



**POLICY AND RESOURCES SCRUTINY COMMITTEE –  
21ST JANUARY 2014**

**SUBJECT: OUTLINE OF A MODEL FOR INCREASING AFFORDABLE HOUSING PROVISION**

**REPORT BY: ACTING DIRECTOR OF CORPORATE SERVICES AND SECTION 151 OFFICER**

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**1. PURPOSE OF REPORT**

- 1.1 To seek Members views on proposals to approval to progress a partnership for increasing housing supply within the County Borough and highlight pertinent corporate issues that will inform this decision. Officers consider that such a model will assist in mitigating the impact of welfare reform.

**2. SUMMARY**

- 2.1 This report outlines a model for delivering affordable housing on Council owned land. If adopted the model should deliver a wide range of housing in partnership with United Welsh Housing Association and the Seren Group.

**3. LINKS TO STRATEGY**

- 3.1 The contents of this report link to the following key strategic objectives
- 3.2 *“Ensure an adequate and appropriate range of housing sites are available across the County Borough in the most suitable locations to meet the housing requirements of all sections of the population” (Objective 9 of the Local Development Plan)*
- 3.3 *“To meet housing requirements through the provision of a range of good quality, affordable housing options.” (Aim 5: Affordable Housing – CCBC Local Housing Strategy 2008 - 2013)*
- 3.4 *“To promote sustainable and mixed communities that are located in safe and attractive environments.” (Aim 11: Community Regeneration - CCBC Local Housing Strategy 2008 - 2013)*

**4. THE REPORT**

- 4.1 Caerphilly County Borough Council aims to ensure that everyone in the County Borough has access to a good quality home that meets his or her housing requirements. Communities should be mixed, balanced and sustainable, and a choice of housing that is affordable to the local population is vital in achieving this. The cost of buying and renting a house at market value is greater than many on low incomes can afford, and consequently intervention is needed to provide ‘affordable housing’ through other mechanisms.

- 4.2 On 11th November 2008 Caerphilly County Borough Council adopted a local housing strategy for the period 2008 – 2013 entitled *People, Property Places – A Local Housing Strategy for Caerphilly County Borough*. In this document, the Council established its commitment to increasing the supply of good quality affordable housing for the County Borough.
- 4.3 Members are reminded that, under the Welsh Government's Social Housing Grant funding programme, Housing Associations (also known as RSL's) are zoned to operate in specific local authority areas for affordable housing development. There are four zoned RSL's within the county borough. These are:-
- United Welsh Housing Association,
  - Seren Group,
  - Linc Cymru, and
  - Wales and West Housing Association.
- 4.4 Wales and West Housing Association and Linc Cymru have chosen not to work in partnership with the Council on the Council's affordable housing development programmes. As such, this Council's currently zoned housing association partners are United Welsh, operating in the western valley and Seren, operating in the eastern valleys.
- 4.5 In accordance with WG guidance, the Council, in partnership with these RSL's, commissioned a Local Housing Market Assessment (LHMA). The assessment, which was completed in late 2007, provides a better understanding of the local housing market, the key drivers of local housing demand and supply and the level of affordable housing need within the County Borough. It forms a key part of the robust evidence base to inform the development of housing and planning policies.
- 4.6 The LHMA assessed the backlog of housing need, current need and newly arising need in the context of the supply of affordable housing. As part of the ongoing commitment to ensure the evidence on affordable housing remains up to date, key elements of the LHMA are updated on an annual basis. The 2012 LHMA Update found that in the County Borough there is a shortfall of 535 affordable housing units per annum. This shortfall of affordable housing is a significant issue facing residents in the county borough.
- 4.7 In addition to the requirement to undertake the LHMA, the Council as the local planning authority must ensure that sufficient land is genuinely available to provide a 5-year supply of land for housing. Technical Advice Note (Wales) 1: Joint Housing Land Availability Studies (2006) (TAN1) requires the preparation of annual Joint Housing Land Availability Studies (JHLAS). The purpose of the JHLAS is to:-
- Monitor the provision of market and affordable housing;
  - Provide an agreed statement of residential land availability for development planning and control purposes; and
  - Set out the need for action in situations where an insufficient supply is identified.
- 4.8 The 2010/11 and 2011/12 JHLAS both indicate that using the methodology prescribed in guidance that land supply in Caerphilly County Borough has been 4.3 years and 3.5 years respectively falling short of the required 5 years required by guidance. Furthermore the 2012 JHLAS indicates that future completions rates are likely to continue at a low rate, averaging 442 units per annum, compared to the expected average annual requirement figure of 575. If this trend continues for the remainder of the LDP plan period there is a very real danger that insufficient market and affordable housing will be delivered to meet the needs of residents.
- 4.9 Monitoring through the Caerphilly County Borough Local Development Plan Annual Monitoring Report (AMR) also indicates that affordable housing generally is not being delivered at the rates needed to address the shortfall for affordable homes identified in the LHMA update, or to meet the affordable housing target contained within the adopted

Caerphilly County Borough Local Development Plan (LDP). This is unsurprising given that housing generally is not being delivered at expected rates. The downturn in the economy has had a marked effect on house building rates and therefore on the delivery of affordable housing. Viability continues to be a major issue in overall house building and this has an adverse impact on the levels of general market and affordable homes that are being delivered.

