

Denbighshire County Council

Affordable Housing Task & Finish Group

Report back on conclusions and
recommendations



June 2015

1. Background

- 1.1 Affordable Housing is a key issue for the Council, and forms part of the Council's Housing Priority in the Corporate Plan. The Task and Finish Group was set up in response to concerns amongst Members about affordable housing policy and delivery. The Council's approach to delivering affordable housing was identified as a potential weakness by the Wales Audit Office in the Council's Annual Improvement Report May 2014 with a recommendation that the Council clarify its approach.
- 1.2 The Task and Finish Group has been co-chaired by the Lead Member for Customers and Communities and the Lead Member for Public Realm. Members from Scrutiny and Planning Committee sit on the group and the aim of the group is to review the approach to delivering affordable housing and make recommendations for improvement which will inform the Council's Draft Housing Strategy and future reviews of planning policy and guidance. The Task and Finish Group considered a range of affordable housing issues in depth, including defining affordable housing, planning policy approach, how affordable housing is accessed, demand and funding options. This report draws out the key conclusions and recommendations arising from the workshops.
- 1.3 Where appropriate the finalised recommendations will be reflected in strategies, plans and guidance relating to affordable housing. A note summarising the areas of discussion at each of the Task and Finish Group meeting is attached as Appendix 1.
- 1.4 The recommendations from the Task and Finish Group will form a key input to the on-going development of the Council's Housing Strategy and it has been proposed that the Housing Strategy should be reported to Council for consideration later this year. The Housing Strategy will provide the approach to addressing the Housing Priority in the Corporate Plan.

2. What is affordable housing?

"Affordable housing is housing provided to meet the needs of those who cannot afford general market housing, and is retained as affordable for the first and subsequent occupiers" (*Affordable Housing Supplementary Planning Guidance 2014*)

- 2.1 Affordable housing can be provided through a local authority, registered social landlord, private developer or via self-build. It can include social rented housing (affordable housing for rent which is provided by Local Authorities and Registered Social Landlords and has regard to Welsh Government's benchmark rents), intermediate rented (where rents are above those of social rented housing, but below market housing prices) and ownership schemes (including shared equity/

ownership, where a reduced proportion of the value of the property is bought and a proportion of the equity is retained by an RSL). Provision is not only through new-build it may also be through better use of the existing stock – this may be through changing the tenure or bringing empty homes back into use. Any affordable housing must have a secure mechanism to ensure that it remains affordable.

- 2.2 The planning system delivers affordable housing by requiring development for market housing to provide a percentage of the homes to be affordable for local people. Affordable Housing is also currently achieved through the use of WG funding, most commonly in the form of Social Housing Grant funding. This funding is used to help Registered Social Landlords deliver schemes for affordable housing. There are currently 5 RSLs who are able to access Social Housing Grant funding in Denbighshire and the funding is administered by the County Council.
- 2.3 Under the provisions of the LDP, affordable housing required under planning obligations is 10% across the county. House prices are still relatively low in the area and to have a higher threshold could be barrier to development, as this would make sites less commercially viable and the risk is even lower house building rates. There is provision in the LDP policy for this to be reviewed if house prices begin to rise and viability can be assured. Developers of between three and nine developments, where the policy does not allow for the provision of a house on site, must provide a financial contribution towards affordable housing.
- 2.4 Levels of development have been variable, with a peak in 2010/11 due to the completion of 59 extra care units in that year.

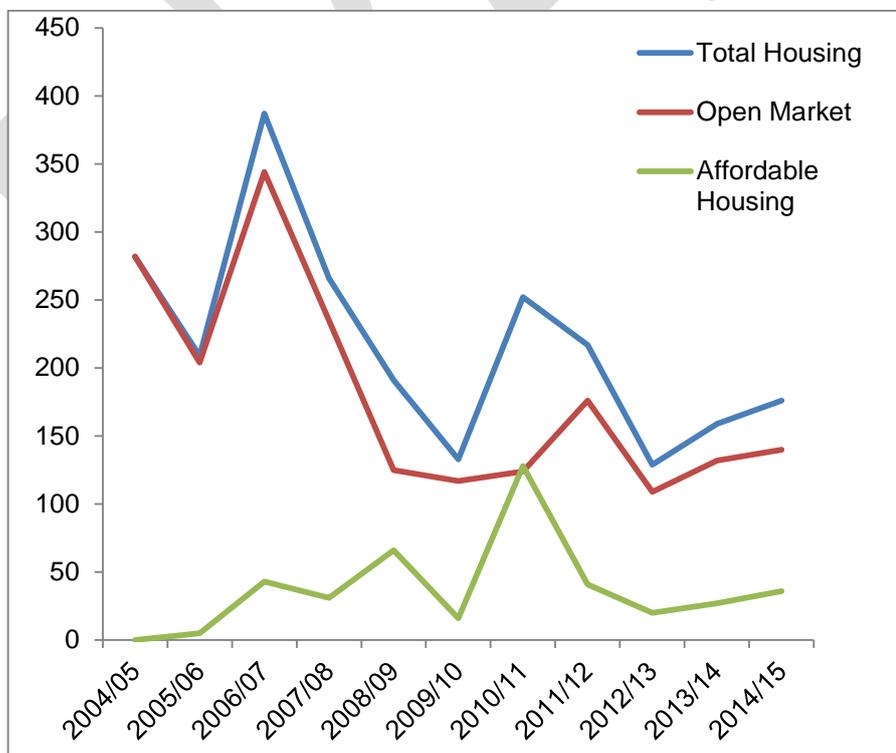
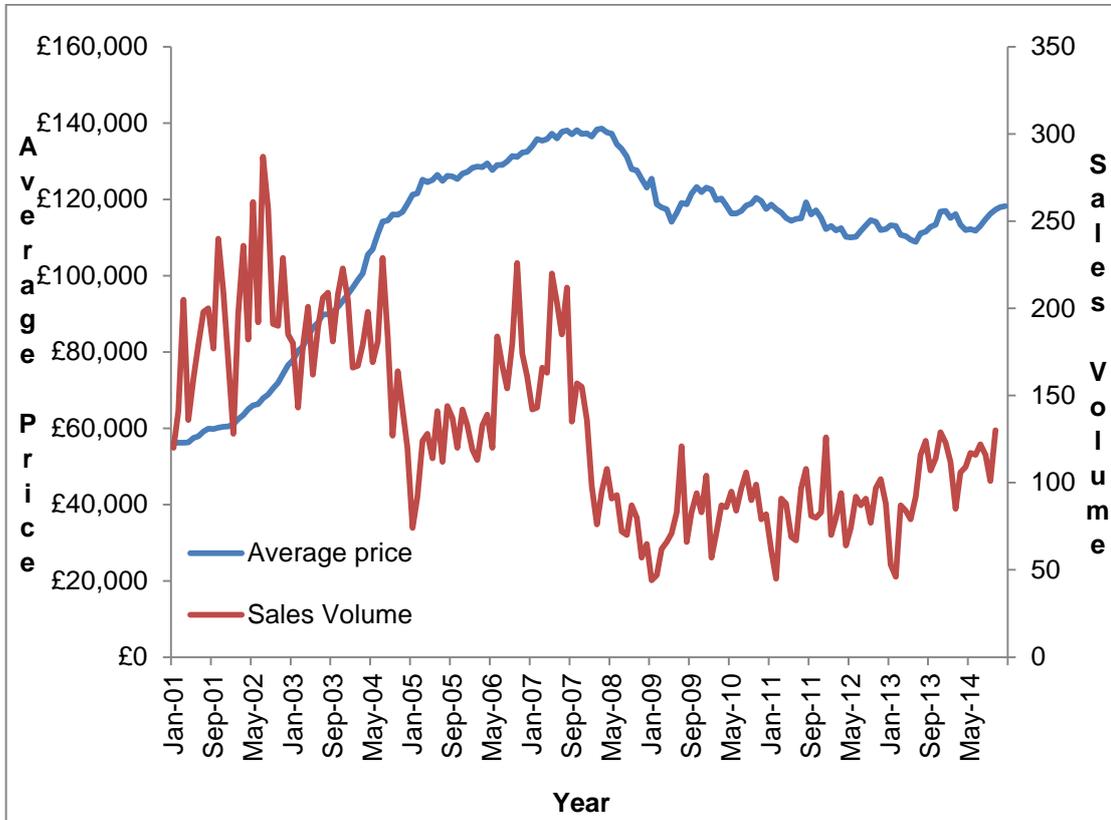


