

SUBJECT: ADDRESSING OUR LACK OF A FIVE YEAR HOUSING LAND SUPPLY: MONMOUTHSHIRE'S APPROACH TO UNALLOCATED HOUSING SITES
MEETING: JOINT ECONOMY AND DEVELOPMENT SELECT COMMITTEE AND ADULTS SELECT COMMITTEE
DATE: 7 SEPTEMBER 2018
DIVISION/WARDS AFFECTED: ALL

1. PURPOSE:

- 1.1 The purpose of this report is to help inform a discussion at this joint Select Committee meeting to consider Monmouthshire's input into the Welsh Government's call for evidence on affordable housing delivery.

2. RECOMMENDATION:

- 2.1 That attendees consider and discuss responses to the questions asked by the Welsh Government.

3. KEY ISSUES:

Background

- 3.1 The Welsh Government has issued a consultation over the summer break seeking a call for evidence on affordable housing delivery. This is a key topic of interest and relevance to the Council and our communities.
- 3.2 Background information and suggested responses are provided by Shirley Wiggam at Appendix 1.

4. OPTIONS APPRAISAL

- 4.1 To respond to the call for evidence, having discussed the relevant issues in the call for evidence.
- 4.2 To decide to not respond to the call for evidence.

5. EVALUATION CRITERIA

- 5.1 This is an important topic, and if we want to shape future policy direction, it is recommended that a response is provided.

6. REASONS:

- 6.1 As above.

7. RESOURCE IMPLICATIONS:

- 7.1 Officer time and costs associated with the response to this consultation will be met within existing budgets.

8. WELL-BEING OF FUTURE GENERATIONS IMPLICATIONS:

Sustainable Development

- 8.1 Under the 2004 Act the LDP is required to be subject to a Sustainability Appraisal (SA). The role of the SA is to assess the extent to which planning policies would help to achieve the wider environmental, economic and social objectives of the LDP.
- 8.2 The Welsh Government will assess these issues before making policy changes.

Equalities

- 8.3 The Welsh Government will assess these issues before making policy changes.

Safeguarding and Corporate Parenting

- 8.4 There are no safeguarding or corporate parenting implications arising directly from this report.

9. CONSULTEES

- Colleagues within the planning and housing services.

10. BACKGROUND PAPERS:

- Cabinet Secretary's letter dated 18th July 2018

Appendix 1 Information from Shirley Wiggam

11. AUTHORS & CONTACT DETAILS:

Mark Hand (Head of Planning, Housing and Place-Shaping)

Tel: 01633 644803 / 07773 478579

E Mail: markhand@monmouthshire.gov.uk

INDEPENDENT AFFORDABLE HOUSING SUPPLY REVIEW

CALL FOR EVIDENCE

1. UNDERSTANDING HOUSING NEED

- a) **Do you believe that the current tenure mix of properties being built is correct? Is the balance right between market, social rent, intermediate rent etc., or should it change in the future?**

From the rising number of households in need of affordable housing registering with LAs it is clear that there are not enough truly affordable properties being delivered (i.e. social rent). Although the Welsh Government is including Help to Buy and Rent to Own in the figures used to meet their target, these products are clearly not affordable housing.

In Monmouthshire the greatest need by far is for social rented properties. Few households in bands 1 – 4 (urgent need to low need) of our CHR could afford an intermediate rent or an LCHO property. We operate a neutral tenure system where all new affordable properties are allocated on the basis of need. Households allocated the properties are offered the opportunity to purchase on Homebuy terms and it is very rare that any household is able to take up this offer. This offer to buy is open for households to move to home ownership in the future and, to our knowledge, only one household has expressed an interest in doing this. We do make social housing grant funding available for one of our RSL partners to run a DIY Homebuy scheme – this is popular with first time buyers who are able to identify a property to purchase within Monmouthshire and then receive an interest free equity loan from the RSL. The number we are able to help in this way is very small – between 8 – 10 per year.

