

REQUEST FOR ASSISTANT DIRECTOR DECISION – ADD292

Title: Triathlon Homes

Executive Summary:

This paper sets out the grounds for the GLA to agree a waiver for Triathlon Homes so that it may continue to set rent increases at up to RPI + 0.5% per annum for its social rented homes in the East Village.

Decision:

The Assistant Director approves:

- That for a period of 3 years from 1 April 2015 Triathlon Homes should be allowed to continue to increase rents by up to RPI + 0.5% per annum for the affordable housing units provided in accordance with the Grant Agreement dated 19 June 2009 made between the Homes and Communities Agency and Triathlon Homes LLP.
- That a review of this case should be made in 3 years or upon further request from Triathlon Homes.

AUTHORISING ASSISTANT DIRECTOR/HEAD OF UNIT:

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Fiona Duncan

Position: Head of Area North East

Signature:

Date:

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1 The rent and service charges on 675 social rented properties at East Village, which were subject to receipt of grant from the Homes and Communities Agency (HCA) and subsequently the GLA, are governed by the conditions of a Grant Agreement dated 19 June 2009 between the HCA and Triathlon Homes LLP (Triathlon) and Rentcharges granted by Triathlon Homes for the benefit of the HCA, and now the GLA as the HCA's successor.
- 1.2 Paragraph 5 of Schedule 1 of the Rentcharges states that rent increases may only happen once a year. The rate of increase will be no more than RPI inflation plus 0.5% but subject to any changes in Government policy on Affordable Housing. Since Triathlon Homes was established in 2009 the Government has issued new policy changing the basis for rent increases on properties let at social rent and Affordable Rent levels from RPI plus 0.5% per annum to CPI plus 1% per annum. This new policy is to be implemented in respect of registered providers of social housing by the Social Housing Regulator (the Regulator) from 1 April 2015 through its revised Rent Standard.
- 1.3 Although Triathlon Homes is not directly subject to the Rent Standard as it is not a registered provider, the provisions of Paragraph 5 of Schedule 1 of the Rentcharges would nevertheless require it to set its rent increases from 1 April 2015 onwards by no more than CPI +1% per annum in line with the Government's new policy. Triathlon Homes has therefore approached the GLA to seek a waiver from the requirement under the Rentcharges to comply with the new policy on rent increases.
- 1.4 The GLA has advised Triathlon Homes that, as far as possible, it needs to follow the same procedure as the Regulator. In particular, paragraph 1.6 of the Regulator's Rent Standard which will apply from 1 April 2015 states: *"Where the application of the Rent Standard would cause providers to be unable to meet other standards, particularly in respect of financial viability, including the risk that a reduction in overall rental income causes them to risk failing to meet existing commitments such as banking or lending covenants, the regulator may agree to waive specific requirements of the Rent Standard for a period of time."* This waiver is normally considered by the Regulator alongside its Governance and Viability ratings, which in these circumstances the GLA is unable to do. The GLA has however reviewed the Regulator's guidelines and asked them to be met by Triathlon Homes as far as possible. The GLA asked that Triathlon Homes' application clearly demonstrated the financial impact of the change in policy on rent increases on the business.

2. Equality comments

- 2.1 The tenancy agreements for the social rented homes forming part of the East village development are the same for each tenant. The tenancies stipulated that rent would increase by RPI and not CPI therefore the rent increases should not be a surprise to the tenants, however, using an RPI inflator will lead to higher rent increases on this estate in comparison to other homes with social rents in London. It should also be noted that due to the timing for the grant of these tenancies that most other affordable homes would be the subject of Affordable Rent. Given the latter information it is unlikely that the tenants are particularly disadvantaged by this decision.

3. Financial comments

- 3.1 See confidential Part 2 paper.

4. Why a waiver is required.

4.1 The details of why a waiver is required are considered to be commercially sensitive and are set out in confidential Part 2 section of this report.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

Note: This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Janet Trench has drafted this report in accordance with GLA procedures and confirms that the Finance team has commented on this proposal as required, and this decision reflects their comments.

✓

HEAD OF GOVERNANCE AND RESILIENCE:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature:

Date: