

# CYNGOR GWYNEDD CABINET



## Report to a meeting of the Cyngor Gwynedd Cabinet

<b>Date of meeting:</b>	13 June 2023
<b>Cabinet Member:</b>	Councillor Craig ab Iago
<b>Contact Officer:</b>	Carys Fôn Williams, Head of Housing and Property Department
<b>Title of Item:</b>	Review of the Cyngor Gwynedd Housing Action Plan

### 1. THE DECISION SOUGHT

- 1.1. To approve the financial additions to individual projects within the Housing Action Plan as noted in the table in paragraph 6.4 of this report.
- 1.2. To approve the amendment to the original business case for borrowing in order to buy houses to let to local residents, approved by the Cabinet at its meeting on 16 February 2021, by using £5.6m of the Council Tax Premium.

### 2. THE REASON FOR THE NEED FOR A DECISION

- 2.1. No formal decision has been made to date on how to use the additional finance from the Council Tax Premium on Second Homes and Long-term Empty Dwellings when a decision was made to increase the Premium from 50% to 100%, operational from April 2022. Receiving guidance will enable us to proceed to carry out further work before submitting a report for Cabinet approval at the first opportunity.

### 3. BACKGROUND AND CONTEXT

- 3.1. At its meeting on 15 December 2020, the Cabinet approved the Housing Action Plan 2020/21-2026/27 - a plan which includes 33 projects across five key fields in order to ensure that the people of Gwynedd have a suitable, affordable and quality home.
- 3.2. The Plan is based on the income from the Council Tax Premium at its original rate of 50%, before any decisions were made to increase it further.
- 3.3. At its meeting on 2 December 2021, the Full Council resolved to increase the Council Tax Premium on Second Homes from 50% to 100%, which means that around £20m in additional finance is available for the housing plans over the Plan's lifespan.
- 3.4. However, no decision has been made to date on how to allocate that income between specific projects in the housing field.
- 3.5. The principles of the Well-being of Future Generations (Wales) Act 2015 were a central consideration when preparing the original Action Plan and the principles and the 'Five Ways of Working' continue to be an integral part of the plans to respond to and meet the housing needs of the people of Gwynedd, sustainably and

without undermining the well-being of people in the future. The proposed plans continue with the proposal to work innovatively and preventively in an attempt to reduce and avoid problems from evolving in the future.

#### 4. THE SUCCESSES AND HIGHLIGHTS OF THE HOUSING ACTION PLAN TO DATE

4.1. The Housing Action Plan has now existed for two years and is making good progress, and a number of projects are already coming into fruition and helping the people of Gwynedd to find a home in their community. The following table gives an overview of what has been completed and the number of units in the pipeline. Further details on the plans in the pipeline can be seen in Appendix 1.

4.2. As can be seen from the table, some of the main successes to date include:

- **Buy to Let Scheme:** Eight houses have been purchased and after carrying out essential repairs/upgrading work, there is potential for up to 32 individuals to benefit from these houses. Five other purchases are in the pipeline, and another four have been identified for purchase, with continuous work taking place to identify further suitable properties. The Department managed to attract a grant of approximately £3m from the Welsh Government to use in order to bring empty properties back into use and this source was used to fund the eight houses that have already been purchased, and the other six that are to come.
- **Homebuy Scheme:** Since this new-look scheme was launched in September 2022, there has been considerable interest in it, with four families having completed a purchase, 15 applications approved and another six at different steps in the process, in locations across Gwynedd.
- **Empty housing schemes:** 104 empty houses have come back into use across Gwynedd as a result of support such as the empty houses grants for first time buyers (scheme 3dd). Scheme 3e, which offers an additional exception of one year for first-time buyers to carry out essential refurbishment work has also been very successful, with 120 exceptions approved to date.
- **Construction of social housing:** Since the commencement of the Housing Action Plan, 173 social houses have been erected across Gwynedd, with a budget of £9.4m (2021/22), £12.3m (2022/23) and £13.5m (2023/24). A total of 88 are currently under construction (since April 2021) and another 113 have been earmarked to commence in the coming year. As a result of the Council's success in this field, we managed to attract further monies from the Welsh Government for social housing construction schemes as a result of the underspend of other authorities, with an additional £1.1m to the budget attracted in 2021/22.
- **Mental Health Support**  
The Department has collaborated with Betsi Cadwaladr University Health Board to establish a provision to support individuals who are at risk of becoming homeless due to mental health issues, to continue living in their homes. Two officers - one working for the Health Board, and the other working for the Council, have successfully assisted five individuals over the past months, and are currently supporting 40 other individuals at present.

