

**REPORT TO THE CABINET
15/03/2016**

Cabinet Member: Councillor Ioan Thomas

Subject: Financial Model to increase the supply of affordable housing

Contact officer: Eiliw Llŷr

The decision sought

In order that strategic projects are achieved to address the housing need within the County, to move ahead with loan provision, which has appropriate charges or security and proportionate conditions which is to be prescribe in consultation with the Head of Finance and Head of Legal Services for each individual scheme

Views of the local member.

Not a local matter

1. Introduction

The Cabinet acknowledges that the Council can contribute strategically to provide more housing for specific groups of people within Gwynedd. This alternative model of increasing the supply and speeding up the number of affordable housing so that more is achieve than currently via Social Housing Grant.

Within the strategic plan 2015-17 we have stated our desire to review how we ensure that there is sufficient supply of suitable housing for the needs of residents in Gwynedd and this financial model responds to this aspiration.

The 4 areas that have identified and agreed that we should intervene are:

1.1 Older people / Care Agenda

The principles of Ffordd Gwynedd aspire to transform the way services are provided for people with care needs and historically the Council has identified 'problems' for example (increase expenditure in the care services) which could be alleviated by doing more in within the housing /

accommodation area. We believe that there is a business case to improve the supply of housing so that expenditure in other areas can be mitigated.

As part of the agenda to regulate demand/ response to the Social Services Act it is imperative to remember that:



1.2 Homelessness

The lack of suitable accommodation continues to exist which means the Council spends around £100k on 'unsuitable temporary accommodation'. There is an opportunity to work with our partners to ensure suitable housing with support within identified areas of need. A recent report by the Services Scrutiny Committee identifies the good work which is carried out by the service and acknowledges investment is required on the current hostel which the Council own.

1.3 Housing Register

Currently, there are 1,993 of applications (i.e. families / individuals) on the Common Allocations Register (April 2015) which are waiting for what is defined as 'suitable housing', coupled with the figure of 500 houses which are allocated annually by the Housing Associations.

Lack of supply in certain areas

There is a barrier in certain circumstances and areas where developments do not move ahead naturally, this is due to lack of confidence in the financial situation. Therefore, in certain areas there is a lack of suitable housing for people wishing to stay locally.

Information from the Common Allocations Register highlights the need in specific areas. The financial model would increase the number of units to rent social, many will be tenure neutral, which has the option of buying into within time.

As part of the response to the lack of supply in rural areas the Community Land Trust offers the opportunity to develop a small cluster of properties so that people within their community can purchase / part own their homes. Initial scoping work has shown that it is possible for the model to work in rural areas across Gwynedd.

This includes belts of land which would not possibly be attractive to developers to move forward as the planning conditions would mean that there would be a reduction in the open market values.

2. Reasons for recommending the decision

The 4 tables below offer a solution to the above matters. The table below summarizes the types of schemes the financial model could finance and the benefits of doing this:

Scheme	I. Extra Care Housing (ECH) or variation on the model
Characteristics	For residents over the age of 55 years old in the main
Cost	Around £8 m (42% would be private finance by the Housing Association) Cost of developing an additional scheme to the current 3 ECH Cost per unit £200,000 with 58% of contribution by the Council
No. of Units	40 units based on extra care schemes It would be possible to have different models or less units
Stakeholders	<ul style="list-style-type: none"> • Residents over 55 years old and people with disabilities • Tenants of social housing which want to move to a smaller property • Owner occupiers and renters who want to move to a smaller property
Problem to be resolved	Recognition that a higher rate of older people are living longer which will mean a dependency on the Council for care services during times of serve cut backs Challenge of offering care across a vast area Overdependence on traditional models
Benefits to the Council	<ul style="list-style-type: none"> • Offer an alternative to residential care • Cost per unit less than residential care • Centralization of care in one location

	<ul style="list-style-type: none"> • Prevent dependency on care services and design means less cost • Promote and maintain a person's independence
Other considerations	<ul style="list-style-type: none"> • extensive research which proves that ECH reduces isolation and the need for additional services • Feeling of neighborhood and tenants supporting each other to reduce/ prevent dependency • Positive result on behalf of the tenant which reduces the dependency on social and health care • Extra Care 'lite' model is an option with a reduction in capital cost and possibly more suitable for an area which is less densely populated / rural
Effect of not investing	<ul style="list-style-type: none"> • Demands on care services continue and increases • Evidence base for the Older People's Accommodation Strategy demonstrate that certain areas will show an increase in demand for care and health services especially those over 85 and require services 3 times a day
Examples of model sin other areas	<p>2 ECH schemes opened in Gwynedd with a 3rd to be developed in Porthmadog</p> <p>Housing Partners are experienced in completing another scheme</p>
Financial / Legal Considerations	<p>Housing Association would build and manage the scheme.</p> <p>The Council would be responsible for the cost of care services</p> <p>Possible to offer a loan as well an element of grant for developing the scheme as it is a high cost scheme and a contribution from the Council would be required (capital or land)</p>

There is potential to adapt the model which would vary the scheme cost if an Extra Care Scheme is required (this requires further work within our Older People's Accommodation Strategy) other options such as Extra

Care 'lite' could be an option or the potential to adapt and improve sheltered housing schemes within certain communities.

