

SHS 06
Ymgynghoriad ar y cyflenwad o dai cymdeithasol
Consultation on social housing supply
Ymateb gan: Cyngor Bwrdeistref Sirol Wrexham
Response from: Wrexham County Borough Council



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Dear Sir / Madam

Senedd Call for Evidence – Social Housing Supply

I write in response to the above call for evidence, which is being undertaken by the Senedd's Local Government and Housing Committee.

Please find attached written evidence provided by Wrexham County Borough Council's Housing Department.

Wrexham County Borough Council is submitting this written evidence in its capacity as a social landlord.

A handwritten signature in cursive script that reads 'Julie Francis'.

Yours faithfully

Julie Francis Chief Officer Housing
on behalf of Cllr David A Bithell, Lead Member Housing.

CONSULTATION RESPONSE

SENEDD INQUIRY – DELIVERY OF SOCIAL HOUSING

Terms of Reference

Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need

❖ **The challenges faced by social landlords in increasing supply**

In the case of Wrexham, land is an issue. The vast amount of land owned by the Housing Department was sold or gifted to RSLs during the period when local authorities were unable to build themselves. Whilst this did solve an immediate problem, it does now mean that we have very little available and suitable land that it is possible to develop.

We have also encountered problems in that land we do have available has in some cases found to be affected by former mine workings, which have not shown up on land searches as they predate the time of the National Coal Authority. In one instance, this led to the proposed development being abandoned, as it was no longer economically viable.

Finance has also become an issue. The Housing Department in Wrexham has had to make efficiencies due to the increased costs involved in servicing current borrowing, which was incurred in order to meet WHQS.

Costs of materials have also escalated. This is led by market forces beyond our control. Property refurbishment is one area where building and labour costs have escalated considerably since initial budgets were set.

The new WHQS23, with the additional requirements to have flooring provided for example, will lead to an increased spend on current properties, thereby reducing the finances available to fund any further new build and the decarbonisation of existing housing stock.

This spend will also have implications for the financial viability of the Council's Business Plan, as it will increase borrowing costs, without having to factor in the costs of new build.

Issues of affordability in both the privately rented and owner occupied sectors have also placed increased pressures on the socially rented sector. We have seen a marked increase in the number of small scale private landlords exiting the market due to changes in legislation, following the enactment of the Renting Homes (Wales) Act 2016, and the rise in interest rates, which have impacted on demand for social housing within Wrexham

❖ **How housing standards and decarbonisation affect the delivery of new social housing**

As highlighted above the standards that are now required in terms of space and facilities, make each unit of accommodation more expensive to construct. This will of course impact on the numbers of new homes that can be delivered.

Having to bring existing stock up to date is a major project, which as a landlord of over 11,000 properties will take a significant amount of both time and money to achieve. This spending will of course reduce the amount that can be devoted to new build developments.

The Welsh Housing Quality Standard has also made buying properties currently being developed more difficult. In our experience the specifications of those that the Council could purchase for rent, were higher than those of the properties for sale. Whilst this is in itself laudable, it did rely upon the good will of the developer involved. This is not often as forthcoming.

As a result, properties purchased off plan are for Low Cost Homeownership, rather than for social rent.

The Welsh Housing Quality Standard 2023 which replaces the original standard, has higher standards and the current decarbonisation agenda will result in increased expenditure and longer completion dates. One of the biggest changes to the standard is in relation to Affordable Warmth and Decarbonisation. All landlords will be required to produce an 'Affordable Warmth and Decarbonisation Plan'. The plan will set out when the landlord will achieve the target of an Environmental Efficiency Rating (EER) of 92 (which equates to an EPC A) and an Environmental Impact Rating of 92 for the housing stock.

One of the biggest challenges in decarbonising the housing stock is the capital investment needed to carry out the works, which is estimated at between £300 million to £500 million. We will need to determine what the additional costs for Wrexham will be and then integrate these costs into our 30 year business plan. We will explore accessing any additional funding stream to help meet the requirements of the new standard and also look into extending our borrowing limit.

❖ The opportunities and risks in increasing government borrowing and institutional investment

Most institutions, like individuals, are becoming more averse to borrowing large sums of money. We have witnessed how quickly interest rates can increase. This can, in turn, lead to repayment costs becoming unaffordable.

Ability to repay money owed will also be impacted by any subsequent changes to:

- Welsh Government Social Housing Rent Standard and potential change to the annual rental uplift formula;
- the value and continuation of the Major Repairs Allowance, which is only guaranteed on an annual basis;
- any further increases in the price of materials; and
- continuing post-Covid supply chain issues.

Some key financial risks, include inflation rising above the forecasted levels, leading to an increase in interest rates and the level of future expenditure required for decarbonisation and achieving new elements under WHQS 2023. Authorities will need to factor these in to their annual HRA Business Plan and financial modelling.

❖ How effectively the planning system is supporting social housebuilding

Consultation Response – Planning Department

There are two themes directly related to planning, our responses are limited to these.

