housing to authorise the sale of extra shares in accordance with the lease. Income from the sale of additional shares would be returned to the Housing Revenue Account.

Recommendation 3

- 1.10 At present, under the scheme of delegation (HS(93)(i)), the Head of Housing has authority to:
approve the terms to be incorporated in a Shared Ownership lease which will include 'staircasing' provisions enabling a lessee to acquire between a minimum of a 25% up to and including a 100% interest in the property with the right to request a transfer of the freehold interest on acquiring a 100% interest;
- 1.11 For many years the minimum percentage equity stake a shared ownership purchaser could buy was 25%. However, the government has introduced a new model for shared ownership which lowers the initial minimum equity stake to 10%. This reduces the cost of initial purchase which reduces the level of deposit a buyer must save for to be able to access a shared ownership home. This can make it easier for households to access shared ownership homes as less capital is required up front although it is important to note that the rental cost increases when a lower proportion of a property is bought.
- 1.12 Providers of shared ownership homes now have to offer initial equity stakes from 10%. This amendment would ensure we are consistent with the current shared ownership model. Therefore, an amendment to the scheme of delegation to replace reference to 25% with 10% is requested.

2 Alternative Options

Recommendation 1

- 2.1 The alternative option is for Cabinet to require the sale of each property to be approved directly by Cabinet. This would place additional administrative burdens on both Officers and Cabinet and would significantly delay the sale process which may result in sales falling through. This would be detrimental to

the Council's financial position and could cause reputational damage. As such this option is not preferred.

- 2.2 It is not considered a viable alternative for Cabinet to refuse to agree to disposal of the properties as this would be especially damaging to the Council's financial position and reputation.

Recommendation 2

- 2.3 The alternative option is to require all requests for staircasing to be brought before Cabinet for approval. This would place additional administrative burdens on both Officers and Cabinet and would significantly delay the staircasing process. This would be contrary to providing good customer service for our residents and is not therefore a preferred option.

Recommendation 3

- 2.4 In respect of lowering the initial equity stake available to purchasers of shared ownership homes, the alternative option is to maintain the current minimum of 25%. This option would provide less flexibility for residents and may affect the Council's ability to seek grant funding on schemes from Homes England. A condition of current Homes England funding is that shared ownership homes are offered from a minimum share of 10%. As such this alternative is not a preferred option.

3 Legal Implications

- 3.1 The Council has power to acquire land and properties for housing purposes pursuant to the provisions of part 2 of the Housing Act 1985. Section 32 of the 1985 Act prohibits the disposal of land or buildings acquired for housing purposes without first obtaining the consent of the Secretary of State (S of S). The S of S has power, pursuant to section 34 of the 1985 Act, to give individual or general consents to all local authorities for the disposal of land and/or buildings acquired for the purposes of part 2 of the 1985 Act. The General Housing Consent A of 2013 permits the sale of properties including sales on shared ownership terms. Disposals falling within this general consent must be for sums equal to market value.
- 3.2 For grant funded Shared Ownership, the rights and obligations of both the landlord and the shared owner are set out in the Shared Ownership lease. Homes England has published model leases for houses and flats, and although not a requirement, the model form of lease should be adopted as it is considered as a widely accepted route to providing the necessary protection and comfort to providers, leaseholders, lenders and others. Providers can amend the model leases to suit circumstances without the consent of Homes England. However, Homes England's consent is required if providers wish to vary one of the fundamental clauses.

4 Financial Services

- 4.1 In respect of the first recommendation, agreement to the proposal will allow the properties to be sold which will have a significant positive impact on the Housing Revenue Account. If the recommendation is refused this would have a significant negative impact on the HRA.
- 4.2 For the second recommendation there are no significant financial implications for the Council. However, if the recommendation is refused this may be detrimental to the Council's reputation and may make shared ownership homes harder to sell.

- 4.3 With regard to the third recommendation, allowing a lower initial equity would result in a lower initial return from our developments, though this would be somewhat balanced by higher rental levels. Each scheme is assessed for viability at the outset and this would factor in the potential for lower initial equity amounts and allow the risk of lower initial returns to be mitigated.

5 Corporate Strategy

- 5.1 Warwick District Council has adopted a Corporate Strategy which sets three strategic aims for the organisation. Each proposed decision should set out how the report contributes to the delivery of these strategic aims. If it does not contribute to these aims or has a negative effect on them the report should explain why that is the case.
- 5.2 **Delivering valued, sustainable services** – Securing the sale of the properties at The Paddocks is crucial to securing the anticipated financial return on this development. As such the recommendation is consistent with this strategic aim. Furthermore, the scheme involves the Council providing new homes to meet the needs of our residents. The second two recommendations will improve our service to shared ownership buyers and residents and are therefore consistent with this aim.
- 5.3 **Low cost, low carbon energy across the district** – The new homes at The Paddocks have been designed to be very energy efficient. They have an EPC A rating and have air source heat pumps, solar PV panels, mechanical ventilation and heat recovery (MVHR) and electric vehicle charging points. To realise the benefits of these features the homes need to be sold and therefore the recommendation is consistent with this strategic aim. The second two recommendations have no bearing on this aim.
- 5.4 **Creating vibrant, safe and healthy communities of the future** – Sale of the open market and shared ownership properties is central delivering low-cost new homes for our residents and sustaining healthy communities. The recommendation will allow the sales to proceed and is therefore consistent with this strategic aim. The second two recommendations will help to meet the housing needs of our residents and are therefore also consistent with this aim.

6 Environmental/Climate Change Implications

- 6.1 The properties at the Paddocks benefit from significant energy performance improvement measures as set out in para 5.3. The second two recommendations are not considered to have any material impact on the environment or climate change.

7 Analysis of the effects on Equality

- 7.1 The recommendations do not introduce any new or significant policy changes and is not considered to have any material impact on equalities. An Equality Impact Assessment is not required.

8 Data Protection

- 8.1 The recommendations are not considered to have any material impact on data protection.

9 Health and Wellbeing

- 9.1 The sale of the properties is key to delivering new housing for our residents and

in the case of the shared ownership units, new affordable homes. Provision of high-quality new homes will be beneficial to the health and wellbeing of the new residents.

10 Risk Assessment

- 10.1 There are not considered to be any additional risks pertaining to the first recommendation above and beyond those normally involved in property transactions. Cabinet has previously agreed the mixed tenure nature of the scheme and therefore the intention to sell the open market and shared ownership units was inherent in that decision.
- 10.2 The main risks in for the first recommendation stem from not being able to sell the units. Primarily this is a financial risk with the Council having borrowed to fund the development. However, there is also a reputational risk if we have built homes which we cannot sell due to internal procedural matters. Further, on properties where we have accepted an offer there is also risk for those buyers if their sale falls through and they are unable to move home.
- 10.3 In respect of the second recommendation, as this is an administration matter and the right for shared ownership residents to staircase is already written into their leases, there are no significant risks with proceeding with this recommendation.
- 10.4 For the third recommendation, the primary risk of lowering the initial equity stake is on scheme viability. However, this will be assessed on a case by case basis as part of the viability calculations. If this recommendation is not proceeded with, we may find it difficult to secure grant funding from Homes England and may also find it harder to sell new shared ownership homes.

11 Consultation

- 11.1 The first recommendation is a business matter for the Council and therefore public consultation is not required.
- 11.2 The second recommendation concerns internal administration and therefore again, public consultation is not required.
- 11.3 The third recommendation introduces additional flexibility for shared ownership buyers and would be beneficial for the public. As such public consultation is not considered necessary.

Background papers:

- None

Supporting documents:

- None