- 4.10 In addition to these challenges, the changes in benefits introduced by the UK Government via the Welfare Reform Act 2012 and Localised Finance Act 2011 introduce significant changes to the welfare system which have implications for people and communities across Wales
- 4.11 The Council established a Programme Board in July 2012 to oversee projects that would prepare the authority and its residents for the changes. There are over 2,000 households that will be affected by the changes. Whilst the Local Authority has and continues to work with its partners to deliver affordable housing we have seen a reduction in the main funding stream for affordable housing development (Social Housing Grant). As a result, we need to look at more innovative ways to deliver affordable housing.
- 4.12 TAN1 indicates that where the land supply falls below the 5-year requirement that the local planning authority must take steps to increase the supply of housing land. Options include:-
- a) reviewing the local development plan,
  - b) expediting planning applications,
  - c) releasing land in its ownership; and
  - d) exploring other mechanisms to secure the release of land for housing to increase the housing land supply.
- 4.13 These options are considered further in Appendix 1: Options Appraisal
- 4.14 In summary, Officers consider that:-
- a) reviewing the local development plan (**Option 1**) is unlikely, in isolation, to be able to drive an increase in the construction of affordable housing.
  - b) expediting planning applications (**Option 2**) will not be able to drive an increase in the construction of affordable housing beyond rates specified in the LDP.
  - c) releasing land in the Council's ownership (**Option 3**) will not drive such an increase without collateral reductions in sale prices.
    - It should be noted that officers are already in discussion with zoned partners to try and bring forward Greenhill Primary School, Gelligaer (allocated in the LDP as allocated housing site HG1.37) and Cwm Ifor Primary School, Caerphilly (HG1.70) to provide affordable housing, and it should be pointed out in this context that the partnerships with Seren and United Welsh will, by the end of this financial year, have made a total investment into Caerphilly of around £80m, delivering over 1,000 new homes since 2007.
    - entering into a partnership (**Option 4**) for the delivery of new homes in the short to medium term will
    - increase housing supply in the county borough, whilst influencing both financial and social value, and,
    - subsequently, directly facilitate the development of additional affordable homes within the county borough
- 4.15 If members are minded to approve the principle behind Option 4, a supplementary report will be brought back to Cabinet, as soon as practicable, with details of the proposed site(s), numbers of houses to be provided, expected returns and a description of success measures.

## **5. EQUALITIES IMPLICATIONS**

- 5.1 An EqIA screening has been completed in accordance with the Council's Equalities Consultation and Monitoring Guidance and no potential for unlawful discrimination and for low level or minor negative impact have been identified, therefore a full EqIA has not been carried out.

## **6. FINANCIAL IMPLICATIONS**

- 6.1 It is important to recognise that, by investing its own sites into such a scheme for residential development (although it will be at current market value) the Council *might* ultimately achieve a lower level of receipt than *might* be available in the future as market conditions improve, because the "receipt" will be a mix of capital now, revenue and future capital.
- 6.2 It should, however, be noted that the Council will receive a revenue stream that can be reinvested into more demanding sites, thereby contributing towards the regeneration of areas where private sector housing has reduced due to current market conditions
- 6.3 It is also important to consider the wider economic benefit of stimulating the housing market and balance this against any *potential* for an increased capital receipt; in this context there is no conflict with the requirements of s123 (of the Local Government Act 1972) not to dispose of land for a consideration less than the best that can reasonably be obtained.
- 6.4 Members are advised that more detailed financial information will be made available in the further report referred to in paragraph 4.15 above, which will look at proposed sites and schemes.

## **7. PERSONNEL IMPLICATIONS**

- 7.1 There are no personnel implications.

## **8. CONSULTATIONS**

- 8.1 There are no views expressed that have not been incorporated into the report.

## **9. RECOMMENDATIONS**

- 9.1 The Regeneration and Environment Scrutiny Committee is asked for its views on the following recommendations before they are submitted to Cabinet for consideration:-
1. The principle of entering into a Building Agreement (and subsequent sale or lease) for increasing the provision of affordable housing within the County Borough, in partnership with United Welsh Housing Association and the Seren Group, is approved
  2. A further report is presented, as soon as practicable, with details of the proposed site(s), numbers of houses to be provided, expected returns and a description of success measures pursuant to paragraph 4.15.
  3. Final approval of those detailed terms, for the purposes identified in the report, is delegated to the Head of Performance and Property Services, in consultation with Head of Corporate Finance.

## **10. REASONS FOR THE RECOMMENDATIONS**

- 10.1 Through the reduction in general house building rates in the County Borough and reductions in Welsh Government funding for affordable housing, the Council has been required to look at alternative models to continue to meet the housing needs within our communities. Whilst the primary aim of the model is to deliver affordable housing for the residents of the county borough, the development of such schemes will provide wider economic benefits through the delivery of jobs and training opportunities for local people.
- 10.2 To ensure we carry out our services effectively and to ensure value for money in the service provision.

## **11. STATUTORY POWER**

- 11.1 Local Government Acts 1972 and 2000, and Local Government Act 1972: General Disposal Consent (Wales) 2003". This is a Cabinet Function.

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Background Papers:  
Consultant Report – Peter Thomas (Consulting) Limited

Appendices:  
Appendix 1 Options Appraisal  
Appendix 2 Basis of Value  
Appendix 3 Local Housing Market Assessment Update 2012