

NAME OF SCRUTINY COMMITTEE	Communities Scrutiny Committee
DATE OF MEETING	4 September 2012
TITLE OF ITEM	Review of Housing Supply and Affordability
CABINET MEMBER	Cllr. J W Williams

Background

Section 87 of the Local Government Act 2003 contains specific powers which provide a statutory basis for Welsh Ministers to require Local Housing Authorities (LHAs) to prepare a delivery statement for affordable housing.

“The production of Affordable Housing Delivery Statements aims to:

- Strengthen the response by local authorities and partners to local housing pressures
- Incentivise efficient and effective delivery of affordable housing” (Welsh Assembly Government, Affordable Housing Delivery Statements Final Guidance, 2009)

The overall aim of Gwynedd Council's AHDS was to provide a clear statement of how the Council *intended to improve delivery of affordable housing* as part of its strategic housing and planning functions within the Gwynedd Local Planning Authority area between 2007 and 2011. (The Snowdonia National Park Authority had produced a separate Affordable Housing Delivery Statement in collaboration with both the Gwynedd and Conwy Housing Authorities, which dealt with the issues within the Park.)

A. Please give the Scrutiny Committee a brief overview of the various initiatives that the Council and its partners have attempted to introduce to deal with the problem of Housing supply and affordability thus far.

1. A range of initiatives and methods were identified in the Gwynedd AHDS to be used to facilitate the delivery of additional affordable housing in the Gwynedd Local Planning Authority area. These methods included the following:

- Housing Policies of the Gwynedd Unitary Development Plan (GUDP) 2001 – 2016
- Use of Planning Powers and Section 106 Planning Agreements
- Use of a Development Appraisal Package
- Gwynedd Local Housing Strategy Action Plan 2009 – 2012
- Gwynedd Council's Private Sector Leasing Scheme
- Landlord Assistance Grant
- Social Housing Grant and the Welsh Assembly Government's Strategic Capital Investment Fund
- The Welsh Government's Homebuy Scheme and Mortgage Rescue Scheme
- Housing Enforcement Steps
- Disposing of public sector land in order to provide affordable housing

- Gwynedd Rural Housing Facilitator
- Community Land Trusts

2. Priorities

Gwynedd Council and its partners targeted the following as priorities:

- Homebuy scheme
- Private Sector Leasing Scheme
- Empty property grants
- Gwynedd Council loans initiative to provide mortgage deposits

B. Which of these initiatives have been most successful in your opinion and which ones need to be addressed further?

Achievements against the AHDS

Year	No. of SHG/SCIF grant funded new units	No. of non grant funded new units	Gwynedd Council Empty property initiative/ Private Sector Leasing	Social Housing Grant Homebuy scheme / Gwynedd Council mortgage deposit loan scheme	Mortgage rescue scheme	Total number of units
2007/08	11	24	24	17	3	79
2008/09	34	16	27	0	2	79
2009/10	37	10	8	0	3	58
2010/11	56	16	14	16	4	106
Total	138	66	73	33	12	322
2011/12	21	13	16	11	1	62
Total	159	79	89	44	13	384

3. Initiatives utilised over 2007-11 on a per annum basis

Action Plan to meet delivery figure	Use made during 2007/8	Use made during 2008/9	Use made during 2009/10	Use made during 2010/11
Gwynedd Council Empty properties initiative	X	✓	✓	✓
Gwynedd Council Private Sector Leasing (PSL) initiative	✓	✓	✓	✓
Use of Gwynedd UDP Planning Policies and Affordable Housing SPG	✓	✓	✓	✓
Gwynedd Rural Housing Enabler efforts	✓	✓	✓	✓
Community Land Trusts (CLTs)	X	X	X	X

Use of Social Housing Grant to fund new build social rented and/or neutral tenure units	✓	✓	✓	✓
Homebuy scheme (SHG resources)	✓	X	X	✓
Mortgage Rescue scheme	✓	✓	✓	✓
Use of Rural Exceptions Site policy	✓	✓	✓	✓
Use of Gwynedd Council owned land	✓	✓	X	X
Use of Gwynedd Council mortgage deposit loans scheme	X	X	X	X