	Description	Target number of units	Completed units	Units in the pipeline	Target number of Individuals	Individuals assisted	Original funding	Committed funding
1a	Supported housing for the homeless	38		22	0		£4,000,000	
1b	Supported housing for homeless young people (Lle Da)	5		4	0		£970,000	
1c	Self-serviced units for individuals with intensive social needs	5			0		£500,000	
1ch	Support packages for private landlords to house homeless individuals	100	19	14	0	35	£600,000	£72,372
1d	Specialist mental health support	0		40 people	200	5	£240,000	£45,158
1dd	Accommodation and extra support in Arfon	6			0	0	£300,000	£ -
2a	Construction of more social housing than what can be funded through the social housing grant (SHG)	500	173	88	0	-	£22,950,000	£27,701,648
2b	Redevelopment of the Polish Home site in Penrhos	95			0		£ -	£ -
2c	Purchase of former social housing and renting them to Gwynedd residents ( <i>combined with 3b</i> )	72			0		£10,000,000	£ -
3a	Develop our own housing in order to increase the opportunities for Gwynedd residents to compete in the housing market	100		10	0		£3,800,000	£ -
3b	Purchase private housing	36	8	9	0	32	£5,400,000	£1,775,885
3c	Consult with communities in order to establish their housing needs	0			0		£150,000	
3ch	Refusing applications to remove a local person condition on former 'Council houses'.	20	19	20	0	19	£ -	£ -
3d	Self-build plots	6			0		£30,000	
3dd	First Time Buyers' Grants to renovate empty houses	250	38	25	0	69	£4,000,000	£465,965
3e	Council tax exemption on empty houses	0		19 people	120	120	£200,000	£106,451
3f	Homebuy scheme	100	5	33	0	21	£3,000,000	£399,240
3ff	Finding and purchasing building land for the future	0			0	0	£1,200,000	£207,931
3g	Residential element in community regeneration schemes	12			0		£600,000	
3ng	Offering support to owners who wish to let or sell their houses to local people.	0			0		£ -	
4a	Set up a new Energy Conservation service for home-owners	0			0	1671	£500,000	£137,510
4b	Innovative housing pilot scheme	4	4	1	0	3	£600,000	£868,191
4c	Fund the financial deficit in the business cases of innovative housing	0			0		£1,200,000	
5a	Supported Housing - youth	4			0		£500,000	
5b	Extra Care Housing - older persons	72		<i>purchase of land</i>	0		£3,000,000	
5c	Penygroes Health Hub	28			0		£3,500,000	
5ch	Supported Housing - adults with profound needs	15			0		£400,000	
5d	Suitable homes for children with severe physical needs	15		17	0	0	£1,200,000	
5dd	Frondeg, Caernarfon	17			0		£200,000	
5e	Interest-free loans to improve housing conditions	0	7	2	25	20	£250,000	£54,403
5f	Home Safety	0		10	2000	2260	£600,000	£200,000
5ff	Modifications to make houses suitable homes for individuals with disabilities	0	319		900	319	£7,200,000	£2,380,207
6	One-stop shop for Housing matters	0			0		£480,000	
		1496	592	313	3245	4574	£77,570,000	£34,414,961

## 5. WHAT HAS CHANGED SINCE THE ORIGINAL PLAN WAS DRAWN UP?

5.1. By increasing the premium from 50% to 100%, the hope was that we would be able to achieve considerably more than what was included in the Housing Action Plan in its current form. However, we live in a completely different world to what existed before the pandemic, and three substantial changes mean that the cost of delivering what is included in our existing Plan has increased immensely. Therefore, a substantial proportion of the new income will need to be earmarked in order to address that increase, instead of directing it towards achieving new things. The three changes are detailed as follows:

### a) The national financial situation

- 5.2 Since the Housing Action Plan was launched originally in April 2021, there has been substantial inflation in construction costs and labour and materials costs (such as timber, steel, cement, etc.), as a result of national circumstances beyond our control in Gwynedd.
- 5.3 On average, construction costs have increased by around 30%, and this is seen as the Department tenders for contractors to deliver projects within the Housing Action Plan as well as in every construction plan in other fields.
- 5.4 Although the market has stabilised somewhat recently, the costs remain substantially higher than they were when the Housing Action Plan was originally put together.
- 5.5 Interest rates have also increased since the original Plan was drawn up, which affects the projects where we had intended to borrow the funding in order to deliver, such as projects 2c and 3b (buy-to-let schemes).
- 5.6 The table below shows how borrowing £150,000 over 50 years has changed since the original Plan was drawn up:

