

WIRRAL COUNCIL

ECONOMY AND REGENERATION OVERVIEW AND SCRUTINY COMMITTEE

5TH SEPTEMBER 2011

SUBJECT:	AFFORDABLE HOUSING IN WIRRAL
WARD/S AFFECTED:	ALL
REPORT OF:	INTERIM DIRECTOR OF CORPORATE SERVICES
RESPONSIBLE PORTFOLIO HOLDER:	CLLR GEORGE DAVIES
KEY DECISION?	NO

1.0 EXECUTIVE SUMMARY

- 1.1 The purpose of this report is to provide members with an overview of the differing levels of affordability within the borough impacting on local peoples' ability to access appropriate housing. The report also highlights the work undertaken by the Housing Division in responding to local affordability issues along with the range of specific programmes and activity undertaken.

2.0 RECOMMENDATION/S

- 2.1 That Members note the content of this report highlighting information on local house prices, house sales, and average incomes and the impact this has on affordability issues in Wirral.

3.0 REASON/S FOR RECOMMENDATION/S

- 3.1 Members requested at Economy and Regeneration Scrutiny Committee on 6th June 2011, that a further report detailing the affordable issues in different parts of the borough and the affordable housing policies being implemented be brought back to a future meeting of this committee.

4.0 BACKGROUND AND KEY ISSUES

- 4.1 Providing new and affordable homes is a key priority within the Council's Corporate Plan and delivering affordable homes in Wirral is one of the key themes within the Housing Strategy 2011-2026. This local priority is underpinned by a national policy framework, 'Planning Policy Statement 3: Housing' (PPS3) which sets out the Governments key housing policy goal to ensure that everyone has the opportunity to live in a decent home, which they can afford within a sustainable mixed community along with outlining the key role that the planning system has in the delivery of affordable housing.
- 4.2 To achieve this the Governments housing policy seeks to:
- Achieve a wide choice of high quality homes, both affordable and market housing to address requirements of communities;

- Widen opportunities for home ownership and ensure high quality housing for those who cannot afford market housing, in particular those who are vulnerable or in need.
 - Improve affordability across the housing market , including increasing the supply of housing;
 - Create sustainable, inclusive, mixed communities in all areas;
 - Provide through housing policy objectives the context for planning for housing through development plans and planning decisions ensuring a mix of housing can be delivered, both market and affordable (particularly in terms of tenure and price) to support a wide variety of households.
- 4.3 The term 'affordable housing' is used throughout Government housing policy however the term 'affordable housing' can mean different things to different people depending on their circumstances. Some people may chose and be able to pay more than others for their home either in relation to a mortgage or a rental amount and therefore perceptions of homes which are 'affordable' for one person may be unaffordable for the next.
- 4.4 To support national policy and set the context for local authority policy, the Government has officially set out in PPS3: Housing the following definition of the term 'affordable housing':-
- 4.5 Affordable housing includes social rented and intermediate housing, provided to specific eligible households whose needs are not met by the market. Affordable housing should:
- Meet the needs of eligible households including availability at a cost low enough for them to afford, determined with regard to local incomes and local house prices.
 - Include provision for the home to remain at an affordable price for future eligible households, or if these restrictions are lifted, for the subsidy to be recycled for alternative housing provision.'
- 4.6 This definition was revised in June 2011 following a Government Consultation exercise to include within the definition of affordable housing, the new affordable rent model introduced by the Government as part of the Homes and Communities Agency Affordable Homes programme. The Affordable Rent model has the same characteristics as social rented housing however it is outside the national rent regime but subject to other rent controls that require it to be offered to eligible households at a rent of up to 80% of local market rents.
- 4.7 This new definition set out above is the context for supporting local authorities in responding to affordability issues through planning policies and has been adopted within the Housing Strategy for Wirral as the context for responding to affordability locally.

