

Cyngor Sir CEREDIGION County Council

REPORT TO:	Corporate Resources Overview and Scrutiny Committee
DATE:	07/02/2022
LOCATION:	Remotely – Video Conference
TITLE:	Community Housing Proposals
PURPOSE OF REPORT:	For the Committee to consider a view from officers on the paper presented to the Corporate Resources Overview and Scrutiny Committee on the 29 th November 2021 by the Independent Group that set out a Vision towards creating a pathway to Home Ownership for the Younger Generation of Ceredigion.
REASON SCRUTINY HAVE REQUESTED THE INFORMATION:	To progress proposals for the introduction of housing options to support the vision so that younger generations have a pathway to home ownership.

BACKGROUND:

On the 29th November 2021 the Independent Group presented a paper setting out a vision towards creating a pathway to Home Ownership for the Younger Generation of Ceredigion. The vision had been drafted in response to the economic situation facing young people in Ceredigion and the lack of opportunities to enable them to purchase their first home.

Evidence was presented to show that due to the economy in Ceredigion there are limited opportunities for young people to be able to purchase a first home.

The Committee were supportive of the proposal and all recognised the need to develop a scheme that would support and enable young people to purchase their first property that would also benefit the County's economy and culture. It was therefore agreed that:

- (i) the 'Vision towards creating a pathway to Home Ownership for Younger Generation of Ceredigion' was supported and passed to Officers to work up the viability of the scheme;
- (ii) following consideration of the scheme, Officers revert to the committee with their recommendations;
- (iii) if the scheme was ultimately approved by Cabinet/Council, the preferred funding option was to be modelled into the annual budget setting.

KEY POINTS IN THE VISION

That some form of shared equity scheme would assist people accessing the market. Whilst existing affordable housing meets a wide range of needs in the County there is insufficient

stock or mechanisms to help meet all needs. There is also an intermediate need because existing affordable housing is inaccessible due to social rented accommodation being prioritised to those most in need and being unable to meet existing eligibility criteria for affordable houses to purchase.

Eligibility criteria for a new option centred around:

- New properties with a value of less than £250k
- To occupiers not being able to borrow 20% more than the value of the house
- To the house being an occupiers sole property
- To the occupier having a local connection through birth, schooling, employment and the length of time they've resided in the County
- This to be managed in a similar way to existing purchasers of affordable housing.
- That a share of equity was controlled by way of a charge on the property.

Options were put forward to finance the scheme that included an annual premium of £200K from Revenue Support Grant (RSG). The £200K can be used to guarantee the repayments on a bank loan. A figure of £200K would raise £2m (based on each £100k = capacity to borrow £1m). Other options included use of Social Housing Grant funding, S106 planning payments and Second and Empty Homes premiums.

The Council could also consider re-introducing a scheme to help with mortgages by offering mortgages with a deposit guarantee scheme. The previous scheme supported people to obtain a mortgage for up to 80% of the purchase price with only a 5% deposit from the potential buyer, with the council guaranteeing the remainder of the 15% deposit for up to 5 years.

The paper concluded that whilst Ceredigion certainly has an affordable housing needs issue, it is worth noting that a significant amount of work has already been undertaken and remains ongoing to service these needs. There are 4000 affordable homes county-wide available (approximately 12% of total housing stock) and an additional (on average) 45 delivered every year. At present a Strategic Viability Assessment is being conducted county-wide by the Housing Policy team, to identify where and how much affordable housing contributions can be considered within the Local Development Plan Review document (LDP2). They are working with the Economy and Regeneration team to complete a strategy for self-build and live/work units on council-owned land. The Housing team are considering alternative models of delivery including the re-introduction of a local Home Buy scheme and working with the development bank of Wales to secure finance for self-builders.

The introduction of any future schemes will be of benefit to the residents of Ceredigion, as it widens the scope and availability of affordable products in helping the youngsters of Ceredigion to access homes.

APPRAISAL OF PROPOSAL

Need

The evidence provided with the paper to the Scrutiny Committee in November has been

updated. The conclusions remain the same: there are significant challenges within the County for those seeking to access housing in particular those looking to buy in the open market for the first time.