	Interest rate at the time	Interest repayment costs	Increase
<b>Original</b>	1.7%	£70,000	
<b>Today</b>	~4.7%	£224,000	+220%

### b) Swift increase in house prices over the pandemic period

5.7 Alongside an increase in construction costs, house prices across Wales have increased substantially over the past two years, and when comparing December 2020 (when the Cabinet approved the Housing Action Plan), with December 2022, a marked increase can be seen:

Description	December 2020	December 2022	Increase (%)
<b>Gwynedd</b>			
Average house price ( <b>Gwynedd</b> )	£176,279	£216,789	+23%
House price for First-time Buyers on average ( <b>Gwynedd</b> )	£154,069	£189,544	+23%
<b>Wales</b>			
Average house price ( <b>Wales</b> )	£181,274	£222,041	+22.5%

House price for First-time Buyers on average ( <b>Wales</b> )	£156,372	£191,607	+22.6%
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*\*Figures to be seen in: UK House Price Index (data.gov.uk) (accessed 29/03/2023)*

5.8 This (as well as the above-mentioned increase in interest rates), significantly affects the project to buy open market houses and let them to local residents.

### **c) Astonishing increase in the number of homeless people across the country**

5.9 In the original plan, homelessness was identified as one of the five housing priority fields and it was said that we would aim to develop 38 supported accommodation units for the homeless (scheme 1a).

5.10 However, following the Covid-19 pandemic, legislative changes in terms of who is entitled to homelessness support, the end of the Welsh Government's Hardship Fund, the pressures on families as a result of the cost-of-living crisis and landlords' decision to end tenancies in order to move into more profitable markets, the pressure on the Department's Homelessness Service has increased massively. For example, between the 2019-20 and 2021-22 financial year, an increase of 48% was seen in homelessness presentations as well as a 186% increase in the numbers staying in temporary accommodation, and we anticipate that the data for 2022-23 will remain high.

5.11 Another factor that contributes to the increase in homeless numbers is the increase in the number of second homes and holiday homes in the county. If local people cannot buy houses, they are unable to obtain tenancies in social housing or in the private sector, which in turn leads to pressure on homelessness services when no housing stock is available to meet the demand.

5.12 Therefore, in terms of the homelessness schemes in the Housing Action Plan, the 38 units that were originally planned for as a part of project 1a will not meet the demand that we are facing.

5.13 Responding to the demand for accommodation for the homeless has been one of the main priorities of the Housing Action Plan since its formation, but now, there is no escaping the fact that we will need to prioritise this field even more over the coming two or three years.

5.14 When considering the Premium level for 2023/24 at its meeting on 1 December 2022, the Full Council resolved to increase the level of the Premium from 100% to 150% and it was agreed to earmark any additional Premium generated to assist to deal with the substantial overspend in the homelessness field. It is hoped that this additional money will not be required once our capital plans bear fruit, and therefore the demand for this will reduce over the years.

5.15 Nothing in the Full Council's decision on 1 December 2022 stipulates that all of the 100%-150% Premium generated must be spent on homelessness revenue expenditure, and when we see homelessness costs reducing over the coming years, the remaining money will be available to fund the Housing Action Plan. The actual position will remain under continuous review by the Finance Department and it will be possible to amend the contributions to the Council Tax Premium Fund in line with the situation as it emerges.

## 6 EARMARKING THE ADDITIONAL FUNDING

- 6.2 As a result of the increase in the available funding, and in light of the three above changes, there is a need to review the content of our Housing Action Plan.
- 6.3 It is inevitable that we will need to reconsider the priority afforded to individual projects within the Housing Action Plan and revisit some of the original business cases. The additional funding also gives us the opportunity to achieve even more in this priority field.
- 6.4 The table below includes plans where it is recommended to earmark more premium/grant funding against them only and a table with all of the Plan's projects with the Premium set against them can be seen in Appendix 2.
- 6.5 We must bear in mind that the Premium is only one funding source among many, and the amount earmarked below does not correspond to all funding available for the plans, i.e. from sources such as the Asset Management Plan and various grants. Specifically, we have seen a substantial increase in the Social Housing Grant over the past two years and this increase is likely to continue in the short-term. Therefore, as well as the opportunity to invest more Council tax premium, we are also able to include further opportunities to build more social housing in our new Housing Action Plan.