The Council has a small recyclable low cost home ownership budget, but this typically only assists one household every few years.

For counties such as Newport and Monmouthshire with a boundary to England we cannot assume that housing built in Wales will be meeting demand in Wales as there is now significant evidence of people moving from England to Wales in order to purchase a new-build property. This is a trend that we are expecting to see continue with the abolition of the Severn Bridge tolls and the electrification of the South Wales mainline.

- b) **How should Welsh Government ensure that both housing need and demand is considered/met?**

Although the LHMA provides a standard methodology from which local authorities can begin to assess housing need, it is a very time consuming process and it requires a certain level of statistical expertise to be able to compile the report - interpreting the data and explaining the results. Not many local authorities have such specialist staff in their Housing Services, or indeed in the local authority as a whole. In many local authorities, the LHMA has to be fitted into the daily workload. For the amount of work involved in compiling the LHMA it's audience is extremely limited. If it was challenged by an expert some local authority officers without statistical expertise would have difficulty defending the results.

Local authorities undertake the LHMA at different times, which makes it impossible to aggregate up to give an all Wales picture of housing need. It would be helpful to understand how Welsh Government currently makes use of the LHMA's.

Information from other local authority departments such as social care is not forthcoming.

c) How should Welsh Government use existing housing needs data to better inform policy making and programme delivery? Does the data tell us what the issues are/what are the gaps?

Not sure that locally produced LHMA's should be used to inform policy making and delivery at a national level. There is no likelihood of addressing all housing need in Wales, so there should be a presumption of housing need everywhere and policies that best address the most need should be the ones that are developed, although special consideration needs to be given to rural areas.

Although the LHMA's identify issues and gaps in each authority, it would be difficult to get an all Wales picture that could be used to inform national policy. Not all local authorities do the LHMA in-house so there is no standardised approach. Improving the LHMA methodology and standardising the approach and timescales would require the Welsh Government to ensure that local authorities had the skills and capacity to undertake this work.

d) How frequently should Welsh Government be updating estimates of need and demand and should the data be more granular so we have a closer sense of whether planned provision is truly affordable for residents?

LHMA's are currently undertaken every two years. However, when there are sudden changes in the housing market, such as there have been recently with the announcement of the removal of the tolls on the Severn Bridge, the data would need to be refreshed. Most local authorities do not have the capacity in their housing departments to cope with this. Monmouthshire would not currently have the capacity to undertake this work.

e) How far does the planned provision deal with backlog of unmet need?

It is clear from the LHMA's that have been produced that planned provision does not deal with the backlog of unmet need. We are not building enough housing to meet the backlog and newly arising need. All areas that produced an LHMA following the Welsh Government Guidance Document reported a need that was significantly higher than their LDP target. Evidence also suggests that many areas are not achieving their LDP targets for the delivery of affordable housing. Although most areas are delivering well through the Social Housing Grant Programme – achieving full spend and being able to take up additional funding at the end of the financial year - in recent times, viability issues have had a significant impact on the delivery of affordable housing through S106 agreements. Strategy & Policy Officer (Development Officers) have been lobbying Welsh Government to provide good viability training to assist officers in achieving their targets for some considerable time.

All developers should have to enter their data into BCIS. This would result in the build cost figure not being skewed.

2. GRANT ALLOCATION AND INTERVENTION RATES

a) How could the grant regime best achieve value for money and efficiency and deliver more affordable housing from current resources?

Could the Welsh Government change their financial system to allow funding to be carried forward? This would assist with programme planning.

b) Should criteria be introduced which links grant allocations to measure of efficiency. KPIs and delivery capability? For example, should there be some form of bidding and eligibility framework to encourage those willing to develop at lower levels of grant to bid under a partnership or framework agreement, either alone or in consortia?

What does efficient look like? Shouldn't the amount of funding you get be based on housing need rather than KPIs.

Encouraging partnerships to deliver at lower levels of grant is more problematic. This could be detrimental for smaller RSLs. This could be counter-productive. Less grant means more borrowing by RSLs and that means higher rents.

c) Should the zoning system continue or is there a better way of delivering affordable housing?

The zoning system should definitely continue. As long as local authorities, in areas where existing zoned RSL partners cannot provide the necessary expertise in a particular area or are performing poorly, continue to be able to put a business case to the Welsh Government to have another RSL zoned, there should be no problem with the current system.

There are several reasons why this system should continue:

- Management of stock – RSLs need to have management capabilities in the area where their stock is located to be able to manage well.
There is a lot of evidence from England where RSLs were allowed to build anywhere and stock was too far away to manage. A lot of stock rationalisation has had to take place.
- A small number of zoned RSLs allow local authorities to develop good working arrangements with their partner RSLs. RSLs are also able to develop a good understanding of housing need in their local areas and are able to assist local authorities in the discharge of their duties. This is important as it is not just housing:
 - Creating sustainable communities is also important.
 - RSL partners are members of numerous partnerships including the PSB
 - One of MCCs partner RSLs runs the Housing Register (Homesearch) and all are party to it.
 - They provide temporary accommodation to help the authority discharge its homeless duties.
 - They assist us with energy projects.
 - They have housing support contracts with the authority (supporting people).
 - One of our RSL partners does our repairs and supports our DFG programme.
 - Local RSLs assist us with arising one-off issues.
- The importance of zoning goes wider – for example by creating local supply chains and local employment.
- Too many RSLs can lead to competition between them for affordable housing schemes. This drives prices up and leads to needless waste of public funds.
- Abolishing zoning would mean that large RSLs may dominate development. Smaller RSLs have a lot to offer and can often provide truly innovative solutions to meet a wide range of challenges. Research from England has shown that bigger is not necessarily better. Size doesn't mean greater efficiency or less cost. Once an organisation has 2,000 properties+ then there is no difference in overheads.

- Changes to, or the abolition of, zoning would significantly add to the workload of already severely stretched local authority strategy/development officers and selection of an RSL partner would become much more time consuming and difficult.
- It is difficult to see how changing zoning would result in an increased supply of affordable housing and it most certainly would not lead to better value for money.

d) What alternative structures of finance, including private sector finance, could be used to better support the development of more affordable housing in Wales?

WG has used a range of funding mechanisms – these need to be reviewed to see if they resulted in the delivery of more affordable housing before embarking on further new alternatives.

3. RENT POLICY

a) Should the Welsh Government continue to have a Rent Policy or should social landlords be responsible and have freedom to set and uplift their own rents?

Monmouthshire would like to see benchmark rents retained as social rented properties are by far our greatest need. The number of very low paid households on our register means that this is likely to continue to be our greatest need. Although Monmouthshire is perceived to be a wealthy county the average wages for those who live and work in Monmouthshire are the second lowest in Wales. RSLs are able to set their own intermediate rents and there have been occasions where the local authority has had to intervene as these rents were set too high.

RSLs would like to be able to set their own rents. Should WG allow RSLs to set their own rents this would need to be within a criteria of affordability. E.g. formula for affordability - percentage of disposable income.

b) Should the Welsh Government Rent Policy consider affordability or rents for tenants or should this be the responsibility of individual social landlords?

The Welsh Assembly should not divest themselves of the responsibility of making sure that rents are affordable for those in housing need. They could act on evidence from both the RSL and the local authority. The local authority not only has a statutory duty to access housing need, but also has the ability to do so.

c. How can a Welsh Government Rent Policy encourage social landlords to maximise affordability for tenants, given in some areas market rents are currently lower than social rents?

We don't believe you can compare social rented properties and market rented properties in this way. Social housing stock is of a much higher standard than most market rented properties. It is well managed by a landlord who has an interest in the well-being of their tenants and tenants have more security of tenure and are able to think of their social rented property as their long term home.

Market rents that are lower than social rents is not something that occurs in Monmouthshire, however, we think there is a case for arguing that where this happens the tenant of an RSL property is getting better value and more security for their money.

It is no cheaper to build affordable housing in areas of low market rents therefore any intervention to encourage social landlords to reduce social rents would have to be accompanied by a higher grant rate for construction.

4. STANDARDS/DEVELOPMENT QUALITY REQUIREMENTS (DQR)

a) What standards, if any, beyond building regulations should there be for affordable homes in the next decade?

Monmouthshire County Council feel strongly that Welsh Government Development Quality Requirements (DQR) should remain. We have no objection to making them more flexible, but space standards and storage should definitely remain as part of this standard.

It is essential that affordable housing stock in Wales is both fit for purpose and fit for the future. Building to DQR extends the lifespan of affordable properties. DQR includes Lifetime Homes standards and these standards make it both easier and less costly to adapt a property. Adapting a DQR property costs on average £1,000 compared with a cost of £5,000 for non DQR compliant properties. This is a considerable saving to the public purse, but the main benefit is that households do not have to move from the communities where they have strong links and support. Being able to remain in your own home with support will also save on social care funding.

We should learn from the past and not build housing that will have to go through a similar costly procedure that we have just been through with WHQS. The question really is why would we not build to DQR? It makes sense in so many ways.

Space standards, for example, ensure that families will have adequate space for living. A lot of evidence for the retention of standards was put forward during the DQR Review. Especially from Health. It is important that families have room to live and to sit down and eat together. If children are to reach their potential it is also important that they have a quiet space to study.

There is a lot of confusion within the development industry between DQR and WHQS. WHQS was simply a standard for remediation of existing properties. It is not a standard to which new properties can be built, as developers often try to argue during the planning process.

In Monmouthshire we require all affordable housing to meet DQR. This ensures that affordable housing developed by the private sector is fit for purpose.

The DQR Review, chaired by Sophie Howe in 2014, provided a comprehensive report on the future of DQR. The recommendations are still relevant today and we believe that Welsh Government should adopt the recommendations and issue the new DQR Guidance. Private developers lobby Ministers to have DQR removed and use cost as the reason. However, despite many invitations and calls for evidence on costs, the development industry only attended one meeting and failed to provide any evidence.

We would go one step further and recommend the introduction of national space standards for **all** housing. Elected Members, Planning and Housing Officers have become increasingly worried by the poor standards delivered by the housing industry and the effect that this has on people's lives. Monmouthshire is considering introducing space standards for all housing in the revised LDP. These standards would be the National Space Standards used in England.

b) Can the additional cost of the current DQR be justified, or are there more cost effective alternative means of delivering choice and flexibility?

The cost can be justified as the guidance ensures that affordable housing is fit for purpose and meets the needs of households now and in the future. The standard also ensures that Welsh housing stock is suitable for all people – meeting the needs of multi-generational families, older people and disabled people in need of adaptations and households with specific religious or racial requirements. We must not be lured by the development industry into making the mistakes of the past which will cost millions of pounds to put right in the future.

- c) **Should all new grant funded homes or homes built on Welsh Government land be designed to be zero carbon (EPC A*) or energy positive?**

The concept is welcomed but it has implications for design, layout and pepper-potting and therefore social integration.

- d) **How should Welsh Government ensure all new grant funded homes or homes built on WG land create sustainable places and quality homes?**

5. LOCAL AUTHORITY BUILDING

- a) **What, in your view, needs to be changed or improved, in relation to regulation/finance/planning/policy, to enable local authorities to deliver new homes at pace and scale?**

Local Authorities would need access to public funding in the same way that RSLs have access.

- b) **What is the role of non stock owning local authorities in housing supply? What support could Welsh Government give/what are the key factors and practical issues?**

Local Authorities who have gone down the stock transfer route would need to be able to have an HRA again and would have to adequately resource their housing departments if they were to build affordable homes again.

The role of non stock owning local authorities in housing supply is a strategic one. We are tasked with maintaining a LHMA and using that housing need information to ensure that all new developments are making a positive contribution to meeting the housing need identified.

Support would be valued from Welsh Government to ensure that local authorities retain their strategic housing function. This has been reduced drastically in recent years. A strong strategic housing function can ensure that developments are appropriate, affordable and meet housing need together with supporting the Wellbeing of Future Generations Act.

- c) **The latest business plans for the stock retaining local authorities show an unused borrowing capacity of over £100m. What support could Welsh Government provide for this to be used to deliver new housing supply?**

6. CONSTRUCTION SUPPLY CHAIN INCLUDING MODERN METHODS OF CONSTRUCTION

- a) **How can modern methods of construction, including off-site manufacturing, contribute towards speeding up the delivery of affordable housing, without reducing quality?**

We need to learn the lessons of the past (prefabricated buildings of the 50s and 60s) before we speed up the delivery of factory built houses. We need to be sure of quality, longevity and value for money. Also mortgageability and public confidence in buying them.

- b) **How could Welsh Government best support local authorities and RSLs to ensure homes are built in sufficient numbers using modern methods of construction to drive down the cost of production?**

- c) **What other parts of the housing supply chain could be supported and improved to enable the delivery of more housing? What barriers are preventing this currently?**

WG needs to do more with regard to the supply chain. Many components come from overseas. Components could be manufactured in Wales. E.g. bricks used to be made in Wales. Now a national shortage of bricks.

Reinstate paragraph 6.2 of TAN 1.

7. PUBLIC SECTOR LAND

- a) **What, in your view, is the most effective mechanism for bringing forward public sector land for house building to enable the delivery of affordable homes?**

Public land would need to be brought forward at less than best value to enable the delivery of affordable homes. This has not happened. Public land that has been brought forward has been at full market value. Councils can no longer afford to provide land at reduced value to RSLs to provide affordable housing.

In areas where the Welsh Government has suitable land for housing development there should be a stronger relationship between Welsh Government Land Division, Welsh Government Housing Directorate and local authorities.

- b) **What are the best examples, in Wales or elsewhere, of public sector land being used to deliver imaginative/innovative housing developments which transform communities?**

Crick Road in Monmouthshire. Innovative partnership with partner RSL to deliver a dementia friendly new housing community together with a Dementia Care Home. In Newport – Mariner's Quay, Newport.

- c) **What standards for homes and communities should Welsh Government require for housing developments on public sector land?**

Housing that meets DQR and possible energy efficiency/zero carbon/energy positive standards.

8. CAPACITY OF PUBLIC SECTOR AND RSLs

- a) **What organisational efficiency, skills and financial capacity constraints exist within RSLs and local authorities?**

Monmouthshire County Council capacity is restricted due to the limited number of strategic housing staff and the associated skills, which at present sits with one person. A housing restructure, however, has recently been implemented which hopes to strengthen and increase the Council's strategic housing capacity.

Further training needs to be provided on the LHMA model and a associated data gathering. Austerity and local government cuts have diminished resources for many local authority housing functions resulting in reduced capacity and skills to undertake the necessary research and analysis.

RSLs suffering from a lack of qualified development staff in the sector and are having to pay higher wages to attract staff. Often poaching staff from other RSLs.

b) How can Welsh Government help address capacity constraints?

The Welsh Government needs to promote the value of the strategic housing function and its role in meeting statutory duties.

c) What measures can the sector take, including partnerships and collaborative working models, to share skills and combine resources in pursuit of increased supply?

Could WG/RSLs mentor and support SME's to help sustain their business and build it up slowly. Assistance with HR, Legal etc. They need SUPPORT not just grant/loans.

d) What other barriers, such as regulatory, infrastructure, services, if any, exist which impact on the capacity of these organisations to deliver more affordable homes at pace?