Recent trends, and in particular the increase in demand for properties in the county combined with limited supply, have created a housing boom with house prices reaching record levels. The 'evidence of need' for further support is clear, particularly in relation to affordability and in creating opportunities for people to live and stay in the county. Tackling these issues through schemes such as community-led housing aligns closely to the local housing priorities of the Council and the Future Generations Commissioner.

Options

Officers have reviewed the proposal and other options for tackling these issues. These include shared equity, rent to own and self-build options and undertaken some initial financial modelling to assist forming a view. A presentation on these options plus the financial modelling will be presented at the Committee. The following information captures the current view on those options.

a) Shared Equity

A form of shared equity scheme similar to that proposed would be possible subject to some amendments. There are already some similar approaches available in the County e.g. Help to Buy Wales, Home Buy schemes supported by Welsh Government and Registered Social Landlords.

An approach which has previously been successful in Ceredigion and in line with Welsh Government policy ambitions and future intentions of the housing team, would be to create a local 'homebuy' scheme. Eligible potential buyers get a mortgage for 60-80% of the purchase price and the council owns the remaining share. At agreed intervals the occupants can at a pre-determined price stair case up to purchase more and more of the share of the home. Alternatively at some future point when they chose to move on and sell the house the initial percentage share of the value at sale becomes payable to the Local Authority.

The Council introduced a similar low cost ownership scheme in the mid-1990s. Individuals purchased their own properties with standard mortgages and then alongside that the Council gave an interest free loan for up to 30% of the purchase price. Loan repayment crystallises on sale, with repayment based on the original loan %age against the original purchase price then being applied to the sale price. (e.g. £15k loan against £50k purchase results in a repayment of £60k if it's now sold for £200k).

There are still x28 properties on our Low Cost Home Ownership Register with original loan values totalling £375k and now likely to be worth at least 4 times this amount. These are treated as Deferred Capital Receipts on the Balance Sheet and result in a real Capital Receipt when repayment crystallises.

Experience to date shows a track record of loans remaining in place for long periods of time so Council benefits from long term property market movements.

Funding for a trial could come from the existing Second Home Owner Premiums reserve, this should be sufficient to fund around 7 to 10 loan facilities. Further funding could then be added by using future premiums or other sources.

Caps and eligibility would need to be developed further but are likely to be similar to those in the proposal. It is however suggested that occupancy criteria mirrors that of the existing affordable housing schemes in order to ensure those in genuine need are utilising it and it complies with legislative requirements such as the Equalities Act 2010. (See Appendix 1).

As demand could outstrip supply, having a capped number or pot would be necessary to manage demand. Over time the shares of the dwelling the Council owns should increase in value thus ensuring no loss of capital and when returned can be recycled to provide to support others (albeit experience has shown recycling funds to be slow).

It is understood such a scheme would operate legally as a 2nd charge on the property and therefore no S106 agreement would be required. It is a straightforward process to start, thus offering a simple to manage quick win. Furthermore, it relies on existing and new-build housing market stock – offering opportunities for young people to access the house of their choice in the location of their choice.

b) Rent to Own

A Rent to Own approach has been trialed in a number of locations by different housing agencies with various models. Essentially offering a part rent part purchase option. With people paying a portion of rent to the scheme manager and a portion to a regular mortgage company; in time building a nest egg from the rental income to use as further deposit to staircase up to a higher percentage of ownership.

Welsh Government and other bodies have tried to operate a similar scheme; however, this has now ceased. Effectively the occupants paid a mortgage and a rent, and after 2 years and before 5 years in the property they could staircase up to full ownership by building a deposit through the rent paid for the additional mortgage borrowing. These properties tend to be new build to limit maintenance requirements of the 'landlord', and thus availability of such units is limited to new developments in certain locations.

In reality, such schemes prove difficult to manage and maintain viability, with many occupiers choosing not to staircase up and / or rent arrears causing significant problems. Viability of such schemes has also proved difficult as counties such as Ceredigion have traditionally areas of high and low rent with viability very geographically spread and the scheme being aimed at Intermediate tenures (effectively part owners). This means that they are usually not eligible for Local Housing Allowance (LHA) even if they were given the variability of rental levels across Ceredigion suggests in a number of locations LHA would not cover their costs.

