

The new intermediate rent and keyworker housing scheme

Frequently Asked Questions (FAQs)

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Q1. What does “discount market rent” and “intermediate rent” mean?

A. Discount market rent refers to rent levels set at below market rent levels. It includes rents at social rent level and intermediate rent level. Intermediate rent covers rents above social rent levels but at rents at least 20% below market rents.

Q2. What will the rent levels be?

A. Most of the intermediate rent homes will be capped at the Mayor’s London Living Rent (which is restricted to households with incomes no higher than £60,000). In Southwark these currently range from £747 a month for a one bed in Peckham to £1,369 for a 3 bed in Borough and Bankside.

There will be a small proportion of intermediate rented homes at higher rents of up to a maximum of 80% market rent for households with incomes between £60,000 and £90,000. This was to ensure purpose built private rental developments could remain viable.

On the purpose built private rental developments there will also be some homes at social rent level but these will only be let to households on the Council’s social rent list.

Q3. What will the tenancies be?

A. The tenancies will probably be assured shorthold tenancies (ASTs). Under an assured short-hold tenancy the tenant has a legal right to live in the home for a fixed period of time. The council will require minimum three year tenancies.

Q4. What tenure will these new homes be?

A. On the purpose built private rent developments all the homes will probably be managed by the same managing agent, which could be a private company or a registered provider (e.g. a housing association). This will include the social rent equivalent and intermediate rent homes.

Q5. What will happen at the end of the three year tenancy?

A. If no household circumstances have significantly changed, and the tenant has kept to the terms of the tenancy agreement, the tenancy will be renewed. There is a question about what happens if somebody’s income has increased significantly above the income caps. Should they then be required to pay a higher rent or vacate the property so that somebody else on a lower income can benefit from the lower rent? If the household was charged a higher rent this could enable an alternative property to be let on a lower rent level. We are keen to get views on this to achieve a suitable balance between security and stability for the household but also a fair distribution of the benefit of these discounted rents.

Q6. How would you bid for intermediate rent properties?

A. The council will develop a web based system similar to the current Homesearch system for social lettings. There will be regular bidding cycles as properties become available. At the end of each cycle the household with the highest number of priority stars, and then time on the list, will be offered the tenancy.

Q7. How will the social rent equivalent properties be let?

A. The social rent equivalent properties will be let to households on the council's social housing list. These properties will be managed by the same managing agent as the other properties, but with rent levels set at social rent equivalent. This will be made clear on any advert on Homesearch, at offer stage and at tenancy signup.

Q8. When will intermediate rent properties become available?

A. Most of the new homes are likely to be delivered through the purpose built private rental development route. This is a new policy so there will be some initial delay in the provision of these homes. The Council has target to ensure delivery of 1,000 London Living Rent homes by 2022. The council will be working with housing associations and developers to ensure delivery of these new homes.

Q9. Where did the maximum income figures come from?

A. The £60,000 maximum household income figure for the London Living Rent equivalent properties is the same level as set by the Mayor of London for London Living Rent. The £90,000 level matches the income level used by the Mayor of London for other forms of intermediate housing such as shared ownership. While a household income of between £60,000 and £90,000 sounds high, the high average property prices in the borough mean that a household on this income level would still struggle to afford to buy a property on the open market without a substantial deposit. In addition, these are household income figures so two keyworkers on a salary of £30,000 would have a combined income at this lower cap level.

Q10. Will households in intermediate rent properties be required to save up a deposit to buy a property in future?

A. This is part of the consultation. The lower rent should in theory make it easier for a household to save towards a deposit. However we recognise that people on lower to middle incomes, including keyworkers, may still struggle to save money in addition to paying rent.' And circumstances can easily change leading to reduced income. We are keen to get views on this aspect of the proposal.

Q11. Why are you proposing prioritising keyworkers?

A. We know that there are recruitment issues for filling posts in many essential frontline public services. This is impacting on these services. We think having a supply of rented homes at social rent levels and a substantial number at London Living Rent levels will provide a wide range of people the chance to live in the area, including our keyworkers like teachers, nurses and social workers who may not be able to access social housing but who are struggling to afford private rent.

Q12. Where did the definition of keyworker come from?

