

Communities, Equality and Local Government Committee

Inquiry into the provision of affordable housing in Wales

Response from Digby Bevan Ceredigion Rural Housing Enabler

Introduction

The comments below are provided in response to the letter dated 7 October 2011 from the Chair of the National Assembly for Wales' Communities, Equality and Local government Committee. The section headings below are the bullet points which are listed in that letter.

1. The effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant

There are a number of different aspects to the effectiveness of the use of public subsidy

a. Procurement of building works.

I believe that, historically, housing associations (HAs) have been very effective in procuring building services. I believe that this effectiveness was compromised significantly by the decision of the Welsh Government, about 2005, to force HAs to form consortia and to use new methods of procurement based on 'partnership'.

There is plenty of anecdotal information that this led to cost overruns and higher building costs. I welcome the decision of WG to make the membership of a consortium voluntary and to give HAs discretion as to how they procure building services.

It is important to learn from experience and I would hope that the current inquiry will give particular attention to the question of how WG's decision to force HAs to work in consortia affected costs.

b. Procurement of Land

Some LAs provide land to HAs at zero cost. This can reduce the amount of SHG which is required for a particular scheme. In turn this allows the development of more affordable housing with the SHG available. However, other LAs insist on receiving full market value for any land which they provide to HAs. The WG has on various occasions suggested that public bodies, including itself and LAs, should provide land at zero cost.

The WG should investigate ways in which LAs could provide land at zero cost to HAs but retain some interest in the land so that some benefit is received in the future under certain circumstances in the future.

c. Rent Levels

The WG allows SHG to be used for the provision of either Social Rented Housing or Intermediate Rented Housing. The latter has higher rent levels and requires less SHG. It is difficult to understand the thinking behind this dual arrangement. If the higher Intermediate rental levels are acceptable in some parts of Wales, why are they not acceptable everywhere? The WG should either set out clear guidelines as to when the higher and lower rent levels are appropriate or decide that only intermediate rent schemes will be supported. This would have the effect of significantly increasing the amount of affordable rented housing which can be provided with the SHG available.

d. The end use of housing provided with SHG

In many rural area there is wide spread disillusionment with the way in which social housing is allocated. People perceive that applicants with no local connections with the area, but a short connection with the county, are favoured when scarce social housing is allocated. People with long local connections are perceived as being passed over. In villages where nearly all the council housing has been sold and vacancies are few and far between this is strongly resented. In my experience the perceptions of local people are largely correct. The reason for this is a combination of the current legislation and the statutory guidance which the WG has in place. (Code of Guidance for Local Authorities on Allocation of Accommodation and Homelessness 2003)

As a result of the WG guidelines the balance between using allocation policies to house homelessness people and to sustain rural communities has gone too far in the direction of homelessness. It cannot be right that applicants who are deemed to be intentionally homeless, and not in priority need, and have only a 6 month connection with a county are given priority over local applicants in all parts of the county.

I note that WG released a new draft Code of Guidance for consultation just before the last assembly elections. The consultation period ended on 30 June but, as far as I know, the new document has not been released. I would hope that there would be significant changes to the document before it is released.

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

I assume that 'public subsidy' includes free land from public bodies. See my comments in 1b) above.

The only alternative to public subsidy of which I am aware is the provision of affordable housing by private developers as a result of planning conditions or obligations.

The provision of affordable housing by this method has come a long way in only a few years. It is to be hoped that the adoption of LDPs by LAs over the next few years will develop this method even further.

The progress being made by LAs in facilitating the provision of affordable housing by private developers up until about 3 years ago was severely affected by the credit crunch. Lenders became very risk averse and took a strong dislike to Section 106 Agreements. It is almost impossible for prospective purchasers to purchase an affordable home unless they have a deposit of at least 20%, which in Ceredigion is well over £20k. Developers are not starting new sites because they have to build the affordable houses first and know that they will have great difficulty in selling them. Banks will not lend money to developers for these reasons.

Some changes to S106 Agreements could ameliorate the situation. Having a standard S106 agreement for Wales may also help. A year or so ago, a working party including, I believe, officers from the WG, WLGA and CHC, was set up to consider ways of improving Section 106 Agreements. I have not heard anything about the work of this working party.

I suggest that WG should be more ambitious and consider alternatives to using Section 106 agreements. Over 2 years ago I suggested the use of equity mortgages to control affordable housing instead of using Section 106 agreements. This would be popular with lenders who would accept the equity mortgage as the deposit, even though they will not accept a Section 106 discount as a deposit. My proposed scheme is similar to the HomeBuy scheme which has been very successful in Wales. I understand that some LAs in England, and RCT in Wales are using similar schemes, but these are not yet wide spread.

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

Please refer to my comments about land in 1b) above.

There has been much talk about the number of empty houses in Wales. I suggest that LAs should take a far more vigorous approach to this matter. Providing advice to owners is all very well if it leads to results fairly quickly. LAs should be far more ready to use Empty Dwelling Management Orders and other statutory powers.

LAs should also be more willing to use CPOs for the purchase of land for HA developments. The WG could provide some guidance in this area.

4. Whether there is sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders.

In the case of LAs and HAs the Gwynedd Housing Partnership, which has been operational for some years, is a good example of successful collaborative working. More recently Powys has established a similar forum. One of the key factors in the success of these forums is the involvement of both elected members and senior officers.

This model should be followed in other counties.

In the case of financial institutions I believe that this is a task mainly for the WG. I am aware that many lenders have said that they do not wish to discuss Section 106 Agreements with individual LAs. They think that this matter should be discussed at an all Wales level. There is an important role for the WG in this area.

5. Whether innovative methods of delivering affordable housing such as Community Land Trusts or co-operatives could be promoted more effectively by the Welsh Government.

It is not yet appropriate for the WG to promote either CLTs or housing co-operatives. The next stage should be to make the case for these two types of organisations. As a professional in social housing for over 25 years it is not clear to me:

- What can they do that housing associations cannot do
- What can they do better than housing associations
- Will they be expected to house the same client group as housing associations
- Why has the WG followed policies which have led to the merger of housing associations and which seem to be based on the assumption that big is good whilst at the same time shown interest in CLTs which have no housing stock, no in house expertise and no balance sheets. If small is beautiful, would the WG consider following policies which discourage HAs from merging and even dividing the largest HAs into a number of smaller ones?

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