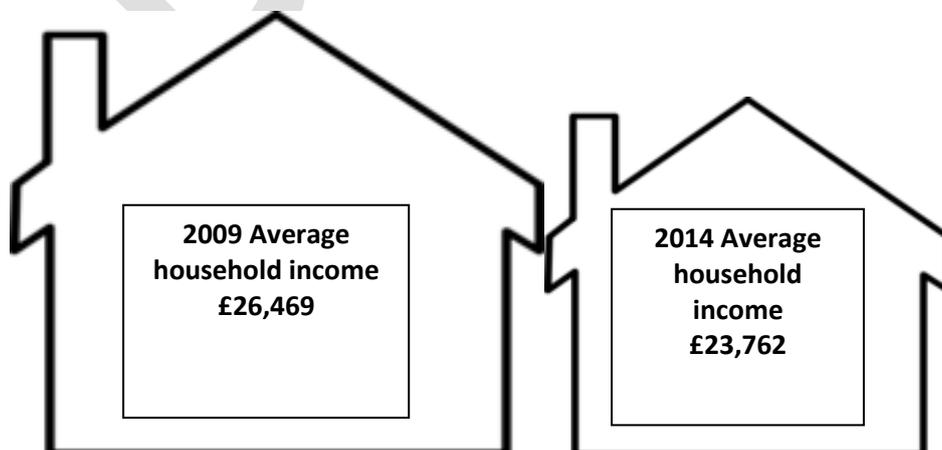
Figure 1: New Builds Completed in Denbighshire 2000/01-2013/14. Source: Denbighshire County Council

2.5 The 2007/08 financial crisis brought about a downturn in house prices, illustrated in the graph below. Over the course of 2014, Denbighshire has witnessed limited growth in sales prices and volumes, which may suggest a very slow improvement.



Average house prices and sales volumes in Denbighshire. Source: Land Registry. © Crown Copyright

2.7 The average household incomes in Denbighshire have decreased over the last 5 years by 10%, which means that despite decreasing house prices decreasing income levels mean that owning a home is out of reach for many households in the County.



Changes in average household income 2009-2014

Type of Tenure	Household Income Threshold		% of Households below the threshold	
	2011	2014	2011	2014
2 Bed 80% Market Rent	£13,000	£16,779	15.02%	35.09%
2 Bed 30% Discount for sale	£16,618	£16,639	24.75%	34.75%
2 Bed Open Market Rent	£16,293	£20,973	23.88%	44.62%
2 Bed Open Market for sale	£23,739	£23,770	43.59%	49.82%

2011 & 2014 Affordable Housing & Open Market Housing income thresholds in Denbighshire © CACI Paycheck © Hometrack

- 2.8 The affordability issues in Denbighshire are illustrated by the table above. The household income threshold figure is the annual household income required to afford each of the property types. The percentage of households below the threshold are those that are priced out of the market. The level of income needed to be able to afford to buy a two bed open market house in Denbighshire has not changed that much between 2011 and 2014, but as incomes have decreased this has had an impact on the number of households which are able to afford to meet their housing needs on the open market – either through renting or buying. Over 49% of households cannot afford to buy a 2 bedroom house on the open market. Any increase in house prices would worsen this situation.
- 2.9 The income level needed to be able to afford to rent a 2 bed property on the open market has increased significantly between 2011 and 2014. This is due to the increasing rental prices in the County. The percentage of households priced out of the private rental market has increased considerably between 2011 and 2014, from 23% (2011) to 44% (2014). Housing in Denbighshire has generally become less affordable between 2011 and 2014 and there is a need to address this issue.
- 2.10 There are currently **3597** households on the Council’s waiting list plus **245** on affordable register.