Scheme	II. Expand and Adapt provision for Homeless People
Characteristics	Provide housing and support in accordance with Housing Act 2014
Cost	£700k (with 42% private finance from Housing Association) Cost per unit £100,000 with 58% contribution by the Council)
No. of Units	7 units
Stakeholders	<ul style="list-style-type: none"> • Vulnerable Single people and families which are threatened with homelessness • People in a state of emergence which would be difficult to place in other areas and require stability • People require support to move onto suitable accommodation
Problem to be resolved	<ul style="list-style-type: none"> • Present provision of hostels in Deiniolen and Corris require modernization (condition and quality of properties) • Capital costs to the Council currently around £2,000 • Potential to save on revenue costs to the Council including void costs • Saving in maintain Private Sector Leasing • Need for emergency accommodation for vulnerable single persons • Supporting People provision has and will most likely deteriorate further leaving a funding gap
Benefits to the Council	Offer an alternative model with regards to supported housing Outsourcing the service/ build to a Housing Association
Effect of not investing	<ul style="list-style-type: none"> • Need to upgrade current provision with no resource designated • Reduction in Supporting People budget which means providing less support than is currently available
Examples of model sin other	Hostel provision varies with some LAs providing hostels whilst other work in partnership with a Housing

areas	Association
Financial / Legal Considerations	Housing Associations have experience of offering housing and supported services to vulnerable people and managing hostels

Scheme	III. Community Land Trust (CLT)
Characteristics	A scheme which would enable the smaller development of 4-7 houses within rural villages. It would ensure suitable housing for local people whilst supporting rural communities viability
Cost	Commitment of initial loan of up to £3.5m to establish a CLT (a business case has been developed to establish a CLT) Cost per unit £128,000
No. of Units	<ul style="list-style-type: none"> • Sum identified permits developing 24 new homes within 3 rural communities within a short period • After the units have been occupied and sold the investment would be released and recycled allowing the finance of more units in the future without the need for further investment
Cost of unit	£128,000 cost per unit with finance being recouped once units are sold and recycled to develop more units
Stakeholders	<ul style="list-style-type: none"> • People who are unable to afford to buy on the open market • Targeting the squeezed middle which is not deemed eligible/ priority for social housing, on middle income bracket but unable to save a deposit • Note that up to 57.9% of the population of Gwynedd have been priced out of the market
Problem to be resolved	<ul style="list-style-type: none"> • Assist those who are unable to purchase a home within their local communities • Offer a model which works with the community to identify and resolve housing need and to keep young people within their communities • Residents stakeholders in the scheme • Difficulty with self-build schemes and realizing smaller schemes with communities
Benefits to the	<ul style="list-style-type: none"> • Establish a self-maintaining model which targets

Council	<p>rural areas where there is enthusiasm to take part</p> <ul style="list-style-type: none"> Local Development Plan take into consideration the CLT model within the Affordable Housing policy
Effect of not investing	<p>Not able to respond to the needs of people wanting to stay in their communities</p> <p>The scheme can be adapted to include any demography within a community, for example, it could be a specific scheme for older people it could also offer loans to self builders to complete smaller sites</p>
Examples of models in other areas	<p>Cornwall Council have developed a successful model which has similar social/ economic characteristics to Gwynedd</p>
Financial / Legal Considerations	<ul style="list-style-type: none"> The CLT would be an umbrella entity with the Council as one of the main stakeholders of the scheme Grwp Cynefin would provide the expertise from a management and build perspective as well as promoting the CLT on the ground via the Rural Housing Enabler There will be a need to draw/ consider legal documents for each scheme

Scheme	IV. Empty Properties Back into Use
Characteristics	<p>Targeting efforts in specific areas as well as concentrating on the specific type and size of property based on evidence</p>
Cost	<p>£200,000</p> <p>Cost per unit £7,000 (with the potential to recycle some schemes)</p>
No. of Units	<p>An additional 30 units could be secured based on the above sum</p> <p>There is potential to adapt the sum depending on the level of investment and the ambition of the Council to increase the number of affordable units</p>
Stakeholders	<ul style="list-style-type: none"> Residents within communities are housed within existing properties Applicants on housing register are able to rent homes