In recent years the two biggest local obstacles to planning supporting the delivery of social housing has been the lack of an adopted Local Development Plan and phosphorus pollution in the River Dee Special Area of Conservation (SAC), both of which are now largely resolved.

Local Development Plan Adoption

The Wrexham Local Development Plan (LDP) was adopted on 20th December 2023 which gives planning policy certainty for the principle of allocated sites and the affordable housing policies therein. The significance of adoption can be shown in two planning committee decisions immediately after the adoption of the LDP, outline proposals at two allocated private sector sites were approved securing 113 affordable units at Stansty Chain Road and 23 at land opposite St Peters Close via developer contributions, outcomes that would be far more challenging without an adopted LDP. With more planning applications on allocated sites yet to be determined, the adoption of an LDP removes a significant barrier.

Phosphorus Pollution River Dee Special Area of Conservation SAC

The other significant local issue has been phosphorus pollution in the River Dee Special Area of Conservation (SAC), which effectively stopped nearly all new housing development in the County Borough for around two and a half years. At one time development for around 3,500 dwellings was held up with applications held in abeyance until the phosphorus issue was resolved. However, over the last 9 months a pathway has been created that allows Local Planning Authorities to make decisions on planning applications. In most circumstances we are able to support new development though there are some localised issues at smaller waste water treatment works, and where development is not served by main waste water treatment works, that need to be resolved before development can be supported.

There is an ongoing risk that phosphorus pollution will continue to be a barrier for new development. To avoid and mitigate this risk, Welsh Government are leading an action plan to address the issue and locally a Nutrient Management Board (NMB) for the Dee SAC has been formed to monitor and co-ordinate local actions. Social Housing providers have been key stakeholders in Welsh Governments action plan and in the NMB.

Viability

Developer contributions from private sector housing development is the main mechanism by which affordable housing is delivered in the County Borough. The LDP sets policy targets (thresholds and percentage contribution by market area) that new private housing development need to achieve.

Essentially some of the uplift in land values gained from granting planning permission are secured to fund affordable housing and other contributions. When setting the affordable housing thresholds/targets planning authorities must consider their and other contributions (roads, open spaces etc.) impact on site viability to ensure residential sites remain deliverable. This is tested during the LDP examination.

This means that Affordable Housing policy thresholds will always be a balance between meeting a need for social housing, addressing capacity issues in other infrastructure whilst also ensuring sites are deliverable. Consequently affordable housing targets vary from zero in areas with low market values to between 10-30% in higher value areas. Furthermore, affordable housing delivery is tied to market viability which may not correspond to areas with the highest affordable housing needs.

Other Issues

WCBC Planning Team understand, Welsh Government funding for social housing cannot be used to fund the delivery of social housing on sites where affordable housing is secured by S106. This potentially limits the number of social rented units that could be secured on

market housing developments if developers and RSL are not able to work together to pool social housing funding with the developer's own contribution (normally in the form of a discount). The inability to do this may result in any affordable housing secured being intermediate tenure options rather than social rented. It would make sense for all sources of funding, whether public or private, to be used as a single 'pot' on individual sites.

One other issue that WCBC Planning have identified, is that recently that despite conditions/Obligation securing affordable units, developers have found difficulties in finding RSLs who are willing to take on the units. At present we do not have enough detail to comment on why and we suspect the reasons may differ by site or RSL, however it does suggest that there is a disconnect, between RSLs own plans and where development is likely to come forward in the County Borough. Whether this is unique to Wrexham and whether the delays caused by phosphorous and also to our LDP adoption are factors here, is unknown. However the end result in many cases may well be the units end up being sold with a commuted sum being paid to the Council instead.

WCBC Planning are not aware of any major resistance from developers to have social rented units on their sites as opposed to other tenures. However, developers need a reasonable degree of certainty when they start development that there is going to be a purchaser for the affordable units they are obligated to build. The issues discussed do the opposite by potentially creating uncertainty and also delay in affordable housing delivery generally.

Finally, and this may be specific to WCBC, the LHMA's need more resourcing. This is a key bit of evidence not only for LDP preparation but planning decision making.

❖ **The potential for increasing income from land value capture mechanisms to invest in social housing;**

It is not clear from the consultation what the Committee have in mind as potential mechanisms for increasing income from land capture. It is difficult to comment without knowing what is being considered but there are some high level comments;

- Planning obligations, a form of capturing land value, are widely used by WCBC and other Local Planning Authorities (LPA) to fund a wide range of infrastructures required to serve new development, particularly in Wrexham, affordable housing and education provision. Increasing the capture of land value for social housing supply without increasing the total pot of land value captured will see funding diverted away from other necessary infrastructure provision. Any new mechanism has to be considered within a holistic model that captures all other planning obligations and developer costs.
- The case there is additional development value to capture has not been made. Local Development Plans prepare a viability assessment to give certainty that the development plan and its policies can be delivered in principle, taking into account affordable housing targets, infrastructure and other policy requirements. Local Authorities are under immense pressure in preparing the plan and in examination to maximise contributions to affordable housing and other contributions but can only do so where viability demonstrates the plan is deliverable. If there were additional value to capture this would be exposed during the LDP examination.
- Maximising development gain has spatial elements that need to be understood. Areas with the most potential for development gains (areas of high development values) are not in our experience, necessarily areas that have the highest demand for social housing. Nor are the high value areas necessarily the most sustainable locations for development

in the context of what the LDP objectives and local constraints are. If there were potential for additional land value capture from high value areas, mechanisms for re-distributing gains need to be considered.