3. Key conclusions

- **There is a need for affordable housing across the County**
- **Current supply of affordable housing is not meeting the County’s needs**
- **Delivery of affordable housing will require some form of subsidy (through funding or reduced land values)**
- **Further action is required to improve the supply of affordable housing in Denbighshire**

4. Summary of Task & Finish Group Conclusions

- 4.1 The Task & Finish Group have met on a number of occasions and a number of key themes have emerged. The conclusions and recommendations from the Group's discussions are set out below:

Planning issues

- Contributions through the Planning System (whether actual affordable homes or financial contributions towards affordable housing) is only one method of delivering affordable housing. The amount provided is dependent upon the number of market houses built and, given currently low house building rates, has accounted for only a small proportion of the total amount of affordable homes delivered in the county in recent years.

Recommendation 1

Intervention by the Council is needed in bringing land forward and facilitating development of more housing, and therefore more affordable housing. The Council could play a key role in enabling development through gap funding stalled sites, purchasing off plan, underwriting development etc

- LDP policy BSC 4 applies a single percentage contribution across the whole county, which will increase county-wide once sale prices increase by 10%. There may be scope to vary the percentage contribution in different areas in the county and/or escalate the requirement at different times in each area, to reflect geographical differences in the financial viability of housing developments. This would require a review of LDP policies.

Recommendation 2

Review all LDP policies relating to affordable housing, in particular:

- **BSC 4 (Affordable Housing) – consideration should be given to possible approaches to increase the number of affordable homes provided, whilst ensuring market housing continues to be viable in the county. This could include applying variable percentage requirements across different areas of the county or increasing the percentage requirement, as linked to sale price increases, on an area (rather than countywide) basis.**
- **Further consideration should be given to the viability of self-build affordable housing and the implications for the policy approach to rural housing generally in the LDP.**

- LDP policy BSC 6 allows only affordable housing in hamlets, thus excluding local people who aren't in need of affordable housing from building a property in such locations.
- LDP policy PSE 4 restricts the conversion of redundant rural buildings to employment use and, if this is not viable, then affordable housing. Conversion of such buildings is costly and they are usually located in rural areas where access to services and public transport is limited. This has raised questions over the suitability of such buildings for affordable housing. Conversion to employment use in the first instance is a matter of national policy.

Recommendation 3

Review all LDP policies relating to affordable housing, including:

- **PSE 4 (Re-use and Adaptation of Rural Buildings in Open Countryside) – removal of the requirement to convert such buildings to affordable housing where an employment use has been demonstrated to be unviable. This should be replaced with conversion to market housing, after an employment use has been first considered. As an interim measure Supplementary Planning Guidance to allow for market housing should be introduced.**

- Developers can make a case for a reduced/nil contribution to affordable housing if they can demonstrate that provision in line with the policy would make the development financially unviable. In the case of phased developments or those which do not commence until several years after permission has been granted, this may mean developers benefit from any future uplift in market values which would have allowed some affordable housing to be provided.

Recommendation 4

A 'clawback' mechanism through Section 106 legal agreements should be introduced to apply after scheme completion. This could be applied to developments previously exempt from affordable housing provision on viability grounds but which subsequently makes greater profit than projected.

- LDP policy BSC 4 makes provision for financial contributions to be paid on smaller developments in lieu of on-site affordable provision, resulting in a greater number of smaller amounts of money being received by the Council. This must be spent on providing affordable housing. There is a need to consider how best these smaller sums can be spent and whether there is the opportunity to pool sums to enable larger projects.

Recommendation 5

Investigation of a wider range of possible options for spending commuted sums gathered in lieu of affordable housing units, and the local areas in which these can be spent. Particular consideration should be given to which initiatives can make best use of smaller amounts of money.