	<ul style="list-style-type: none"> • Young people who wish to establish a home but are unable to obtain a mortgage •
Problem to be resolved	<p>Gwynedd has the highest level of empty properties in Wales</p> <p>Resource which is wasted</p> <p>Potential to rent/ sell or sell onwards to Housing Association</p> <p>Cost of build from new as well as time to complete new units</p>
Benefits to the Council	<ul style="list-style-type: none"> • Applicants from Housing register or homeless are offered a tenancy • Opportunities to develop new build can be restrictive • Able to give conditions to owners that a person from the housing register or homeless person is offered the tenancy. This condition is in place for 5 years
Relevant considerations	<ul style="list-style-type: none"> • Management stays with Council for 5 years • Improves the appearance of the property which is a social problem • Local companies carry out work which promotes the local economy
Effect of not investing	<p>Empty properties remain empty. A resource which is wasted and deteriorates further</p> <p>Housing Register remains the same/ increases</p>
Examples of models in other areas	<p>A successful scheme currently exists in Gwynedd ac considered to be progressive on a Welsh level</p> <p>Expertise and experience has been developed locally which can expand and respond</p>
Financial / Legal Considerations	<p>Arrangements in place to replicate current agreements and claims on property</p> <p>Policies and procedures developed and mature enough to be expanded</p>

3. Relevant considerations

3.1 Why should the Council intervene in this area?

In a period of reduction of capital finance from WG and reduction in Council resources the model offers a supply on different levels to provide housing. The conditions will be set on the basis:

- I. A charge and loan condition which is proportionate to the level of loan required
- II. Loan charges on any loan which is authorized would be sufficient to service the loan as well as satisfy state aid implications. It is anticipated that this would be at a minimum of 0.5% above PWLB rate
- III. The duration of the loan would vary according to the scheme, a loan could be for short term for CLT and then recycled whilst other loans to develop Extra Care Housing would be on a longer term, up to 25 years
- IV. The Cabinet gives power to the Senior Housing Officer to implement with the approval of the Head of Finance and Head of Legal Services
- V. Emphasis that any scheme is viable and affordable

4. Next steps and timetable

Below states the priority to move ahead with the schemes:

I. Community Land Trust (CLT)

There is a need for up to £3.5 m to establish the Community Land Trust with the intention of targeting three areas, which are:

- Bethesda- 8 units at a cost of £1.1m with units being sold
- Penygroes – 12 units at a cost of £1.511 m with the units being sold
- Waunfawr – 4 units at a cost of £0.5m with 4 units being sold

Each scheme would be assessed individually and funds released for each scheme. The schemes would be subject to planning consent.

Below gives an example of how the model would work:

- Land purchased by Grwp Cynefin
- Council provides loan and first charge on the land (loan would be given to Grwp Cynefin as opposed to the CLT until the CLT has been established with assets)
- Grwp Cynefin completes the units – build cost around £128,000 per unit
- Units are sold between 70-100% of open market value
- Loan with interest repaid to the Council
- Loan recycled for the next scheme
- Equity within the units is recycled to create CLT

II. Empty properties back into use

The Council already offers loans on empty properties with the intention that this scheme can increase the number of empty properties back to use. The intention is to provide loans to encourage renovation of properties.

There would security on behalf of the Council with charges and / or interest rates which are proportionate the loan.

III. Provision for Homeless Service

These schemes are subject to further work to identify areas where supported housing and services are appropriate with regards to demands on service. When this project progresses the Council will need to assess the requirement for charges or guarantee and an appropriate interest rate.

VI. Extra Care Housing

These schemes are subject to further work to identify areas which would be suitable to offer a model similar to Extra Care Housing. The Older Peoples Accommodation Strategy will provide focus to this work. Again there will be a need for the Council to assess the requirement for charges or guarantees and an appropriate interest rate.

Views of the Statutory Officers

The Chief Executive:

It is almost a cliché now to say that adequate and suitable housing is one of the essentials of a viable and sustainable society. Another fact is that the Council's ability to contribute in this area has shrunk considerably in recent years as the level of resources available from the Welsh Government has significantly reduced. The recommendations in this report are an attempt to respond to needs on the one hand and resource constraints on the other. I approve.

The Monitoring Officer:

The report gives appropriate background and consideration of the reasons for financing the specific projects through loans. It is noted that appropriate conditions will be placed on any loan which will include financial security for the Council by way of first charge where this is considered necessary. Prior to authorising any specific loan a full financial assessment will be required of the borrower, to enable the Council to place appropriate conditions which would be commensurate to the risk at the time. No further comments to add in relation to propriety.

The Head of Finance:

The report presents four different schemes, in which the Council can make a difference in terms of housing provision in the county by arranging loans. When lending significant sums, we must ensure a full refund in a timely manner. The recommendations and the report identify the need for assurances by the charge and /or other suitable conditions with each case.

Appendices

Appendix 1 – Work Programme to Establish a Financial Model