

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Executive Committee
Date:	14 December 2015
Subject:	Council Housing Development Strategy 2015-2020
Portfolio Holder(s):	Aled Morris Jones
Head of Service:	Shan Lloyd Williams
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Local Members:	

A –Recommendation/s and reason/s
<p>To approve the Council Housing Development Strategy 2015 – 2020.</p> <p>As a result of buying out of the Housing Revenue Account subsidy system in April 2015, we have the freedom as a Council to begin developing Council houses which will in turn increase the supply of social housing needed in the county.</p> <p>The aim of this Strategy is to establish the main principles we will be applying as we move towards increasing our social housing stock, whether that be through building or buying council houses in the future.</p> <p>The 30 year Business Plan for the Housing Revenue Account which is reviewed and approved annually, sets specific objectives with regard to the type of housing we will be building / buying and in which specific areas.</p> <p>When specifying areas for development, we will give consideration to factors such as any Council buildings which may be available, demographic changes and economic growth, general welfare, reducing the effects of poverty and building communities.</p> <p>This Business Plan will be submitted to the Housing Services Board for guidance and approval and then to the Senior Leadership Team and the Executive Committee for approval before being presented to Welsh Government by an as yet unspecified date for 2016/17, however, we are working towards March 2016.</p>

B – What other options did you consider and why did you reject them and/or opt for

this option?

Option 2 – not to develop social housing and retain any surplus which becomes available from the housing revenue account's activities in the Council's reserves. It was felt that this did not correspond with two of the Council's corporate aims, namely to Increase our Housing Options and Reduce Poverty together with Regenerating our Communities and Developing the Economy.

C – Why is this a decision for the Executive?

This is a decision for the Executive Committee as it lays a foundation for our vision to Develop Council Houses for the future and for agreeing on the main principles which will need to be included in such a strategy.

Clause 9 of the strategy refers to considering establishing a Subsidiary Company or a Special Purpose Vehicle. I wish to emphasise that this means considering the advantages and disadvantages to the Council of so doing and is not a decision to establish a Subsidiary Company.

D – Is this decision consistent with policy approved by the full Council?

This decision is consistent with two of the Corporate Priorities which have already been approved by the full Council, namely:-

- i) Increasing our Housing Options and Reducing Poverty
- ii) Regenerating our Communities and Developing the Economy

DD – Is this decision within the budget approved by the Council?

The targets contained in the Council Housing Development Strategy for the period 2015 – 2020 are in accordance with the provision contained within the Housing Revenue Account 30 year business plan.

A provision of £13.798m has been included in our business plan for purchasing existing properties and developing new builds.

This expenditure will mainly be funded from the Housing Revenue Account together with a loan of £2.6m from our borrowing cap which is around £13m and the interest costs on the loan will be paid from the Housing Revenue Account.

E – Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	
2	Finance / Section 151 (mandatory)	Comments were received from the Section 151 Officer with regard to the financial criteria we shall be using to assess the financial viability of new developments. We shall agree annually with the Section 151 Officer the exact financial projections which will be used when assessing financial viability with regard to loan interest rates, inflation, bad debtor provision etc.
3	Legal / Monitoring Officer (mandatory)	Comments received during the meeting of the SLT. No concerns expressed.
5	Human Resources (HR)	N/A
6	Property	Sent
7	Information Communication Technology (ICT)	N/A
8	Scrutiny	
9	Local Members	A members' briefing session was held on 1 st October to agree on the main principles of the strategy.
10	Any external bodies / other/s	JPPU

F – Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	

FF - Appendices:
Council Housing Development Strategy 2015 – 2020 Acquisition Programme 2015-16 (so far) Possible developments sites 2016-17

G - Background papers (please contact the author of the Report for any further information):

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ISLE OF ANGLESEY COUNTY COUNCIL

Council Housing Development Strategy 2015 – 2020 "Quality Homes: Sustainable Communities"

1. Introduction

The County Council aims by 2017 to be a professional, well-run Council that is innovative in its approach, and is committed to developing our people and partnerships in order to provide high quality, efficient and effective services that are valued by our citizens.

Two of the corporate priorities for realising this are:-

- Increasing our Housing Options and Reducing Poverty
- Regenerating our Communities and Developing the Economy.

This Council Housing Development Strategy will lay the foundation for realising these priorities.