- The use of three different calculations for determining the amount of financial contributions required from developers can create confusion or complications. The calculations are based on build costs but other methods could be used.

Recommendation 6

The current calculations in the Affordable Housing SPG regarding commuted sums in lieu of on-site provision, financial contributions from developments of 3-9 dwellings and financial contributions from developments of 10+ dwellings should be reviewed, with a view to simplifying and/or reducing the number of different calculations.

- The method for deriving the value/resale price of an affordable property is linked to local incomes, which reflects local variations in affordability. However, this can give a high value in affluent rural areas where a small number of high earners can skew the local average. Concerns have also arisen from applicants for self-build affordable housing that this value is insufficient to cover the costs of construction.

Recommendation 7

Review the affordable value calculation, with consideration of implications across different housing market areas and self-build affordable housing.

- The occupation and resale of affordable housing is controlled via legal agreement ('Section 106' agreements). The wording and terms in these have tended to vary in each agreement due to individual circumstances, negotiation and the evolution of affordable housing policy and guidance. This has led to apparent inconsistencies and difficulties/delays in agreeing and discharging the terms of the agreement. Mortgage lending is also more restrictive for properties subject to s106 agreements and the terms of the agreement can affect the availability of mortgages for both initial and subsequent occupiers. The development of standard clauses which are acceptable to mortgage providers would ensure a consistent approach and would help to speed up the planning process.

Recommendation 8

A standard approach to legal agreements (Section 106 agreements) should be developed, working with mortgage providers, with a view to standardising terms and clauses, particularly those relating to resale and occupancy requirements.

Land availability

- The Council has some land holdings which may provide a resource for providing additional affordable housing. These holdings may not be located in the areas of highest need for affordable housing.

Recommendation 9

Undertake a review of public land holdings – both Council and other public bodies - to determine suitability and capacity for affordable housing development. This should include land within, or the redevelopment, of existing Council housing estates, farms, empty schools, rural buildings etc. A programme of potential affordable housing development sites should be developed.

- Council owned land is normally disposed of at best value which is not compatible with securing high levels of affordable housing.

Recommendation 10

A strategic approach should be developed regarding Council's land holdings to ensure the sale of sites in areas with limited housing need and reinvestment in purchasing land in areas where housing need exists. This should include acceptance of lower than market value on some sites to allow for a higher proportion of affordable housing to be delivered.

- Ample housing land has been allocated for development in the LDP but levels of delivery are low due to current economic conditions and viability. There is evidence that developers and landowners are not proceeding with development once they have received planning permission and are waiting for land values to increase – landbanking.

Recommendation 11

Investigate possible use of reduced commencement period conditions on planning permissions and review LDP allocations to encourage development & avoid landbanking by developers. Lobby Welsh Government to change legislation to require completion of development within a defined time period.

Funding

- Levels of public funding for affordable housing through Social Housing Grant have decreased over recent years and are unlikely to increase.
- However, a range of alternative ways of funding affordable housing are available, including ways to access cost effective borrowing to facilitate the affordable housing supply.

- HRA funding changes will provide new opportunities to access significant funding for building new affordable housing.

Recommendation 12

Alternative ways of funding affordable housing should be explored further. This could include consideration of opportunities arising from the HRA funding changes.

Recommendation 13

To establish a “development fund” for future land purchase by selling off land where there is no or little evidence of housing need.

Recommendation 14

To develop an affordable housing delivery programme utilising alternative and innovative ways of providing affordable housing, including ensuring best use of any available funding, such as S106 contributions, Social Housing Grant, HRA surpluses and any other funding which may be available.

Recommendation 15

A clear Business Plan should be developed that includes development of new housing by the Council, to set against the Council’s affordable housing target.

- Lessons can be learned from other local authorities who are applying innovative approaches to accessing funding to enable the improved delivery of affordable housing and further research should be undertaken to explore potential alternative mechanisms.
- There are a limited range of partners currently able to access funding which the Council currently work with.