Welsh Water infrastructure - capacity issues in Monmouthshire and their infrastructure plan is not in sync with Monmouthshire's LDP. Broadband infrastructure is important in combating rural isolation and economic benefits.

e) What are the best examples of collaboration being used to collectively deliver affordable housing schemes?

Monmouthshire works well with their RSL partners and has a good record of affordable housing delivery.

9. USE OF EXISTING POWERS

a) How do we maximise the use of existing legal powers (of Local Authority, RSLs, Welsh Government/Welsh Ministers etc) to deliver affordable housing?

b) Are there areas where you believe they are not being used to full effect, and what would be your suggestions?

The EDMO facility is currently a very under-used mechanism for tackling empty homes. However, implementation is bureaucratic and would be expensive. It would be appropriate to review or develop an alternative and would be easier to use.

c) Should more be done to ensure existing empty homes are bought back into use to increase affordable housing supply?

Monmouthshire has recently analysed the approach taken to tackling empty homes. This has concluded that Monmouthshire does not have an empty property issue in the traditional sense as typified by headline news of rows of empty and dilapidated houses causing environmental issues, which may be found within other local authority areas

throughout Wales, especially those that have large towns. A typical empty property found in Monmouthshire can be characterised as:

- Owned by family members
- Being refurbished for the owner to occupy
- Being in sound condition and having no negative impact on its immediate environment
- A property that did not lend itself for affordable housing for various reasons such as being in a remote area; being too large and would command a high rent putting it far outside the parameters of what constitutes affordable housing

For the small number of properties in poor condition, these could be characterised as:

- A property having a slight impact on its immediate surroundings
- A property that has limited enforcement remedies available

For Monmouthshire the use of statutory enforcement power offers minimal use in an empty property market where there are no serious issues of neglect and deprivation, coupled to this is the often rural location. As a result, bringing empty properties back into use in Monmouthshire is extremely challenging, which is further compounded by staff capacity to regularly and proactively investigate empty homes and engage with owners.

10.LEVERAGING THE INVESTMENT POTENTIAL IN STOCK TRANSFER AND LA ORGANISATIONS

a) What is Major Repairs Allowance and Dowry delivering currently in terms of output and value for money?

- Monmouthshire Housing Association (MHA) currently use the Dowry for helping maintain its housing stock to meet WHQS and it is an integral part of its funding.
- In addition MHA uses the monies to assist in its delivery each year of all disabled adaptations requests it receives via Monmouthshire County Council.
- It uses the monies to help investment in upgrading non-traditional housing stock.
- Part of the money is used to help fund community benefit initiatives such as projects to assist tenants into employment.
- It has also been used and will continue to be used to assist in environmental improvements.

b) What can Welsh Government do to encourage/incentivise changes to the existing arrangements in relation to Major Repairs Allowance and Dowry?

- Welsh Government could choose to Increase the amount paid over a shorter time-frame e.g. MHA had a 26 year agreement for £2.6m Dowry per year. For the remaining 16 years it will be paid £41.6m. If MHA was offered £30m today it may agree as it is slightly more than a net present value (NPV) calculation of the future income stream based on a 5% discount rate. Similar calculations could be done over varying time-frames.

c) What, if any, are the barriers to reforming the current arrangements for Major Repairs Allowance and Dowry?

Any reforms proposed would need to be carefully considered as removal or changes to the Dowry would require funders consent, as it is an event of default in all LSVT loan agreements. This could allow funders to renegotiate loan arrangements and inevitably will increase funders' margins. This in turn will impact on RSL's ability to develop new homes and maintain existing stock at WHQS standards.

d) Social landlords are on track to achieve WHQS by 2020. What requirements should be in place to ensure the quality of the existing stock is maintained post 2020?

LSVT's produce annual compliance statements covering the state of its stock and this should continue and be subject to periodic check by WG and/or the organisations' Auditors.

Statistical returns are also completed currently by MHA and all stock owning landlords showing compliance with WHQS and these should be continued and monitored.

e) What standards for homes and communities should Welsh Government require for housing developments on public sector land?

DQR.