During the life of this Development Strategy it is expected that Anglesey Council's Housing Services will start developing social housing within the Council's boundaries in order to add 95 homes to our social housing stock of 3,800 homes which are already managed by us.

We will fund these developments through our ability to borrow money after buying out of the Housing Revenue Account subsidy system in April 2015 as well as applying for funding from phase II of the Housing Finance Grant by the Welsh Government.

This strategy has been drawn up during very exciting times for Local Authorities in Wales and in an economic climate where there is an increasing demand for affordable housing, at a time where we will see the Wylfa Newydd development moving forward.

We will investigate any development opportunities, whether these are opportunities with or without capital grants, to increase the supply of affordable housing on Anglesey.

We aim to split our development programme so that a third comprises purchases to our current housing stock of former Council homes that were previously lost from our housing stock through the right to buy, and for two thirds of the programme to be new developments.

In terms of new developments we will focus on increasing our housing stock in areas where there is an identified need for affordable rented housing where consideration will be given to other factors such as Council buildings that may be available, demographic changes and economic growth, general welfare, reducing the effects of poverty and community development.

As well as developing in the more urban areas of the County we will also look at building new dwellings on:-

- exempt land, i.e. land that adjoins villages, towns.
- in villages rather than towns where the Rural Housing Enabler has conducted a survey of local housing needs.
- opportunities arising in light of commitments by private developers under the requirements of Section 106 Agreements they have on housing schemes.
- regeneration projects e.g. town centres, empty houses/redundant buildings, multiuse projects such as living space above shops which would attract other capital grant contributions towards their development e.g. VVP.
- Other assets currently in the Council's ownership

In order to ensure the success of our Development Strategy it is essential that we have sound Financial Rules and Governance arrangements in place which have been approved by the full Council.

2. Our Stakeholders

To enable us to realise this development strategy, our main stakeholders are the Elected Members, our tenants, the Housing Department in the Welsh Government (WG), the Housing Partnerships as well as registered social landlords.

The rural housing enabler along with planning officers and Community Councils will have a key role in assisting us to realise this strategy in relation to new development.

Since April 2011, the island's Social Housing Grant allocations have been managed by us as a Local Authority for the registered social landlords who operate across the island, and it is important to ensure that this development strategy works alongside the priorities that are included within the Social Housing Grant programme and any other capital grants that are available for the supply of affordable housing on the island.

It is essential that the Housing Service establishes and maintains a good working relationship with private developers in order to allow us to take advantage of/influence any development opportunities that may arise which respond to local housing needs in towns and rural villages.

3. Types of Development

This development strategy will focus on the following core principles in terms of the types of development:-

- New build
- Purchasing existing properties including former Council houses that have been lost through the right to buy.
- Developing intermediate market rented housing
- Mortgage Rescue cases
- Extra Care Schemes
- Supported Housing Schemes
- Ensuring the condition, suitability and quality of our current housing stock

- Land purchases to be developed through new build.

New Build

We will aim for two thirds of our development programme to comprise of new build in areas where there is an identified need for affordable rented housing. For the duration of this strategy the priority will be to build two bedroom homes in order to address the needs resulting from Welfare Reform.

In the first place we will look for land that is already owned by the Council and no longer used e.g. school sites or libraries etc.

Consideration will also be given to development on exempt lands and within rural villages where affordable housing needs surveys undertaken by the rural housing enabler express and evidence a genuine need for affordable housing within the area.

Consideration will also need to be given to the suitability of the site/scale of the proposal against the policies/designations in the Council's development plan (land use).

In developing any new housing it must be ensured that they meet the Development Quality Requirements as issued by the Welsh Government for Registered Social Landlords and that they meet a minimum of level 3 of the Code for Sustainable Homes.

Where possible, consideration should be given for any new developments to reach level 4 of the Code for Sustainable Homes and consider piloting level 5 or 6, although there are much higher cost implications for developments reaching level 4 or higher. In the context of maximising the sustainability levels of houses, consideration should be given to maximising our income by looking at receiving income through the "Feed in Tariff" for Photovoltaic systems on houses or income from Renewable Heat Incentives towards the houses' heating systems.

The costs of developing new homes will be required to comply with the Acceptable Cost Guidance levels issued by the Welsh Government for Registered Social Landlords.