Affordability in Wirral

- 4.8 For Wirral, affordability is not just limited to the more affluent areas where property prices are well in excess of the average householder's financial capacity to obtain a mortgage. Affordability is just as much prevalent in a wide range of neighbourhoods which fall within the eastern side of the Borough where resources are being focused to restructure local housing markets. This along with changes in the type and size of households means Wirral needs to increase the availability of affordable housing.
- 4.9 During 2010 there were just over 4800 properties sold across the borough. 10% of sales occurred in Wirral's inner areas, with 48% of sales occurring in the outer areas and 42% in rural areas in the west of the borough.
- 4.10 The Table in Appendix One of this report clearly identifies that sales prices for these properties are wide ranging and vary dramatically between wards, an example being in the Bidston and St James Ward where sales prices for properties ranged from £25,000 - £350,000.
- 4.11 House price sales when compared to the CACI 2010 Paycheck data, identifies an average household income for Wirral residents of £33,172 which is a slight decrease from the average of £33,522 in the previous year. The average household income for the Borough translates into a buyer capacity based on 3.5 times the average earnings which is £116,102. First time buyers however have a lower buyer capacity based on 3.2 times the average earnings.
- 4.12 Again, it is clear when looking at the table in Appendix One. The average earnings in the borough compared to the average sales prices presents particular problems in house affordability, especially for those at the lower end of the earnings scale such as young first-time buyers who also have limited savings to assist with deposits. Whilst sales values in the inner area would be within reach of some individuals, the quality and choice of offer is not consistent with aspirations of purchasers so there is still work to do in investing in those areas where unpopular, poorer quality housing is not attractive to would be buyers.

Our Response

- 4.13 Wirral is committed to finding solutions to help address the difficulties facing many households in accessing affordable housing. The following sets out what the Council is doing in its role to ensure the delivery of affordable housing and also the work which it does with its partners to maximise the opportunities to benefit local people.
- 4.14 Provide land at below market value for residential development
The Council seeks at all times to maximise the receipt from the sale of land that it owns. Exceptions to this Disposal policy are :-
- Where land has been identified which would meet the Council's Strategic Objectives including the delivery of affordable housing;

- Where the Council has, through targeted clearance action, assembled sites for re-development and subsequently needs support from a developer and or a housing association to provide properties for sale, shared ownership or rent on this land.
- Where land forms part of a wider regeneration scheme.

4.15 Use Section 106 agreements to provide affordable housing

Government planning policy guidance allows councils to seek to negotiate community benefits from developers when they apply for planning permission. This means that, as part of developing new open market housing, developers can be asked to make a contribution towards funding new infrastructure, providing for open spaces and building some of the homes as “affordable housing”.

- 4.16 The Council when considering the percentage of affordable housing on eligible residential sites (those which have the capacity to deliver 5 or more units) will do so subject to the viability of the individual site at the time of application. However, Wirral’s current policy approved by Members on 14th October 2010 sets a target based upon a Borough wide viability study for 10% of new development within the Housing Market Renewal intervention area to incorporate affordable housing on sites and 20% on sites located in the rest of the Borough. The planning gain would include for these units to be sold at less than open market value and would be assessed on the ability of a local housing association to purchase, based on rental income generated and without the need for any public subsidy. Affordable housing is always expected to be provided on the same site as the open market housing, unless there are exceptional reasons why this should not be the case.

4.17 Provide advice and support for residential development briefs

In addition to using planning powers and the sale of Council owned land at below market levels we will actively seek partnerships with private developers and housing associations to provide support and advice to them at pre planning application stages. This ensures housing association developments are delivered in line with appropriate, affordable housing needs. In terms of private developments, encouragement is given, prior to a formal planning application being made, to include within developments the type of housing which is in line with wider local housing needs. Both forms of support and advice are given with a housing assessment of the local area where the land site is located. This approach is also undertaken where applications for private developments have already been submitted and there is a potential Section 106 agreement required for affordable housing. Support is then offered to the developer to broker relationships with a local housing association who will purchase the affordable units developed at less than market value and then make them available for affordable housing.

4.18 Work in partnership with local housing associations to increase the availability of affordable housing for rent and sale

As part of its commitment to the development of affordable housing in the Borough the Council actively seeks the support of housing associations in the development of affordable housing to meet identified housing need. This is either as part of a mixed development or independently with the Housing Association.

4.19 Affordable Housing Grant is a funding source provided by the Homes and Communities Agency for the delivery of new affordable housing. During the 2008-2011 programme period, Wirral benefited from a total of £15.8m in funding from the HCA enabling an overall development programme of £52.5m to build 294 homes for local people. A further 207 units of affordable homes totalling £19m in value has also been completed through the Council working with local housing associations to secure alternative funding i.e. Department of Health and in the use of council assets.

4.20 The current submissions for the 2012-2015 Affordable Homes Programme have been submitted by housing associations. Whilst it is not anticipated the full grant levels will be secured, we should be confident based on our track record of working with local housing associations that we can successfully deliver units for the future and as such set a target to deliver 300 units by 2013.

4.21 Actively promote FirstBuy (previously known as Homebuy) as a means of providing affordable housing for sale in the Borough

Wirral Council works closely with developers to help them successfully secure and promote initiatives designed at helping first time buyers into affordable home ownership. As part of this process the Council provides information through a range of sources including its web site, which details the products available and web links to further more detailed information and as well as providing information in newsletters and through specific events which are targeted at first time buyers.