In order to proceed with a rent to own type scheme, detailed viability work will be required and a mechanism for addressing staircasing and payment of rent as well as outlining what percentage of rent is effectively savings. Situations where applicants are unable to staircase up and / or become in rent arrears would also need to be addressed. The Local Authority

would need to be mindful that there would be a resource implication with such a scheme in managing tenancies, managing savings for the deposits, supporting tenants in a staircasing up / rent arrears scenario and if in time eligible occupiers were unable to staircase up – acting as a landlord with maintenance implications in perpetuity.

C - Self Build

Developing a self -build pathway for affordable home ownership is an existing priority of the Economy and Regeneration Team and a pilot project has been introduced to outline the key issues in managing such a model. Further council owned sites have been identified that could be made available for self-build plots and work on such a scheme remains ongoing including utilising the Land and Building Development Fund to bring forward such schemes. However, it is a longer-term ambition, as delivery partners, planning and detailed viability work is required to ensure the merit of such schemes.

CONCLUSIONS

The Paper presented to the previous scrutiny committee rightly highlights the challenges facing the County and the need for additional options for people to access housing they need.

It is recognised that whilst there is existing stock of over 4000 affordable homes (over 12% of the total housing stock countywide) across Ceredigion of varying tenures, including over 400 'Intermediate Tenure' products delivered over the last 15 years, it simply isn't enough to meet demand. As set out, the existing properties are generally restricted to those people in most need (Social rented) and those people eligible to purchase under the Affordable Housing scheme. There remains a group of people who we may consider in 'intermediate need' who wish to purchase or rent properties in their local communities who are 'priced out of the market' due to the increasing demand for rural properties and availability of affordable units in rural settlements. Therefore supporting these young people to remain in their communities is where 'community housing' could assist.

By pursuing the Shared Equity model outlined above the Local Authority could support people to find suitable accommodation from the existing stock amounting to over 30,000 homes in the location of their choice. Whilst the Council would in effect be offering an interest free loan, which may take time to crystallise, the approach would mutually beneficial for the Council and the sellers.

The Council could consider a 2-strand approach:

1. Short to medium term reinvigorate/pilot. This would be a shared equity type product using existing £650k + from the Second Homes Premium with the addition of whatever is added to the pot this year. This could potentially support the equity share at up to 40% of average market values to 8 applicants.
2. Medium to longer term: To potentially pursue a goal to do more specific work around Council owned sites, aiming to release them for intermediate housing. This would be within the confines of Housing Revenue Account and an understanding of internal capacity in managing such schemes. Such a project would need dedicated officer time to secure consents and manage the process but this is already being considered as part of the

Asset Development Panel remit.

Approaching matters in this way would see a phased approach to implementing the Independent Groups vision to help people in the County with the details of the shared equity scheme worked up and agreed within 12 months of the Council decision. Work on extending the options available to help local people would take place concurrently with the aim of agreeing details and implementing those in years 2 and 3 of the new political administration.

WELLBEING OF FUTURE GENERATIONS:

Summary: An IIA is pending subject to further discussions by the Scrutiny Committee.

Long term: N/A

Integration: N/A

Collaboration: N/A

Involvement: N/A

Prevention: N/A

RECOMMENDATION (S):

For the Corporate Resources Overview and Scrutiny Committee to recommend to Council that:

- 1) The Council decision 24/3/16 Minute 12) Report of the Deputy Chief Executive upon the Council Tax Premiums for long-term empty homes and second homes, point 4 be amended as follows:

“4)a)The level of Council Tax Second Homes Premium charged to be set at 25% (with effect from 1 April 2017), and,

b) that all monies raised from the 25% Council Tax Second Homes Premium (net of the Council Tax refunds), be ring-fenced and used to support the Community Housing Scheme.”