✓ - denotes use made of initiative during specific year

X - denotes use not made of initiative during specific year

4. Contributory factors to the level of achievement over 2007-2012

Positive factors

- i. Availability of SCIF funding by Welsh Government during 2008-2011 to supplement Social Housing Grant allocation.
- ii. Private developers' increased readiness / willingness to work in partnership with Registered Social Landlords.
- iii. Role of Gwynedd Council Affordable Housing Officer in co-ordinating required discussions and procedures so as to facilitate schemes.
- iv. Rural Housing Enabler efforts in collaborating with local communities to identify local affordable housing options.
- v. Positive working relationship between Gwynedd Council and UNDOD (local registered social landlord consortia).
- vi. Focused strategic approach in prioritising Social Housing Grant funding.
- vii. Success of both Gwynedd Council's Private Sector Leasing and Empty Homes initiatives.
- viii. Gwynedd Unitary Development Plan 2001-2016 policies including allocation of sites specifically for housing with an element of affordable, and the use of the rural exception sites policy.
- ix. Disposal of land by Gwynedd Council to registered social landlords to develop affordable housing schemes.

5. Negative factors

- i. Uncertain and challenging economic and financial climate.
- ii. Difficult lending market.
- iii. Sites with planning permission not moving forward to be developed.
- iv. Unavailability of Gwynedd Council Mynwy Capital Receipts to implement Council's own Mortgage Deposit Loans initiative for first time buyers.
- v. Significant reduction in public grant funding levels.

- vi. Timescale involved in adoption of the Gwynedd Unitary Development Plan 2001-2016.
- vii. Lack of financial viability of housing schemes based on requirement for affordable housing provision.
- viii. Lack of suitable sites available in areas of proven affordable housing need.
- ix. Unsuccessful attempts locally to establish Community Land Trusts for housing.

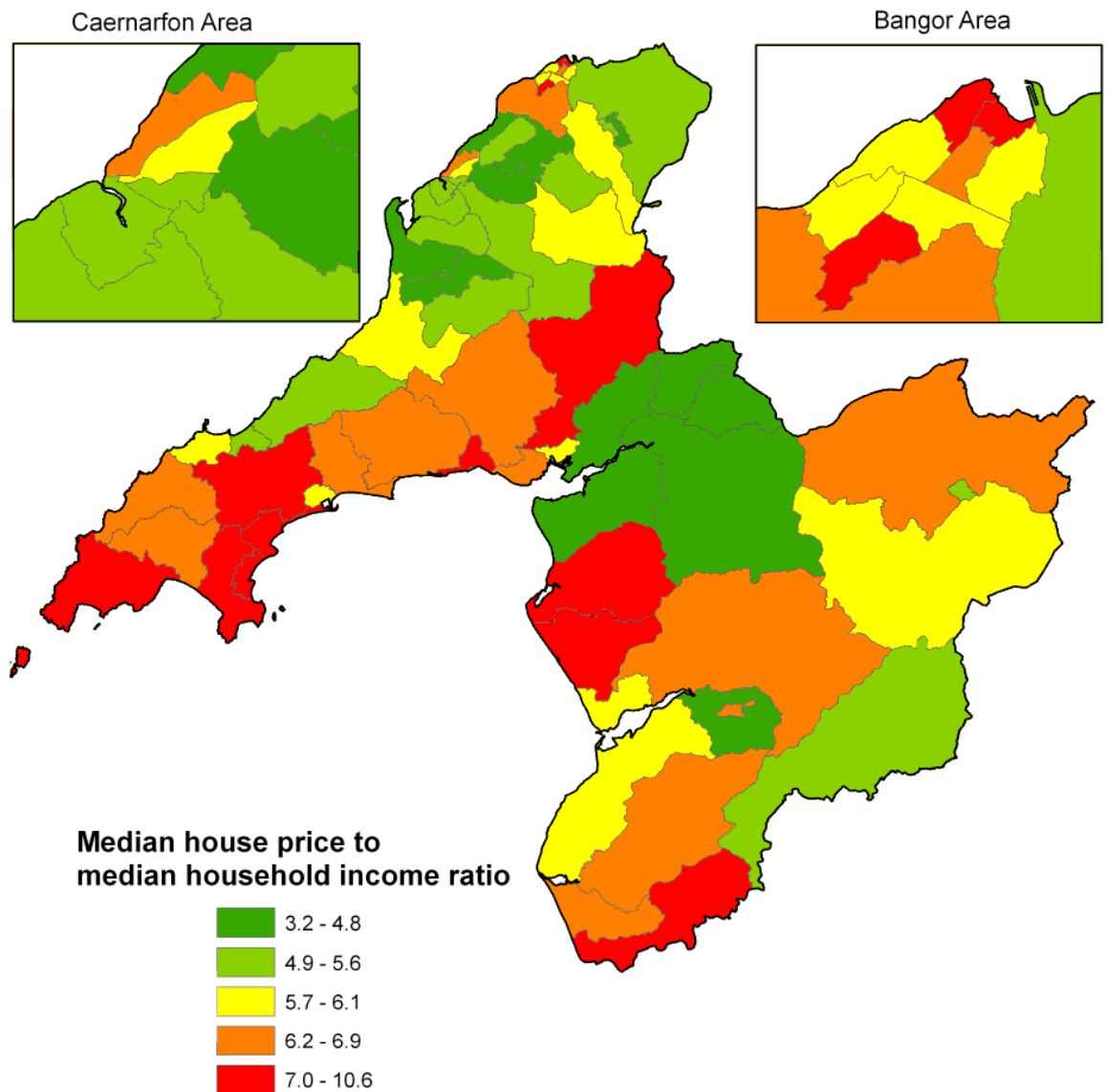
C. In terms of Affordable Housing work, how many such houses have been provided and to what extent can it be said that they are actually affordable for local people?