Recommendation 16

To identify more key partners to take forward affordable housing whether it is new build and/or other mechanisms

Recommendation 17

Innovative mechanisms for delivering affordable housing should be explored further, such as joint venture schemes, pension fund investment, special purpose vehicles, establishment of a housing delivery company, community land trusts, co-operative models and community living programmes.

Eligibility

- There are currently low numbers of people on the Affordable Housing Register, thus this does not reflect the true need in the County. Awareness of affordable housing and the register is low.

Recommendation 18

To raise awareness of the affordable housing register and review the registration process

- There can be local resistance to new affordable housing developments due to negative perceptions about future occupiers.

Recommendation 19

To develop a publicity policy to ensure successful affordable housing schemes are fully publicised

Targets

- There are a range different targets and indicators currently used by the Council, (with varying targets applied by Welsh Government) some of which are not achievable, others are not challenging enough. There is a need to identify and clarify a longer term target that is viable and deliverable, whilst recognising the limitations on the Council's power to ensure delivery.

Recommendation 20

Affordable housing targets need to be reviewed and rationalised with a view to adopting a single target which is clear, challenging but achievable. This should be derived by developing a standard formula comprising:

Activity	Projected affordable homes delivered
RSL building programme	?
SHG available	?
Projected new build through the planning system (Housing Land Availability monitoring)	?
Commuted sums	?
Empty homes brought back into use projections	?
Any other supply	?
	=Total affordable homes projected

5. What happens next?

- 5.1 The conclusions and recommendations from Affordable Housing Task & Finish Group, together with the accompanying Action Plan will inform the development of Denbighshire's wider Housing Strategy and will form the basis of the Affordable Housing Theme, within the wider Strategy.
- 5.2 Partnership working with both internal services and external organisations, is fundamental to ensure the Council's aim of achieving increased delivery of affordable housing in the County to meet growing needs is met. We will continue to work closely with Registered Social Landlords to develop an Affordable Housing Delivery Programme, which will include a review of public land holdings and further work on funding & innovative delivery mechanisms, with clear targets for future affordable housing delivery.
- 5.3 The recommendations of the Task & Finish Group provide the basis for a clear and robust framework for the Council's future approach to affordable housing, bringing together housing, planning, finance, property services within the Council, together with external partners.

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Affordable Housing Task & Finish Group meetings

Affordable Housing is a key issue for the Council, crossing both Housing and Planning Strategy/Policy. It is also part of the Council's Priority in the Corporate Plan, "Ensuring access to good quality housing". Provision of Affordable Housing is a complex matter, with many components, and covers a number of Council Services, Lead Member Portfolios with input from external partners. The two relevant Lead Members with support from the Corporate Director and relevant Heads of Service concluded that a Member/Officer Task & Finish Group considering all matters relating to Affordable Housing was required.

The Group consisted of 8 Members, with support from Officers, and attendance includes external organisations as required. The remit of the Group was to consider all matters relating to the demand for Affordable Housing, the supply of Affordable Housing and access to and eligibility for Affordable Housing across the County. The final recommendations of the Group will influence the relevant planning policies and guidance associated with Affordable Housing, the Local Housing Strategy, the development of the Council's approach to the Corporate Priority "Ensuring access to good quality housing", and all other Council activities related (directly or indirectly) to Affordable Housing.

There have been 7 meetings of the Group with the conclusions and recommendations agreed at the final session held on 27th February 2015. A summary of the issues discussed at each meeting is set out below.

Session 1 (16th September 2014):

Definitions of, and introduction to, Affordable Housing

The Group discussed the definitions of Affordable Housing for the various Council and Welsh Government functions, and what doesn't constitute Affordable Housing. Analysis of the historical demand and provision for Affordable Housing in the county was also discussed.

Session 2 (23rd September 2014):

Supply of Affordable Housing through the private sector

This session focussed on the mechanisms for securing Affordable Housing through private developers, the planning system and other initiatives. The Group discussed the national and local planning policy framework for Affordable Housing, house price and building rates statistics, the use of commuted sums in delivering Affordable Housing and the contribution through the Council's Empty Homes project. Issues specific to rural areas, the calculation of an affordable sale price and the importance of development viability were also considered.

