

# **Communities, Equality and Local Government Committee**

## **Inquiry into the provision of affordable housing in Wales**

### **Response from Powys Affordable Housing Partnership**

*In providing this submission it is important to note that a large portion of the Brecknockshire area of Powys is under the Brecon Beacons NPA planning authority and that there are therefore several points at which different approaches need to be taken into consideration. The specific planning issues mentioned below are from Powys LPA.*

#### **1.The effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant(SHG).**

The term Affordable Housing covers a range of housing options from social rent to Low Cost Home Ownership. Traditionally SHG has been made available to enable rents to be charged at a 'benchmark level' i.e. a social rent. This process has been very effective in enabling the development of new social housing and supported housing across Powys. However the mechanism under which the grant is calculated is ineffective in Powys. This relates to the Acceptable Cost Guidelines which determine on a community council area basis what is considered to be the maximum cost to develop a social housing unit. These maximum costs do not represent the actual costs of development in many rural areas resulting in either a continued shortage of new social housing or RSL partners having to heavily subsidise schemes and charge a higher rent.

In essence - social housing grant is considered essential for the delivery of social rented accommodation. However, even with SHG, the majority of schemes in Band 1 & 2 communities in Powys are not viable for RSLs to deliver. The low level of SHG available in Band 1 & 2 communities also makes exception schemes in these areas unviable & non-deliverable.

New Acceptable Cost Guidelines were published earlier this year without prior consultation with relevant stakeholders.

It must be noted that RSLs input a considerable level of private finance into all social / affordable housing schemes and to achieve this have to borrow against their existing housing stock. Borrowing is becoming harder for some and many Associations' gearing is reaching their limits.

Powys Affordable Housing Partnership (the Partnership) would therefore ask that the inquiry include consideration of Acceptable Cost Guidance in its discussions since this appears to be a major limiter of the effectiveness of Social Housing Grant in rural areas such as Powys.

## **2. Whether alternatives to public subsidy are being fully exploited.**

It is the firm opinion of the Partnership that if we are to ensure properties in the future are truly affordable then some form of subsidy is required. This is absolutely essential if social rented properties are to be developed. Powys Council have agreed to transfer land at a nominal value to enable the value in the land to be used as subsidy and also agree to 'profit' from open market sales to be used to subsidise rented accommodation rather than have an overage clause in a land transfer. These forms of initiatives however can only be truly effective in buoyant market conditions.

The principal alternative to public subsidy is developer subsidy, usually provided through planning gain and section 106 agreements. Affordable housing requirements under s106 agreements should be delivering units without grant however the market conditions again impact on the number of units that can be delivered at this present time. It must be noted that current planning policy contained within the Powys Unitary Development Plan was drafted when a buoyant market seemed the norm and permanent. Thus requirements under section 106 are frequently challenged on the grounds of scheme viability. The forthcoming Powys Local Development Plan will seek to address issues of viability and deliverability whilst providing greater flexibility.

There is a balance required between what RSLs and other partners can deliver without subsidy and the housing needs / requirements in any given area. Constraints on the rent levels RSLs will be able to charge in future will not help reduce the reliance on public subsidy and the changes to the Local Housing Allowance this year have also had an impact as in some situations the rents originally proposed for a scheme are now at or above the LHA level.

In general terms this partnership is currently investigating the feasibility of different approaches to provision that may minimise the reliance on or maximise the effectiveness of public subsidy.

## **3. Whether WG, local authorities and RSLs are effectively utilising their powers to increase both the supply of, and access to, affordable housing**

Whilst there is a land release protocol in WG this does not effectively increase the supply of affordable housing as the land is still subject to District Valuation Office valuation and therefore any development requires public subsidy.

Some LAs, including Powys, are pro active in identifying opportunities through empty properties and rather than resorting to Compulsory Purchase Orders work with owners on leasing schemes. This is currently work being undertaken by the Rural Housing

enablers working in Powys and collaboration with the Powys Private Sector Housing team is providing initiatives for owners to refurbish and re-let or sell their empty homes.

The essential point regarding both Welsh Government and LA powers is that they should be carrot rather than stick but with the stick being available should the incentive not be sufficient.

As mentioned above, planning powers are only effective if the market conditions are favourable. In Powys, some historic planning permissions do not include an element of affordable housing and planning permissions have been secured with an element of affordable housing, although tenure has not been specified. This means that the majority of these sites will come forward with intermediate tenures rather than social rented accommodation as it improves scheme viability. Since the publication of the Local Housing Market Assessment and updated Affordable Housing Supplementary Planning Guidance in 2010, the Council is now seeking to negotiate an element of affordable housing tenures which reflect local housing needs. However, this has become increasingly difficult in the present economic climate with limited development industry activity and few sites coming forward.