Purchasing Existing Properties

The aim is for a third of our development programme to focus on purchasing existing dwellings. Priority will be given to purchasing former Council houses which were previously lost through the right to buy scheme, in the most sustainable communities where there is an identified need for affordable rented housing.

We will ensure that the properties can be brought up to the Welsh Housing Quality Standard and also ensure that they meet the Development Quality Requirements. The total cost of purchasing and upgrading the properties will need to comply with the Acceptable Cost Guidance issued by the Welsh Government for Registered Social Landlords.

Intermediate Market Rent Housing

The intermediate market rent model was historically developed for social landlords to be able to offer rented homes at a higher rent level than the general rent because they received a smaller social housing grant towards their development and consequently had to borrow more private funding towards their development.

The rent levels of intermediate market housing are usually around 80% of comparable house rents on the open market and they are usually more appealing to professional people or couples who may want to become owner-occupiers sometime in the future but who may not have been identified as having a high need for general rented housing.

The main employment centres and the largest towns in our area of operation are usually the places where an intermediate rented housing model should be considered, and particular consideration should be given to tenants who are able to afford the rent levels but who are not eligible to receive a housing benefit towards the rent and who are also looking to buy their home in the future.

In developing intermediate market rent housing it must be ensured that they meet the Development Quality Requirements as issued by the Welsh Government for Registered Social Landlords and that they meet a minimum of level 3 of the Code for Sustainable Homes.

In order to develop intermediate market rent housing, funding sources should be considered such as phase II of the Housing Finance Subsidy by the Welsh Government.

Mortgage Rescue Scheme

The purpose of Mortgage Rescue Schemes is to assist homeowners who have found themselves in financial difficulties, and are likely to have their homes repossessed by their mortgage lender which will in all likelihood lead to them being homeless.

The scheme ensures that homeowners are able to continue living in their homes by selling the property to the Council and then continuing to live in the property as tenants.

In the first place the applicant should be assessed by Homelessness Officers.

The rules of Mortgage Rescue state that, in the first place, support from the Home Buy scheme should be given to the owners who are in financial difficulties. This should be done in partnership with a Registered Social Landlord where a Social Housing Grant allocation would be provided to purchase a shared equity of the property which will enable the owners to have a smaller mortgage and stay in their home.

In circumstances where the owners do not have sufficient equity in their homes the Council would consider buying the property from them and then offer tenancy of the property to the former owners.

Evidently before proceeding with the purchase, the property would need to meet the expected standards and the purchase price would need to be within the Acceptable Cost Guidance.

Extra Care Housing

The purpose of extra care schemes is to respond to the housing needs of an ageing society and to promote the independence and well-being of older people by facilitating the provision of care to people in their own homes to avoid admission to residential care homes.

We will usually only give consideration to developing extra care schemes within the largest towns in the county.

Building specialist homes for older people releases family homes that are now too large for their housing needs and allows best use of the housing stock.

These are schemes that provide self contained flats within a larger scheme for the elderly. Normally a minimum of 30 units are required to make a scheme financially viable and for it to be affordable for residents.

A number of different communal facilities will be provided within the scheme such as a restaurant, lounges etc. and other social services will also be provided to the residents.

The Social Services Department would be responsible for commissioning the care provision for such schemes.

The housing provision within Extra Care Schemes would usually be funded by a Social Housing Grant but we are eager to look at providing Extra Care Schemes without any social housing grant or possibly through the allocation of a Phase II Housing Finance Subsidy from the Welsh Government or through a partnership with another agency as a Special Purpose Vehicle.

Such a scheme would require close collaboration between the Housing Department, the Planning Department, Social Services, the Welsh Government and other partners such as Registered Social Landlords and private developers.

Supported Housing Schemes

In partnership with the Social Services Department or partners, we could look at developing Supported Housing Schemes.

Such schemes would have to be funded 100% through loans or the Phase II Housing Finance Subsidy by the Welsh Government or through a partnership with another agency as a Special Purpose Vehicle.

Before proceeding with any such development, confirmation would be required of the need and demand for such units. These could be units that result from the remodelling of existing schemes, for example specialist accommodation for people with learning disabilities.

Ensuring the Condition, Suitability and Quality of our Current Housing Stock

As we proceed to increase our housing stock through this strategy we must ensure that the condition of our current stock continues to meet the requirements of the Welsh Housing Quality Standard and that our stock remains suitable for our tenants and prospective tenants.

