

Overview and Scrutiny Committee

October 2020

ThamesWey Housing Ltd

Purpose of the paper.

- Introduction to ThamesWey Housing Ltd business plan.
- Summary Breakdown of ThamesWey Housing stock.
- Summary of future affordable homes delivery, and challenges.
- Overview of ThamesWey “Earn your deposit scheme”.

ThamesWey Housing’s Business Plan

Purpose of THL:-

To support WBCs Housing and Economic Development strategies through the provision of additional residential accommodation.

To provide affordable homes to those, who are not able to access open markets, and not eligible for social rented accommodation.

Housing rental structure range from 50% - 100% of the local market rent levels, with an agreed target stock holding of two thirds at market level providing cross subsidy to a third which will be held below market level. The main target rent of the stock held below market level is the planning definition of “Affordable” (80% of market). Reference is also made to the Local Housing Allowance levels for Intermediate Market property which may be sub-market level but above 80% of the market. This rental structure does not apply to the stock which will be held as part of the Sheerwater Redevelopment Project and that which has been provided under THL’s commitment to 24 Band C properties per year as part of the £200m funding agreement

To achieve a viable economic model THL will need to hold a ratio of **2/3s** at full market rent, to **1/3** sub market for financing internal cross-subsidy as there is no direct grant or shareholding provided to provide a direct subsidy as would be the case for a Registered Social Landlord or the Council who can receive central government grant via Homes England to suppress rent. In the following breakdown table this viability ratio is currently shown in a reverse position due to legacy letting strategies where THL was set up with s106 funding as a subsidy for the initial acquisitions. To improve the opportunity for cross subsidy and to ensure THL is economically viable. at end of each tenancy or where new acquisitions enter the stock, Thameswey reviews the rental level of the property.

THL is specifically referred to in the WBC Housing Strategy Action Plan to assist WBC in the provision of affordable housing. This is supported by Council S106 agreements referring to THL as an accepted provider of affordable housing. Any property subject to a s106 arrangement will be let at an affordable rent in perpetuity.

THL Business Concept:-

The acquisition (or development) of property by THL is predicated on a no net cost to the Woking Council Taxpayer. In order to do this the company must charge rent at such a level to support the cost of purchasing and running the property that it holds. Each property will be purchased or

developed based on a property specific economic model (set at 50 years) and an appropriate rent is charged based around the cost and the local market conditions. In order to set rents at a submarket level this economic model will normally require a subsidy. The subsidy will need to come in either the form of a grant (such as subsidised land or section 106 Payments from the Council) or as a cross subsidy from other THL property.

The financial impact of this economic model is that for the initial period of property ownership the company will operate negative cash flow on the majority of properties so as to secure rent levels at affordable prices. Each property (in effect each project) is then aggregated into the company's overall financial model to allow cross subsidy from properties that are performing better than originally modelled or were modelled at open market levels initially. When modelling no account is taken of capital appreciation as this is maintained as a safety buffer in case property disposal is required. However, capital appreciation is used in the accountancy treatment of the company to show it as a going concern.

THL was not established to make a return for the ultimate shareholder (WBC), its objective is to secure additional homes and assist the Council in achieving its 2050, Housing and Economic Development strategy targets. Accordingly, any profits generated by THL will be retained in THL and earmarked to support the provision of homes in the future. The intention is that this will be done by providing revenue support to future investments allowing lower rental levels to be achieved.

Current Breakdown of THL stock

ThamesWey Housing Stock
Summary (Sept 2020)

		Units	
Total occupied rental units		687	
Sub market rents		476	70%
Full Market rent		211	30%
Sub Market breakdown			
<u>Affordable Rents Group 1</u> (at or below 80% market)		183	
Of Group 1 with s106 and sub market planning restrictions		105	
<u>Affordable Rents Group 2</u> (between 80-90% market, at or below the Local Housing Allowance)		293	
Of Group 2 those that are at: <u>Intermediate Rent levels</u> (80% or less of the Local Housing Allowance)		65	
WBC housing assistance schemes			
Core and Connect		39	
Refugee resettlements		38	
Keyworker tenancies		73	

New and coming ThamesWey Affordable Homes delivery

Delivery	Project	units	comments
Oct-20	121 Chertsey Road	25	THL property leased to WBC Temporary Accommodation Building
2021	Sheerwater Purple Phase	45	WBC nominations
Est 2025	Brookwood Lye Road	59	Held up in Planning
		129	
2021	Waterman House	22	WBC owned project, Temporary Accommodation Building

ThamesWey “Earn your Deposit Scheme”.

ThamesWey recognise that many people who rent, dream of owning their own home. Saving the money for a deposit while paying rent every month can be a real challenge.

The “Earn Your Deposit scheme” solves this problem for ThamesWey tenants by offering them a substantial financial contribution towards the deposit needed to buy a place of their own. It makes becoming a home-owner a reality, sooner. Earn Your Deposit is available to all existing and new ThamesWey tenants on assured shorthold tenancies.

To qualify:- be a good tenant – for example by paying rent on time, looking after the rental property, and being considerate neighbours. (tenants that already own a property are not eligible)

All existing tenancies that were in place prior to 1st April 2018 will start to be awarded credits from this date, which means that in April 2020 they would have accumulated a full two years’ worth of credits which will be the first opportunity that applicants are able to withdraw from the scheme. For tenancies started after this date, contributions will be made for each full year from the date the tenancy begins. The earliest credit will be available after 2 years from the tenancy start date.

The Annual Deposit Credit is allocated on the type of property.

Studio £1600
1 Bed £2100
2 Bed £2400
3 Bed £3000
4 Bed £3600

Since the inception of the scheme ThamesWey have assisted 4 residents into home ownership.