Scheme	Description of the project	Number of units in the existing plan	Original premium / grant	Additional premium / grant	Number of units in the amended plan	+/-
<b>Increase in costs therefore more funding required to be able to achieve the original aim</b>						
1b	Supported housing for homeless young people	5	£970,000	£200,000	4	-1
1c	Self-serviced units for individuals with intensive social needs	5	£500,000	£300,000	5	0
1dd	Accommodation and extra support in Arfon	6	£300,000	£300,000	6	0
3a a 4c	Develop our own housing in order to increase the opportunities for Gwynedd residents to compete in the housing market // Fund the financial deficit in innovative housing business cases	100	£5,000,000	£4,000,000	90	-10
5ch	Supported Housing - adults with profound needs	15	£400,000	£100,000	15	0
<b>Projects to receive further funding in order to deliver more units</b>						
1a	Supported housing for the homeless schemes	38	£4,000,000	£9,000,000	83	+45
3dd	First-time Buyer Grants	250	£4,000,000	£80,000	282	+32
<b>Projects to receive further funding in order to deliver the same number of units with a different financial model</b>						
2c a 3b	Purchase of former social housing and renting them to Gwynedd residents // Purchase private houses	100	-	£5,600,000	100	0
<b>Increase in grants, including the Social Housing Grant</b>						
1ch	Support packages for private landlords	100	£600,000	£2,719,430	140	+40
2a	Construct more social housing than what can be funded through the social housing grant	500	£22,950,000	£55,531,015 (up to the 2024-25)	700	+200
3f	Homebuy scheme	100	£3,000,000	£8,500,000	120	+20
		<b>1,219</b>	<b>£41,720,000</b>	<b>£84,330,445</b>	<b>1,545</b>	<b>+326</b>

6.6 Please find below the reasoning behind increasing the Council Tax Premium Fund contribution to the above schemes:

**1a - Supported Housing for the Homeless Schemes**

The additional funding will go towards buying and developing existing buildings in Caernarfon and Pwllheli as bespoke supported accommodation on a greater scale than what was originally intended in the Housing Action Plan. This will provide 45 additional units for us, which in turn will reduce our reliance on costly temporary accommodation (for example, bed and breakfast accommodation, etc.).

**1b - Supported housing for homeless young people** (*Lle Da: former NatWest and Gisda building on the Maes in Caernarfon*)

We need additional funding to address the increase in development costs in order to realise this scheme.

The development will provide four flats for homeless youths. One flat that was originally intended as a separate training flat will be incorporated in the other four units, which will bring the target to four.

**1dd - Accommodation and extra support in Arfon**

We need additional funding to address the higher development costs in order to realise this scheme. It is proposed to re-purpose the Mona building (on the corner of Shirehall Street, Caernarfon) as bespoke accommodation to support homeless individuals.

**2c and 3b - Purchase former social housing and rent them to Gwynedd residents // Purchase private housing**

Moving forward, '*Purchase former social housing*' (2a) and '*Purchase private housing*' (3b) will be combined under a new name - 'Buy to Let'. Combining both projects under the same title is in line with the report submitted to the Cabinet on 16 February 2021, where the business case for buying houses to let to the residents of Gwynedd as a single 'Buy to Let' scheme was outlined.

Eight houses have already been purchased as a result of this scheme, with another 10 in the pipeline and at different steps in the process, five of which are nearing completion. These purchases were funded thus far with a £3m grant received from the Government.

The original funding source of both schemes were loans with £15.4m allocated between both. However, since then, as already highlighted, the average house price has increased by around 23%, interest rates have increased from 1.7% to ~4.7%, and building costs have increased by around 30%.

This now means that the receipts from rent income will be insufficient to repay the loans originally intended within a 50-year period. Whilst it is expected for the Bank of England's interest rates to reduce in the medium term to around 3%, our treasury advisers do not anticipate that the rates will return to the historically low levels seen a few years ago.

**Therefore, in order to achieve the plan's original ambition to buy 100 houses, there will be a need to consider funding the scheme through borrowing and keeping the market conditions under constant consideration, and closing the remaining financial deficit by using the Council Tax Premium.** This would involve borrowing £13.7m and a contribution of £5.6m from the Premium Fund. As the financial markets are very volatile at present, the Finance Department will support the Housing and Property Department with the exact mechanism of individual property purchase funding methods, in line with the market position at the time.

### **3a and 4c - Develop our own housing in order to increase the opportunities for Gwynedd residents to compete // Fund the financial deficit in innovative housing business cases**

Moving forward, '*Develop our own houses*' and '*Funding the financial deficit in the business cases of innovative housing*' will be combined to create one new single scheme entitled, '*Develop our own houses to increase the opportunities for Gwynedd residents to compete,*' which reflects how both projects now run. Any funding associated with the projects will be amalgamated.