Session 3 (9th October 2014):

Supply of Affordable Housing through the public sector

This session focussed on the role of traditional 'Council housing', Registered Social Landlords, Welsh Government funding and other public funded initiatives in providing Affordable Housing. The Group also considered the various tenures and types of Affordable Housing being provided (including extra care schemes, specialist units etc.)

Session 4 (24th October 2014):

Access and eligibility for Affordable Housing

This session considered who is eligible for Affordable Housing and the requirements to access such housing. This included a presentation from the Affordable Homes Manager at Grwp Cynefin, who

manage the Affordable Housing register on behalf of Denbighshire County Council. The Group discussed the use of commuted sums in lieu of on-site Affordable Housing, promoting/advertising the register to the public and issues around mortgage access for Affordable Housing.

Session 5 (28th November 2014):

Planning issues around Affordable Housing

This session focussed on the national and local planning policies and guidance around securing Affordable Housing through the planning system (i.e. from private developers), on-site v off-site provision of Affordable Housing, and how commuted sums and affordable values are calculated. The Group also discussed the specific issues around delivering Affordable Housing in rural areas and possible planning approaches to tackle these.

Session 6 (27th January 2015):

Barriers and solutions to delivering Affordable Housing

This session focussed on land supply and funding as the two main barriers to meeting the need for Affordable Housing, and possible options to address these going forward. The Group discussed the process of target-setting for delivering Affordable Housing, the role of public sector land and organisations in delivering affordable homes and various mechanisms to achieve this.

Session 7 (27th February 2015):

Conclusions & recommendations

This session brought together the Group's conclusions and recommendations to be reported to Cabinet Briefing.

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MEMBERSHIP & ATTENDANCE AT AFFORDABLE HOUSING TASK & FINISH GROUP MEETINGS

		16/9/14	23/9/14	9/10/14	24/10/14	28/11/14	27/1/15	27/2/15
Lead Member	Cllr. David Smith	✓	✓	✓	✓	✓	✓	✓
Lead Member	Cllr. Hugh Irving	✓	✓	✓	✓	✓	✓	
Partnerships Scrutiny	Cllr. Jeanette Chamberlain-Jones	✓	✓	✓		✓	✓	✓
	Cllr. Merfyn Parry (substitute)							
Communities Scrutiny	Cllr. Cefyn Williams	✓	✓	✓	✓	✓	✓	✓
	Cllr. Rhys Hughes (substitute)							
Performance Scrutiny	Cllr. Colin Hughes	✓	✓	✓		✓		
	Cllr. Geraint Lloyd-Williams (substitute)							
Planning Committee	Cllr. Raymond Bartley	✓	✓	✓	✓			
	Cllr. Win Mullen-James (substitute)	✓			✓			
	Cllr Rhys Hughes	✓	✓	✓				
	Cllr. Stuart Davies (substitute)							✓
	Cllr. Peter Owen	✓	✓	✓	✓	✓	✓	✓
	Cllr. Joan Butterfield (substitute)	✓						

Denbighshire County Council
Task & Finish Group Terms of Reference
Affordable Housing

Introduction:

Affordable Housing is a key issue for the Council, crossing both Housing and Planning Strategy/Policy. It is also part of the Council's Priority in the Corporate Plan, "Ensuring access to good quality housing".

Provision of Affordable Housing is a complex matter, with many components, and covers a number of Council Services, Lead Member Portfolios with input from external partners. The complexity and Member interest was highlighted at Planning Committee in May when Members were presented with the Supplementary Planning Guidance (SPG) on Affordable Housing and again in June when the Draft Local Housing Strategy was presented to Council Briefing.