For schemes where we see a high turnover of tenants and face letting difficulties, consideration should be given to remodelling these schemes wherever practical or to consider disposing of them in accordance with our Asset Management Strategy and our Corporate Assets Strategy.

In cases where we would dispose of any property owned by the HRA we would reuse any capital receipt to develop other social housing units in their place.

Land Purchases

In order to safeguard sites to be developed in the future, consideration should be given to buying land to be banked for affordable housing developments in the future.

In considering such land, the following headings should be addressed:-

- The general location – is there an appropriate need for affordable housing in the town or village?
- Planning – is the location likely to be afforded priority and be approved by the Planning Department?
- Orientation – can the site be developed to maximise its southerly aspect in relation to sunlight.
- Flood plain – the site is not located in a position which would be considered by Natural Resources Wales to be at risk of flooding.
- Local services are available fairly close to the site – schools, shops, post office etc.
- It is a pleasant location to live in.

Land purchases may be split into the following categories

- Purchase of Private Land (Building Package)

Purchase land as part of a development package with private developers i.e. land with detailed planning permission for the development of housing with the aim and agreement that the developer will build the houses sometime in the future.

- Use the Lands of the HRA and purchase land from other Council Departments

These lands can be lands within village boundaries e.g. surplus schools following schools' rationalisation, other buildings or exempt land with or without planning permission.

- Purchase of Private Land

We can also consider buying private land to add to the land bank with the future aim of building affordable housing or other specialist provisions on the site.

Outline or full planning permission would be required before approving such a land purchase.

4. The Development Process

We will be focusing our development activities in areas where there is an identified need for affordable housing within the Common Housing Register, the current Development Plan, Tai Teg and the Local Housing Market Assessment.

Before proceeding to develop any affordable housing scheme, it is essential to secure local support for the scheme through early consultation with communities and local members.

Rural Housing Enabler – Any rural development on exempt land would require the Rural Housing Enabler's input. The role of the Enabler is to state officially through housing surveys that there is a genuine need for affordable housing in rural areas.

It is not practically possible to obtain any planning permission before this initial work is completed in order to evidence the need for affordable housing.

Local Members – the support of the Local Members is crucially important for realising affordable housing schemes successfully in rural communities.

Local Community – there will be a need to establish public events with the local community in order to communicate positively with the community regarding any development and also explain the procedures below.

Choices for the tenants – Where practically possible, consideration should be given to providing choices on the finishes to any prospective tenants. In practice choices could be provided for:-

- i. Kitchens – a maximum of 3 types of choices from an official list.
- ii. The Colour of Floors – the kitchen and bathroom
- iii. Paint Colour for the Walls – a maximum of 3 choices.

In order that the tenants may have an input into the choices, as an appropriate measure, the Allocations Team will have to provide a list of prospective tenants to the Development Team at least 3 months before completing the work on the site.

As good practice we will seek our tenants' views on the quality, design and finish of our new housing developments within 6 months of the moving in date.

Feedback should be provided on the following headings for each development:-

- The layout of the site – communal areas, gardens etc.
- The design of the houses – the external finish and floor layout i.e. the size and shape of the internal rooms.
- Green Technologies – a number of new technologies are likely to be adopted in the future. These technologies will need to be measured and evaluated carefully by measuring the positive and negative elements.
- The effect that the new home has had on our tenants' living environment.

5. Development Standards and Sustainability

At present, level 3 of the Code for Sustainable Homes is the minimum expected by the Assembly's Development Quality Requirements for new affordable housing developments which are allocated a Social Housing Grant.

Although as a Council we will not receive a SHG, we believe it is good practice to aim to set an expected standard in terms of sustainability in order to ensure that the homes we develop are efficient in terms of their energy use and are affordable for our tenants to heat.

Where possible, we should consider building new houses to exceed level 3 of the Code as well as (pilot) developments to level 5 (or 6), similar to Passiv houses.