Types of tenure offered

- Rented housing let in accordance with Local Housing Allowance guidelines or rules for setting rents for social housing
- Part ownership based on financial assessment
- Homebuy Scheme based on financial assessment
- Mortgage Rescue Scheme based on financial assessment

CH. What evidence do you have about how successful we have been in planning and providing housing in recent years in the context of the different demands in different areas? (The Committee would welcome statistical information about this demand)

CH: Median house price to household income ratios by ward, 2011



Sources: CACI Paycheck 2011; Land Registry
 Corporate Research Unit, Gwynedd Council
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1:500,000

1. Taking into account the above Housing Associations developments have been based on need in the area, which means that affordable housing, which means properties to rent and shared ownership, have been developed in the following areas:
 - Garndolbenmaen
 - Dyffryn Ardudwy
 - Gellidlydan
 - Llanfrothen
 - Harlech
 - Tywyn

- Morfa Nefyn
- Abersoch
- Botwnnog
- Llanbedrog

D. What is your opinion regarding the effect of the 106 Agreement procedure and the need to review it?

Number of affordable units which have been granted planning permission since 2006 = 477 units

Number of affordable units completed per year:

2006-07	14
2007-08	38
2008-09	49
2009-10	48
2010-11	60
2011-12	21
Total	230

Therefore: 230 of the affordable units which have been granted planning permission since 2006 have now been completed (i.e. 48.2% of the units which have been granted planning permission).

- Number of affordable units which have been granted planning permission since 2006 which are subject to a 106 Agreement = 399 units
- Number of affordable units which are subject to a 106 Agreement completed per year:

2006-07	5
2007-08	37
2008-09	26
2009-10	48
2010-11	60
2011-12	21
Total	197

Therefore: 197 of the affordable units which are subject to a 106 Agreement and have been granted planning permission since 2006 have now been completed (i.e. 49.4% of the units which have been granted planning permission and subject to a 106 Agreement).

Information since 2004

Number of affordable units which have been granted planning permission	510	100%
Number of completed affordable units	230	45.1%
Number of affordable units	43	8.4%

granted planning permission which has expired (before commencing the development)		
Number of affordable units which have not been completed but where the planning permission is still valid	237	46.4%

- In 2011, a Task and Improvement Group was established which was co-ordinated by the Welsh Local Government Association and the Welsh Government which included various stakeholders, including Gwynedd Council, with the brief being to draw up a 'guidance note' for 106 agreements e.g. looking at providing standard terms etc. The draft document was published in December 2011 in relation to that guidance note. It is understood that the final note will be published in the near future.
 - This draft note shares the experiences of lenders, local authorities and providers in terms of securing affordable housing for customers. It provides advice as to how to secure mortgages on various types of affordable housing units (to own them) planned by local authorities to satisfy requirements within their areas.
 - It is important that local authorities follow a method which is suitable for their areas (rather than one method for every authority). The draft note explains the benefits in relation to ensuring that clauses in 106 agreements are consistent and straightforward, whichever way the affordable unit is provided. The draft note also explains how problems in obtaining mortgages associated with 'local person' clauses can be reduced i.e. by ensuring appropriate use of 'cascading' clauses which expand (over a period of time) in terms of who can reside in a property if it can not be marketed successfully (up to a person on the open market).
6. Following a Survey by the Local Government Association (LGA) on New Developments (2012) which included a response from Wales. The question was:

What, in your opinion, are the reasons for delays to development once planning permission has been granted?