The two relevant Lead Members (Cllr David Smith and Cllr Hugh Irving) with support from the relevant Corporate Director (Rebecca Maxwell) and the two relevant Heads of Service (Graham Boase and Peter Mchugh) concluded that a Member/Officer Task & Finish Group looking at Affordable Housing was required. This approach was endorsed during the Council Briefing discussion in June on the Local Housing Strategy.

This paper represents the Terms of Reference for the Task & Finish Group, as agreed by the 2 relevant Lead Members.

Membership:

The Task & finish Group shall comprise of 8 Members as follows;

- Lead Member Public Realm

- Lead Member Customers & Communities

- Chair of Planning Committee

- 2 Members nominated by Planning Committee (in addition to the Chair of Planning Committee)

- 1 Member nominated by Partnership Scrutiny

- 1 Member nominated by Performance Scrutiny

- 1 Member nominated by Communities Scrutiny

The Task & finish Group will be co-chaired by the two Lead Members.

Officers supporting the work of the Task & finish Group will be Rebecca Maxwell, Graham Boase and Peter McHugh. Other Officers will attend as and when required.

Remit:

To consider all matters relating to the demand for Affordable Housing, the supply of Affordable Housing and the use of Affordable Housing across the County.

The work of the Group should therefore influence the relevant planning policies and guidance associated with Affordable Housing, the Local Housing Strategy, the development of the Council's approach to the Corporate Priority, "Ensuring Access to good quality housing", and all other Council work related, directly or indirectly, to Affordable Housing.

The Group will meet on 6 occasions, unless the 2 Lead Members consider additional sessions are required.

The 6 sessions should be held over a 3 month period starting September 2014 and concluding in November 2014 (i.e. ideally there will be 2 sessions per month for 3 months). The Sessions shall be as follows;

Session 1:

Statistical analysis of historic provision/demand of Affordable Housing.

Set a clear definition of what Affordable Housing is (and what it isn't)

Session 2:

Look at the supply of Affordable Housing through the "public sector" (e.g. existing Council Housing, possible new Council Housing, Welsh Government funding, Council funding initiatives Registered Social Landlords etc).

Session 3:

Look at the supply of Affordable Housing through the "private sector" (e.g. private developers, Planning controls/initiatives, etc)

Session 4:

Look at access and eligibility, so who can currently access Affordable Housing, how do they access Affordable Housing, what are the "local" initiatives, are certain parts of our society not being catered for etc.

Session 5:

A "reserve" session to pick up on issues not currently anticipated or picked up in Sessions 1 – 4.

Session 6:

Draw together broad conclusions, make recommendations on how to proceed etc.

Prior to each Session Graham Boase and Peter Mchugh will ensure a set of papers are circulated to Members of the Group for their consideration, ensuring a balance is struck between providing Members with appropriate information, while not over burdening Members with reports, paperwork etc .

The Sessions should be informal, and focussed on the topic of the day. Members and Officers should challenge each other on the relevant issues so there is a full understanding of the legislative/statutory requirements, the local issues facing residents of Denbighshire and the concerns of Members in terms of addressing the local concerns and making appropriate decisions.

Reporting:

As a Task & Finish Group, the Group have no powers to make decisions that influence policy/procedures, however the Group have an important role to play in making clear recommendations on improvements and how those improvements should be delivered. The conclusions/recommendations of the Group will therefore influence a number of areas, not least the Draft Local Housing Strategy, Planning Policy and Guidance and the Corporate Priority, "Ensuring access to good quality housing". Formal decisions on any recommendations from the Group will therefore need to be made through the appropriate channels such as reporting to Council, Cabinet, Planning Committee, Lead Member Delegated Decisions etc. There is also likely to be a role for the LDP Steering Group, Scrutiny etc in moving certain recommendation forward.

It is suggested at this stage that the Group present its findings, conclusions, and recommendations to the first Council Briefing in 2015.

In this regard therefore it is considered appropriate to wait until the Group has concluded before the Council adopts the Local Housing Strategy and before Planning Policy/Guidance

on Affordable Housing is amended. Appropriate Forward Work Programmes should be amended to reflect the reporting timelines of this Group.

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