

case study 6

Plymouth City Council – supporting access to home-ownership

Innovation topic: Investment in new flexible, affordable housing products

Summary

- In Plymouth many tenants are prevented from buying a home because they cannot afford to save up for a deposit. An estimated 75% of renters in the city are unable to save more than £100 a month towards a deposit.
- To address this issue, Plymouth City Council has partnered with Rentplus. Under the Rentplus model, tenants are offered five-, ten-, 15- or 20-year tenancies at 'Affordable Rent' levels (80% of market rent) or the local housing allowance level, whichever is lower, including a service charge. If they wish to buy at the end of the tenancy, they are given a deposit of 10% of the property's market value.
- The model used is part of a strategic framework set out by Plymouth Council's Plan for Homes, which won the 2016 RTPI Silver Jubilee Cup.
- The wider Plymouth Plan, which is under development, is a single strategic plan for the city which takes a holistic and comprehensive approach, replacing over 100 plans and strategies.

'The Plymouth Plan for Homes, launched in 2013 and refreshed in 2016, is a delivery plan for the Plymouth Plan policies on housing and contains initiatives supporting new funding and delivery models with particular reference to Rentplus. It sets out our ambition to work with a range of housing providers to deliver 5,000 homes over the next five years. We are on track to delivering this target.'

Nick Carter, Housing Delivery Manager, Plymouth City Council

Introduction

Plymouth is a city on the south-west coast of England, with a population of 260,000. It is a growing city with a need for over 22,000 new homes up to 2031, including 7,200 affordable homes.

The demand for affordable housing in the city has led the Council to explore new approaches and partnerships aimed at providing housing without the use of central government grant. To this end, the Council has partnered with Rentplus, a private company that offers a new approach to helping people to access home-ownership, achieved by a financial model that is underpinned by long-term institutional investment.

Housing and planning context

The Plymouth Plan states that the Council has 'for many years had a radical agenda to transform the city, driven by its ambition to become one of the most vibrant waterfront cities in Europe where an outstanding quality of life is enjoyed by everyone'.³⁰ Part One of the Plan was approved in September 2015. It is a single strategic plan for Plymouth, and the first part sets out the overarching strategy for future change and growth in the city. Bringing together every strategic plan that the City Council and its partners are responsible for creating, replacing over 100 plans and strategies, the Plan will become the statutory Development Plan Document for the city, used to make key planning decisions in Plymouth. Its preparation has been informed by an innovative approach to citizen engagement,

Notes

30 *The Plymouth Plan 2011-2031. Part One.* Plymouth City Council, Sept. 2015, Module One.
http://web.plymouth.gov.uk/plymouth_plan_part_one.pdf

and the Plan won a European Council of Spatial Planners award in 2016.³¹

The Plan sets out the significant need for more affordable homes in Plymouth, pointing out that 'even the lowest property prices to be found in the city are over six times the earnings of those on the lowest wages'.³² It explains the proactive work being carried out with a range of housing providers to bring forward the construction of affordable homes, including opportunities for low-cost home ownership. The analysis of the city's affordable housing needs indicates that there is particular demand for smaller properties. However, significantly lower levels of turnover in larger properties also suggest that, in order to address current and future needs, new, larger affordable properties will also be required as part of the mix.³³

How is it innovative?

To help households to save for and buy their own home, the City Council has partnered with Rentplus, a company that provides a hybrid housing offer between renting and low-cost home ownership. Rentplus works in partnership with local authorities and housing associations. Tenants rent from the housing association for a number of years and at the end of the tenancy, if they wish to buy the property, they are given 10% of its market value, although there is no obligation for tenants to buy the home. Homes sold are replaced one-for-one through the scheme, to ensure that affordability is maintained.

In Plymouth the Rentplus scheme is operated by Tamar Housing Society, which reported a lot of interest in the city's first 19-home scheme. The housing association aims to work closely with the tenants to improve their credit rating while

they are renting and put together a savings plan to add to the deposit given to them at the end of the tenancy. Around 30% of the prospective tenants for the first scheme were from social/affordable rented homes. In the longer term, helping people who are renting social or affordable homes to buy a home could help to free up affordable/social rented homes for other tenants.

Housing associations such as Tamar Housing Society take on a 20-year full repair and operation lease from Rentplus, with five-year break clauses. Rents rise in line with the Consumer Price Index plus 1% and are re-set against local market averages every five years. If the tenant does not take up the opportunity to buy, the property is sold and 75% of the open market sales proceeds pass to the Council. £70 million of pension fund investment was initially secured by Rentplus, enabling it to deliver 580 new homes. Rentplus is working towards delivering a programme of 5,000 homes by 2020.

Lessons

Plymouth's approach is making a contribution towards meeting affordable housing need in an innovative way, by providing a revolving stock of affordable homes and releasing existing affordable and social rented homes, through the use of the Rentplus model. Tenants are given financial assistance with a deposit to buy, and Tamar Housing, operating the scheme in Plymouth, works closely with tenants on an agreed savings plan and to build creditworthiness. Leveraged private investment is helping to finance a pipeline of new housing stock and support at a time of reduced government grant.

Contact

Nick Carter, Housing Delivery Manager, Plymouth City Council
nick.carter@plymouth.gov.uk

Notes

31 See the European Council of Spatial Planners - Conseil européen des urbanistes (ECTP-CEU) Xlth European Urban and Regional Planning Awards website, at <http://www.ectp-ceu.eu/index.php/en/awards>

32 *The Plymouth Plan 2011-2031. Part One*. Plymouth City Council, Sept. 2015, Module Five.
http://web.plymouth.gov.uk/plymouth_plan_part_one.pdf

33 *Ibid.*