Nos.	%	
Developer seeking renegotiation of planning conditions	196	79%
Wider infrastructure issues (e.g. lack of major infrastructure or facilities required to support development)	96	39%
Unforeseen or unexpected on-site issues affecting development (e.g. archaeological remains, land contamination)	41	16%
Other	72	29%
Don't know	6	2%
Total (base number of respondents)	249	100%

DD. Please elaborate on the comparative success of our “vacant homes” efforts in recent years (including grant work) and to what extent this has reduced waiting lists for houses and the comparative number of vacant homes in the county.

7. Dealing with Vacant Homes was part of the Council's three year plan for 2008 to 2011. Additional revenue funding was provided and this enabled the employment of a full time Vacant Homes Officer in November 2009. This provided a significant impetus to the initiative. A total of 117 homes were brought back into use over the three year period, against a target of 100 homes returned to use.

8. Grant Schemes

The provision of grant aid as an incentive to return vacant homes into use proved particularly popular and successful with grants of up to £20,000 being made available subject to the applicants agreeing to specific conditions relating to future occupancy of the properties.

Over the three year period of 2008 to 2011, some £650,000 was distributed in grant aid, however this in addition to the 'private' finance resulted in total expenditure of over £1.8 million on the vacant properties in question.

The grants scheme was also able to tie in with the public sector leasing scheme as a measure for dealing with homelessness whereby the newly renovated vacant property would be made available to the council to provide homeless accommodation. This has proved very successful and is popular with owners.

9. Enforcement

Enforcement measures are also a means of returning vacant homes into use: e.g.

In dealing with the enforcement of standards in Houses in Multiple Occupation, Officers will at times be involved with properties where a number of accommodation units within the property are vacant due to their condition being such that they cannot be let. Owners will be required to repair/renovate the property as a whole to ensure compliance with the relevant legislation and in so doing, the vacant units will be returned into use.

Enforced sales are a means of requiring an owner to sell a property in order for the council to recover costs incurred in undertaking emergency remedial work at the property. Gwynedd is one of the few Council's in Wales to have successfully used the power to date and a number of other cases are now in the pipeline.

10. Support and Encouragement

The service utilises a number of measures to encourage owners to bring vacant properties back into use including:

Use of a lettings management agency called Offa. The service liaises between the owners and the agency and information about the service of the agency was sent out to 1,100 owners of vacant properties

Use of Auctioneers to sell vacant properties. The service liaises between the owners and the auctioneers and has negotiated a discounted fee for their service.

V.A.T. The service is able to supply confirmation of the vacancy of properties to enable owners to claim the reduced rate of 5% VAT on works

Raising general awareness through letters and questionnaires to vacant property owners, also an advertising campaign was undertaken using posters, information booklets etc.

11. Three Year Plan 2011 – 2014

Vacant properties was also included in the current three year plan of 2011 – 2014 and an additional Vacant Property Officer was employed in May 2012. Both vacant property officers are now contracted until March 2014. A target of bringing 150 properties back into use had been agreed for the three year period.

New Measures and Initiatives offered by the Council

12. Loan Scheme to improve properties including empty properties:

The service has in conjunction with Denbigh and Flintshire councils developed a loans scheme to help owners finance repairs and renovation of their properties. This loan scheme is also available to the owners of vacant properties and it is proposed that the grant scheme for vacant properties is merged with the loan schemes hence enabling the grants budget to help more vacant property owners. The loan scheme can also be offered to those who wish to occupy vacant properties as owner occupiers, and not just offered as a private tenancy.

The service has also undertaken a 'mapping' exercise to identify vacant properties on a 'Geographical information system', hence pockets or clusters of vacant properties can be identified and strategies to target actions and initiatives at problem areas can be developed.

Wherever possible joint initiatives have been developed to maximise funding. Examples of these areas are within the Town Heritage Initiative for Dolgellau where funding from the Snowdonia National Park has been made available. Also such joint funding has been utilised within the renewal area schemes, and through working with the Economy and Community Department utilising the town improvement grant.

13. Mortgage Deposit Scheme

The service has also developed a loan scheme to enable local first time buyers primarily of vacant properties to meet the deposit requirements of mortgage providers. Most companies now only offer a mortgage based on 75% of the property value. This new scheme which was approved by the Council board at its meeting on 6 March 2012 will provide applicants with a loan of 20% of the property value up to a maximum of £30,000.