A. The definition of a Southwark keyworker is based on where we understand the key recruitment issues are in the borough and analysis of average keyworker salaries. We are looking for evidence to support this. We welcome all comments on this proposal.

Q13. Do I have to be a keyworker to be eligible?

A. No, the proposal is to give keyworkers and a few other groups priority, but other households will still be able to register and bid for properties if they meet the other eligibility criteria.

Q14. Why have other forms of intermediate housing been excluded from the intermediate rent housing list?

A. The term intermediate housing includes 'low cost home ownership' products such as shared ownership and some 'discount market rent' products. There are different Government restrictions on who can be prioritised for shared ownership. It is also a very different product as this involves a long term purchase. Therefore shared ownership will continue to be sold through the Mayor of London's Homes for Londoners website. However there may be households on the intermediate housing list who may be better suited to opportunities such as shared ownership. The council will offer those on the intermediate list the opportunity to be notified of shared ownership properties in the borough as they become available.

Q15. Why are you adopting a new policy to assess applications for build to rent developments?

A. The Government's Housing White Paper 2017 and the Mayor of London's Affordable Housing and Viability Supplementary Planning Guidance 2017 directs the affordable housing requirement on build to rent developments towards London Living Rent or similar discounted market rent products. In the absence of a local policy the council's ability to influence the profile of any discount market rent offer would be limited.

Southwark Council has included a build to rent policy in the New Southwark Plan to ensure a high proportion of intermediate rent properties are provided with rent levels significantly below 80% market rent. We want to ensure that if developers are meeting the requirement for affordable housing through discounted market rent, that these are going to households most in need of this housing, and not to households whose need could be otherwise be comfortably met in the private market.

Under the proposed new policy a 100% purpose built private rental development would still be required to provide at least 35% affordable homes, subject to viability. 12% of the overall scheme would be let at rent levels equivalent to social housing, 18% at rents capped to the London Living Rent level set by the Mayor¹ and 5% at up to 80% market rent.

Q16. Why are you accepting a lower proportion of social rent equivalent (12%) to the social rent requirement on a normal site (25%)?

A. The private rented sector meets the housing needs of residents who cannot afford to, or do not want to buy private homes in Southwark. We want to encourage a private rented sector which provides high quality, professionally managed accommodation and a greater

¹ LLR maximum rents for two beds are set in accordance to one-third of the median gross income of the borough and varied by 20% by ward prices. The rent for a one-bedroom home is 10% lower, for a three-bedroom home 10% higher and for a four-bedroom home 20% higher.

level of security for tenants. The council recognises that delivering purpose built private rent affects the viability of a scheme. The policy will still deliver 12% of the properties at council rent equivalent rent levels. In addition 18% of the scheme will be at London Living Rent level, which is significantly below market rent.

Q17. Will this policy reduce the number of council homes built overall in the borough?

A. The changes in national and London planning policy already meant that some sites would probably be developed as purpose built private rental development in future. Without the New Southwark Plan Policy the affordable requirement could have been met through either all the homes being private affordable rent at up to 80% market rent under national policy, or all London Living Rent level under the Mayor of London's policy. Therefore there would be no housing delivered at social rent levels. This new Southwark Plan policy ensures a proportion of these new homes will be at lower rent levels, including social rent levels. This will help those who may not yet be in a position to buy but who are unlikely to get a traditional social rent property, and who are struggling in the private rented sector.

Q18. Why are you allowing properties to be provided at up to 80% market rent when you have previously said affordable rent at up to 80% market rent is unaffordable to many households in Southwark?

A. The proposal to allow 5% of the overall scheme to be properties affordable to households on incomes between £60,000 and £90,000 (capped to 80% market rent) was to allow the remaining 30% of the affordable requirement to be delivered at social rent level equivalent and London Living Rent level while still keeping the overall scheme viable. These 5% of properties in the scheme will be effectively replacing shared ownership rather than replacing social rent.

Q19. What consultation has happened already?

A. The Council consulted on the build to rent policy in the summer of 2017 as part of the New Southwark Plan. The council has finished consulting on the policy and is preparing for the Examination in Public which is expected in 2019. The New Southwark Plan consultation covered the overall policy. This new consultation is focused on how the Intermediate Rent Housing List should operate.