- Determining whether there is potential for capturing more land values should include a review of the effectiveness of viability modelling and the delivery of planning obligations in the planning system within the constraints of the issues above. Our practical experiences suggest that existing models are robust, if anything, there may be a shortage of skills and experiences within planning officers across Wales in using/challenging the models, there could be benefits in providing training or national resources to call on?
- There have been many attempts and reviews of methods to capture land value that should influence this consultation. The difficulty in capturing these values is not itself a reason not to try but the challenges and complexities need to be recognised and lessons learned.
- The House of Commons Housing, Communities and Local Government Committee¹ considered similar issues to this consultation, their report concluded there was scope for capturing a greater proportion of land value increases through reforms to existing taxes and charges, improvements to compulsory purchase powers, or through new mechanisms of land value capture. Increasing the pot of money captured from land value increases is clearly to be welcomed, though if similar approaches are being considered for Wales, a more detailed consultation would be appropriate to stimulate a more targeted debate on the measures and potential impacts on a very complex area of public policy and economics.
- Resource implications need to be considered when proposing any new or amended mechanism. This is a very complex area of public policy, as evidenced by the long history of policy attempts and failures to capture land value gains. There is a danger new attempts will be complex with various exceptions and caveats. The greater the complexity of reform the greater the challenges faced by officers implementing them. After more than a decade of budget cuts within Local Authorities, staff availability, capacity, resilience, skills and experiences are stretched. LAs may not have the capacity to deliver new mechanisms, or would do so at the expense of not delivering something else. Forethought of resources implications and complexity of the reforms at an early stage will enable mitigating actions and choices to be made.
- Consideration whether a reformed system increases the complexity of regulatory approval and increases the risk or uncertainty of granting permission for development needs to be made. This is particularly true in a period of challenging economic climate and in cross national border areas where developers have a choice where to invest.

❖ **How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase**

Due to the current economic climate and with local authorities currently under significant financial pressure to balance its budget, it is difficult to recommend means of improving the strategic management of public and private land for social housebuilding, including compulsory purchase. WCBC have not been in a position to commit to compulsory purchase for some time, due to financial constraints.

¹ Tenth Report of Session 2017-19, 10th September 2018

Within Wrexham, we have reviewed a number of WCBC owned brown-field garage sites, with a view to demolishing the existing garages and replacing with new social homes. In some instances we have received negative resident feedback. Although, we do have 1 site that is currently being developed.

In addition, we have identified a number of properties, with the aim of increasing the size of the accommodation, which is currently in high demand at present. Further to this we have also reviewed smaller properties with the aim of creating single use accommodation, which is also in high demand within Wrexham County Borough.

❖ **The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings**

There is a current dearth of contractors in North Wales, who are able to engage with local authorities and RSLs, some of whom will want to build on a large scale. Furthermore, there is a lack of contractors who are able to construct low carbon homes, utilising modern methods of construction. As a result, both RSL and Local Authorities are vying for those that are available.

It would also be useful carrying out a skills audit, if possible, to ascertain whether the Welsh construction sector has the skills to work to a low carbon specification. There be a need for a national training programme, to ensure that there is a cohort of construction companies that have the necessary skill sets needed to deliver to the standards expected by Welsh Government.

The acquisition and remodelling of existing buildings depends very much on whether properties can be remodelled to meet the specifications and size requirements set down by Welsh Government. There are occasions when it is either too expensive or unfeasible to convert or remodel properties. Also existing occupants may not want the disruption and upheaval of refurbishment and may refuse to have their homes improved.

Many of the construction companies are not interested in building social housing as the profit margins would be too small.

It might be worth exploring the possibility of whether a Welsh construction company could be established with the backing of the Investment Bank of Wales. It could serve as a vehicle to promote the building of social housing and quality apprenticeships.

Wales would then have a pool of highly skilled construction workers, who would be able to deliver properties to a zero carbon standard and be up to date with developments in technology.

❖ **How local communities can be effectively engaged in social housing developments in their areas.**

A lot of work would need to be done at a national level to promote the image of social housing. Despite the amount of money spent, there is still a degree of stigma attached to social housing. There are unfortunately, many people who associate social housing with deprivation and anti-social behaviour.

These are often the people who are able to mobilise support for their cause and articulate their opposition, making any social housing development difficult to progress.

As part of the carbon reduction agenda, it would be worthwhile engaging with current tenants, in order to ensure that there is buy in, in terms of why changes are being introduced and what benefits they will bring, if used correctly.

Anecdotally, many social housing tenants feel that new technology is trialled on them, with little or no consultation. This may be a good opportunity to rectify the situation.