As explained in response to point 2., in part due to ACG community bandings, Powys as a planning authority has yet to witness the delivery of an affordable housing exception site which is restricted to 100% affordable housing only, in accordance with National Planning Policy. The Council is therefore keen to develop more flexible and enabling policies through the LDP.

However there are, in some areas, planning policies which potentially restrict the development of new social housing due to the rigidity of the policies currently in place, many of which are historic. As changes to such policies can be lengthy, and given the LDP process, we are likely to see these restrictions remaining for a number of years.

With regards to access to affordable housing, all our landlord partners are finding their waiting lists and demand to be growing. We have statutory duty to help those in housing need and therefore there will be a growing group of 'in-betweens' i.e. those who are on low income who miss out on social rented but struggle to afford market rents. The Local Housing Allowance tends to be the marker for the rent levels link to affordability but as mentioned above in some areas these levels are now so low that RSLs struggle to break even against the income.

The shortage of grant combined with rent changes has compounded the problem of trying to be creative / innovative with no grant / reduced grant to deliver projects to meet the varied housing requirements.

It is considered that there is room for improvement at the national level for standardising affordable housing tenure definitions and products across Wales. Such an exercise would help to improve developer confidence in and public understanding and knowledge of affordable housing.

The use of Compulsory Purchase Order (CPO) powers to enable the delivery of affordable housing in Powys has not been pursued to date. It is hoped that this work can be tied in with the wider regeneration strategy for the county and future opportunities explored.

Powys County Council, RSLs and RHEs continue to offer support and expertise to Community Land Trusts (CLTs) established in Powys. From experience of CLTs in Powys to date, the Affordable Housing Partnership believes that it is essential for CLTs to partner with an RSL in order to deliver truly affordable homes.

PCC is currently investigating the establishment of a Local Authority Mortgage Scheme (LAMS).

#### **4. Collaboration**

Powys has a very positive approach to collaborative working with all partners however between local authorities there is still room for more joint working and particularly with neighbouring authorities including Shropshire and Herefordshire with whom we share a long border and many of the same social and economic pressures. There is however a need for more collaboration with financial institutions and homebuilders.

On the specific of financial institutions it has to be said that the Partnership has consistently attempted to involve lenders in our membership and discussions since a major factor in the current housing crisis, including that of providing affordable housing is the high level of deposits that are now required by banks in order to secure an affordable mortgage. It should also be said that some banks are reluctant to lend to developers in the housing sector and that only a few banks will lend against affordable housing.

Generally, mortgages for affordable housing tend to be expensive, in addition requiring a high level of deposit.

Although we are encouraged by the involvement and co-operation of some lenders in WLGA led work to overcome the lending barriers some Section 106 legal agreements present, we feel collaboration on the part of the financial sector is generally inadequate.

With regard to developers we have representation on the Powys Affordable Housing Partnership from the industry and consider this fundamental to having a true and effective partnership. It is a matter of discussion that the WG could and should do more to support industry in addressing the imbalance on housing provision, especially affordable housing.

The partnership would stress our considered position and opinion, that collaboration between all players in the housing market is essential if we are to make any sort of progress towards solving the housing crisis in Wales.

The Powys Affordable Housing Partnership also oversees a number of sub/working groups and task and finish groups on a range of issues including:

- Powys Common Housing Register
- Affordable Housing Supplementary Planning Guidance
- Powys Local Development Plan (Housing & Affordable Housing policies)
- SHG PDP
- Affordable Housing Action Plan

Members of the AHP are also represented on the CIH & RTPI Joint Housing Network and the RHE Steering group.

It is considered that Rural Housing Enablers are effectively undertaking the essential role of community engagement. Their work is vital in identifying local housing needs and identifying affordable housing opportunities in the form of both property and land, whilst improving the general public's understanding and acceptance of affordable housing.

## **5.CLT and co ops**

The Powys AHP is aware of the potential role that CLTs and Co Operatives have to play in the community involvement of affordable housing solutions. However they do not have, and are considered unlikely to have, management and maintenance structures to enable rented accommodation to be effectively sustained. Therefore their role and purpose needs to be more carefully considered and defined.

Signed: *AG Thomas*

County Councillor A.G.Thomas

Portfolio Holder and Chair of the Partnership