4.22 Seek to enter into preferred partnership arrangements with private developers in housing market intervention areas, ensuring development of affordable housing alongside regeneration activity offering houses for sale

As part of Wirral's Housing Market Renewal programme, development partnership arrangements are in place with private sector developers Lovell (Tranmere and Rock Ferry) and Keepmoat (North Birkenhead) to deliver a range of new homes on previously cleared sites in order to both address areas of housing market failure and improve the housing offer in these neighbourhoods. This is achieved through the provision of a range of housing types for outright sale, part ownership (through equity share) and social housing rent, including 'Affordable Rent'. Both developers have a track record of successful large scale housing redevelopments often undertaken in higher risk regeneration areas.

4.23 Land values have been used in negotiations with developers to maximise the new housing offer, which includes the provision of affordable housing in new developments, although, in practise, land values are often relatively low due to the locations involved. The agreements reached to date have utilised land values to achieve more affordable properties.

4.24 External funding agencies involved in the land assembly, such as the HCA, often impose conditions related to the provision of affordable housing in any future redevelopment. Failure to meet agreed outputs could result in the claw-back of funding. Such conditions influence the negotiations with developers. For example, a recent agreement to secure in excess of £2m from the HCA commits the Council to ensure the provision of 599 units of 'low cost market housing' on a number of HMR sites assembled in North Birkenhead.

5.0 RELEVANT RISKS

5.1 Failure to respond to affordability issues would result in the inability of emerging households to access appropriate, affordable homes. There would be an increased risk of households living in overcrowded and cramped living conditions and those having no choice but to live in poorer, quality accommodation.

6.0 OTHER OPTIONS CONSIDERED

6.1 There were no other options considered as part of this report.

7.0 CONSULTATION

7.1 There are no consultation issues arising directly from this report. However during the development of the Housing Strategy 2011-2026 a borough wide consultation exercise was undertaken with over 1,300 responses received. 86% of respondents agreed that increasing the availability of new homes including affordable homes is important to them.

8.0 IMPLICATIONS FOR VOLUNTARY, COMMUNITY AND FAITH GROUPS

8.1 There are no implications arising directly from this report for voluntary, community and faith groups.

9.0 RESOURCE IMPLICATIONS: FINANCIAL; IT; STAFFING; AND ASSETS

9.1 In providing land at below market value there will be a loss of capital receipt to the Council. The Capital receipt lost cannot be identified for the future delivery of affordable housing until the land has been identified and a value placed upon it.

9.2 The Housing Division delivers and co-ordinates the activity relating to assessing local affordability and delivering responses set out in 4.12 of this report. All initiatives involving housing associations, land for sale, affordable housing, policy links to the Local Development Framework, advice to private developers on Section 106 affordable housing, are co-ordinated by the Housing Strategy Team. Work on engagement of preferred developer partners within the housing market renewal intervention areas is co-ordinated by the Private Sector Renewal Team.

10.0 LEGAL IMPLICATIONS

10.1 There are no legal implications arising from this report.

11.0 EQUALITIES IMPLICATIONS

11.1 The Housing Strategy for Wirral which sets the overarching work in relation to delivering affordable housing and responding to local affordability recognises the needs of vulnerable people, and reinforces the need to address inequalities in the housing market and improve access for all.

11.2 An Equality Impact Assessment (EIA)

(a) Is an EIA required? Yes

(b) If 'yes', has one been completed? Yes – no negative impacts identified.

12.0 CARBON REDUCTION IMPLICATIONS

12.1 The work being undertaken by the Housing Division in delivering and increasing affordable homes in the Borough ensures that new and existing homes provided are of a good quality and homes are affordable after people have moved into them. Standards to ensure sustainability issues are integrated into the design of schemes are encouraged with private developers and local housing associations are governed buy the Homes and Communities Agency standards for Code for Sustainable Homes Level 3 on new developments.

13.0 PLANNING AND COMMUNITY SAFETY IMPLICATIONS

13.1 There are no specific planning implication arising directly from this report, however the delivery of affordable housing is closely aligned with the councils planning policies and the emerging Local Development Framework which supports the delivery of the Boroughs housing priorities.

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APPENDICES

REFERENCE MATERIAL

None

SUBJECT HISTORY (last 3 years)

Council Meeting	Date
Economic & Regeneration Scrutiny Committee report <i>"End of Year performance report 2010-2011"</i> .	6 th June 2011
Cabinet report 'Wirral Strategic Housing Market Assessment Update and Affordable Housing Viability Assessment – Key Findings and Policy Implications for Wirral'	14 th October 2010