The initial intention was to enter a partnership arrangement with Tai Eryri to administer this scheme on the council's behalf. There were delays however in establishing a service level agreement with Tai Eryri due to other priorities on their part and it was decided therefore to ask the company (Street UK) who had

successfully tendered for the administration of the other loans scheme to undertake the 'deposit' loans as well.

This has now been successfully agreed with the company and the scheme will probably commence at the beginning of September 2012.

The mortgage deposit scheme will be 'interlinked' with other vacant homes initiatives and applicants for the scheme could also access the repair and renovations loan as a further incentive to local first time buyers to purchase vacant properties.

National Initiatives

14. Welsh Government 'Houses into Homes' Scheme

The Welsh Government has launched a £10 million loan scheme aimed at bringing vacant properties back into use.

The scheme is based on applicants receiving an interest free loan of up to £150,000 to be repaid within three years. The scheme is primarily aimed at 'Developers' and apart from the requirement for the properties to be made available to rent or to be sold there are few other post award conditions.

The funding has been distributed on a regional basis with Gwynedd being part of the North Wales region. Flint County Council will be acting as the 'banker' authority to claim and distribute the finance. There is a nominal allocation for each authority (£400k for Gwynedd) although underspend by other authorities within the region can be absorbed by others.

The service is currently processing a number of applications.

F. There has been some talk in recent months of the possibility of taking advantage of a national scheme to help with mortgage deposits. What is the latest with that scheme, what are the risks involved and opportunities which could arise?

15. Sector Scheme

This Scheme, which has been developed jointly with financial institutions, tries to give a strategic boost to housing markets in areas by enabling a specific group of people, who would otherwise be unable to access the housing market, to access it.

At present, Mortgage Companies, Banks and Building Societies are only willing to offer mortgages for 75% of the value of a property. This means that those wanting to access the housing market are facing a real difficulty in trying to secure a deposit in order to obtain a mortgage. This impacts upon a number of individuals and families and also causes difficulty in terms of turnover within the local market.

A 'Sector' Scheme has been drawn up to try to tackle this issue, focusing specifically on people trying to purchase a home for the first time.

- Individuals offer a deposit of 5% of the value of the home
- The Council offers money or indemnity which underwrites 20% of the value of the mortgage required to purchase the property, which means that the Bank / Building Society is willing to offer a mortgage of 95% of the value of the property

- This would also mean that the purchaser could take advantage of a slightly lower rate of interest than would be applicable with a regular 95% loan to value
- This would be a 5 year agreement, at the end of which the Council's commitment would cease; unless there were some very recent problems with mortgage payments, in which case it could be extended for a short period
- The underwriting could happen in one of two ways:-
 - The Council sets a sum "on account" with the lender. That sum is expected to be at least £1m but, once set, it would attract interest which, because of the current nature of the market, is said to be better than interest on the open-market.
 - The Council offers indemnity up to the relevant sum (again £1m), accepting the possibility that the Bank or Building Society could demand the deposit secured by the Council if the individual were to default on his payments and if the property were to be repossessed. The Council would receive one premium payment of a few hundred pounds from the Bank / Building Society for each mortgage under this arrangement.

The nature of the scheme means that it is complex in terms of financial and legal considerations and Finance Department officers have been involved in the discussions to date and initial discussions have been held with the Monitoring Officer to obtain confirmation of the legality of the scheme.

The main benefits of the scheme are:

- The Scheme targets people who have difficulty accessing the housing market owing to difficulty obtaining a deposit
- Provides a stimulus to turnover in the housing market
- A considerable stimulus to the local market because of the sums involved

FF. What is your vision as Cabinet Member for work and investment by the Council to improve housing supply and affordability in the county?

Some models are used successfully at present and consideration should be given to the following:

- Median rents – rent set on 80% of the market level
- Co-operative model – a way of getting the community to work together to develop and co-own houses with the support of establishments such as Housing Associations
- Part-ownership model – possible to purchase a portion of the property
- Neutral tenure model – possible to purchase a portion of the property and rent the rest
- Welsh Housing Partnership which allows Clwyd Housing Association to purchase vacant properties and let them locally
- Housing Association to be management agents on behalf of house owners
- Using a method of purchasing a property on the basis of gifted properties on new developments in order for the Council to increase its assets to be recycled
- That the private sector is expected to respond to the demand is possibly unreasonable and that other methods, listed above, need to be developed.