However, there are significant cost implications for any developments that reach level 4, 5 and 6 and to realise this we should be looking at sources of income generation which are offered by the Government for the production of renewable energy, for example:-

- a) "Feed in Tariffs" – these involve annual repayments in return for producing electricity through Photovoltaic solar panels. We will see annual repayments by the Government for the production of electricity for 25 years. As a baseline, the repayments are expected to cover the capital cost of the solar panels within 10 years with the remaining payments set against the cost of the property. The tenants will also benefit from the electricity that is generated as it will reduce their annual electricity bills.
- b) Renewable Heat Incentive – very similar to the FIT but these are repayments for generating heat through either hot water solar panels, ground source heat pumps or air source heat pumps.

6. Funding New Developments

After buying out of the housing revenue account subsidy system, the Council has a borrowing cap of £13m which is adequate to fund the aspirations of this Strategy.

Before committing to any new development an adequate source of finance must be secured to fund the development in question whether this is through a Phase II Housing Finance Subsidy allocation or any other capital grants which would be available e.g. VVP.

It must be ensured that the development programme does not take the Housing Service above the amount which has been set as the borrowing cap.

7. Risk Management and Assessing the Financial Viability of New Developments

Managing risk is a key part of steering a development strategy and there are many factors that could change within the process of developing properties. These could be factors related to the cost of the development or associated with the lack of demand for the types of units that have been developed.

In order to manage the risks associated with the cost of the development we can look at the type of agreement we will use with the developer for the development e.g. a 'design and build' agreement where the developer would be liable for any costs and risks associated with the design.

In considering any new developments, a comprehensive financial viability assessment should be undertaken on the development. The financial viability assessment would consider the following factors:-

- The cost of the development
- The duration of the building agreement
- Any capital grants
- The amount of loan
- The number and type of units
- The weekly rent of the units
- The % interest cost of the loan
- % Inflation
- Reactive maintenance costs
- Planned maintenance costs for the future
- Development control costs
- A provision for rental income losses

The following criteria should be used for undertaking the financial viability assessment.

- i. That the scheme does not produce a cumulative financial deficit at any time which is greater than the amount of the original loan.
- ii. That the cumulative deficit between income and expenditure in any one year is no more than £500 per unit.
- iii. That the cumulative income and expenditure is paid back by year 20.
- iv. That the current net value of the development is a positive figure.

If a development does not fully meet the above financial criteria within the financial viability assessment the Housing Services Board can approve the development upon receipt of evidence of the importance of the development to the Council.

9. Establishing a "Special Purpose Vehicle" Subsidiary Company

In order to facilitate the process of increasing our Council housing stock consideration should be given to establishing a subsidiary company of the Council.

There are advantages to establishing such companies, these would include ensuring that the tenants of our new homes would not have right to buy, and such a subsidiary company would be in a better position to be able to accept properties that do not meet the Development Quality Requirements should we wish to do this, for example, following the Wylfa Newydd development period, the developer might have workers' accommodation that are no longer required.

10. Targets 2015 – 2020

2015/16	10	(current housing stock units)
2016/17	40	(27 new, 13 current housing stock)
2017/18	15	(10 new, 5 current housing stock)
2018/19	15	(10 new, 5 current housing stock)
2019/20	15	(10 new, 5 current housing stock)

11. Managing Performance

It is essential to have performance management procedures in place during the development process.

For new developments we will monitor:-

- The cost against the budget
- The number of local jobs and apprenticeships created
- Length of time of the development against the agreement
- The standard of the finish on building work
- The design of the scheme
- Tenants' satisfaction
- The annual programme – performance against the strategy's targets
- The role of the Housing Services Board in the process.

Council House Development Program 2015/16

Target 10 Units
 Budget £1,372,000

	Address	Type	Size	Purchase
Completed	5 Tan yr Efail, Caergybi	House	5p 3b	£76,500
Completed	27 Tan yr Efail, Caergybi	House	5p 3b	£75,000
Completed	33 Tan yr Efail, Caergybi	House	5p 3b	£45,000
In Process	Caergybi	House	5p 3b	£67,500
Completed	32 Pencraig, Llangefni	House	5p 3b	£69,500
In Process	Caergybi	Flat	4p 2b	£65,000
In Process	Amlwch	House	4p 2b	£93,000
In Process	Caergybi	House	4p 2b	£97,000
Total			8	£588,500
Possible				
	Valley	House	4p 2b	
	Pentraeth	Bungalow	4p 2b	
	Llangefni	House	4p 2b	
	Beaumaris	Flat	4p 2b	