As noted in 4.2, since Covid-19 struck, we have seen a 30% increase in construction costs - an increase that is seen consistently across the housing field.

In addition, additional development standards are now being imposed on us as an authority, e.g. sustainable drainage matters and building control requirements. All of these add to the development costs and make the original business model unviable.

**Therefore, we have reviewed the original business model and placed it in the context of the current situation with development costs. With the current funding available between both projects (£5m), as well as an additional £4m from the premium fund, we believe that it is possible to develop 90 houses to achieve the objectives of this project.**

### **3dd – First-time Buyers' Grants to renovate empty houses**

Cyngor Gwynedd has committed to the National Empty Houses Grant scheme, which means that we will be able to bring 32 empty units (as well as the 250 already in the Housing Action Plan) back into use over the next two years. We also note an intention to look for opportunities to extend the scheme in order to help even more first-time buyers to bring houses back into use for local people.

**We request £80k of the premium to contribute towards the scheme over the next two years**

**Therefore, we propose to amend this scheme by extending the existing criteria to allow applications from applicants who own a former second home that is in a poor state of repair to enable us to respond pro-actively to this additional need, and thus increase the opportunities available for first-time buyers to bring second homes back into permanent use.**



Please note that the same condition and affordability criteria associated with the existing scheme will be operational. The funding already associated with the scheme will be used, therefore, we will not need additional funding to achieve this.

We intend to trial the new-look scheme for a year initially, in order to monitor the number who apply and ensure that it responds to the demand and purpose appropriately.

### **5ch - Supported Housing - adults with profound needs**

We need additional funding to address the higher development costs in order to realise this scheme.

## **7 Achieving the schemes**

- 7.2 Considering that the scale of the Housing Action Plan has doubled since establishing the Housing and Property Department, and that the bulk of work in the homeless field and refugee support has led to a 30% increase in the size of the Department as a whole, we will also need to look at the managerial capacity of the Housing and Property Department in order to ensure that the new Plan can be realised, as well as the other pressures on the department. Therefore, discussions are taking place with the Chief Executive in order to ensure that the Department's structure is suitable in order to be able to deliver in a timely manner.
- 7.3 The Premium income is a suitable financial source to fund any amendment required in order to be able to ensure that there is sufficient capacity to achieve our priorities in the Housing Action Plan and therefore there is no extra demand on the Council's core resources in this respect.

## **8 Conclusion**

- 8.2 We believe that good progress has been made on the Plan to date. The information in this report summarises how the Department will earmark the additional money deriving from the increase in the Council Tax Premium on Second Homes from 50% to 100%, in order to realise the schemes included in the Housing Action Plan.
- 8.3 If it is not possible to earmark more of the premium for the Housing Action Plan, it will not be possible to achieve the original objectives, and there would be a need to reduce the number of schemes.
- 8.4 It is important to note that new opportunities (or obstacles) may arise during the lifespan of the plan since national circumstances are currently changing rapidly and continuously, and therefore the flexibility already given to the Head of Housing and Property Department to vary the exact allocation for individual projects, enables the Department to act pro-actively in the face of any changes in the housing market over time.

## **9 NEXT STEPS AND TIMETABLE**

- 9.1 Should the decision sought be approved, we will proceed to draw up an amended version of the Housing Action Plan which will reflect what is included in this report.

## **10. ANY CONSULTATIONS UNDERTAKEN PRIOR TO RECOMMENDING THE DECISION**

### **The Monitoring Officer's Comments**

With the Council's decision to increase the premium, it is appropriate that the Cabinet proceeds to review the Housing Action Plan in light of the resulting financial increase. The report also highlights that there are now outweighing broader factors which again support the need to review. I am satisfied with the propriety of the recommendation.

### **Observations of the Head of Finance Department**

Massive changes have occurred since the original Housing Action Plan was adopted in December 2020, and I am satisfied that the report outlines this situation clearly and sincerely. Specifically, the three factors addressed in Part 5 of the report - national financial circumstances, the increase in house prices and the increase in the number of homeless people - means that the author of the report has had to revisit the financial model. I have collaborated with the author of the report to verify the financial information and I confirm the information as submitted in the report.

As well as using the accumulated Council Tax Premium Fund, I note the intention to make additional use of borrowing in order to realise some of the schemes. Because of the implications of such borrowing on the Council's treasury management arrangements and our capital programme, relevant finance officers will collaborate with the Housing and Property Department as adaptations to the Housing Action Plan become operational in order to advise, and ensure a prudent approach towards the funding methods.

Therefore, I support the decision sought.