- 2) That all monies raised from the 25% Council Tax Second Homes Premium between the period 1/4/17 to 31/3/22 (net of Council Tax refunds), to be ring-fenced and used to support the Community Housing Scheme.
- 3) That all monies raised from the 25% Council Tax Second Homes Premium from 1/4/22 (net of the Council Tax refunds), to be ring-fenced and used to support the Community Housing Scheme.
- 4) That from 1/4/22, all monies raised from the 25% Council Tax Empty Homes Premium (net of the Council Tax refunds), be ring-fenced and used to support the Community Housing Scheme.
- 5) That Council decision 16/3/17 minute 8)b) Council Tax Premiums on Second Homes, be revoked.
- 6) That details of a shared equity element of the scheme are prepared and agreed within 12 months of the Council decision and that work continues on the other options.

REASON FOR RECOMMENDATION (S):

- 1) In order to prepare and implement a Community Housing Scheme that acts on the vision set out by the Independent Group.
- 2) To implement a scheme that supports people within the County to access housing that meets their needs.
- 3) To ensure that governance arrangements around previous decisions are fit for purpose.

**Contact Name: Russell
Hughes-Pickering**

**Designation: Corporate
Lead Officer – Economy
and Regeneration**

**Date of Report: 31st
January 2022**

Acronyms:

Appendix 1 – Eligibility Criteria

Properties

- Those up to £250k

Loan

- Owner to take 60-80% Mortgage in the Property
- Remainder to be made up of 20-40% interest free loan
- Loan to be repaid on sale on proportionate basis to any increase in value (e.g. a 10% increase in the value of the house from say £200k to £220k over a 5 period would result in a corresponding increase in the share to £55k where an initial £50k sum was invested by the Council).

Occupancy Criteria

- As per those defined in the Local Development Plan (See below)

Notes:

It is recommended that the planning policy team manage the eligibility of the community housing rather than a third party on the basis that no banding assessment. The criteria would also be the same as those applied currently and managed by the planning policy staff.

When undertaking eligibility certification no value judgements are made it is a simple process of determining whether an applicant qualifies or not, when third sector organisations are involved a complex interplay of local politics can come into play, thus internal management of the eligibility ensures that a fair unbiased assessment is made of eligibility only. It is important to ensure in the eligibility criteria (as has been done for planning gain affordable housing) that the legislation as set out in the Equalities Act 2010 are respected. It is therefore not possible to set eligibility criteria that discriminate on for example marital status, Welsh Language Ability, age etc.

In order to ensure that the planning delivered affordable homes in Ceredigion genuinely are occupied by people in affordable need we expect occupiers to obtain a certificate issued by the planning policy team whereby they demonstrate that they meet the 3 eligibility criteria set out below:

These eligibility criteria have been developed to ensure they comply with the Equalities Act 2010 and are able to secure mortgages on by working within the guidelines set out by the Council for Mortgage Lenders (CML). It is worth noting we do have some mortgage-ability issues with our existing Affordable products as there are only a subset of national lenders (approx. 3) willing to lend on them in CCC at present.

In a shared equity scenario it would most likely not be necessary to implement a S106 agreement and therefore mortgage-ability is less of a concern so differing criteria could be applied for the scheme and it would be worthwhile investigating what the previous scheme utilised in the 1990's.

For the planning gain Affordable Housing the following criteria apply:

1. Financial Qualification:

In Respect of Discounted For Sale Affordable Housing:

A (combined) ability to borrow not more than the amount required to purchase the property at its discounted price plus 10% of that price. In respect of plots for self-build the 'discounted price' will be based on an off-plan estimate of the value of the unit.*

In Respect of Intermediate Rent Affordable Housing:

It is important that the Intermediate Rent affordable housing scheme should reach its target audience, that is:

- those who are realistically unlikely to be able to access housing through the Common Housing Register who may have little option but to choose to spend a higher proportion of their income as rent than is deemed 'affordable' (i.e., >35%).

Intermediate Rental properties will be 'banded' by size and applicable intermediate rent level.

The specifics will change over time as a function of rent and wage levels in the county and the property size / rental value bandings from time to time will be set out in SPG.

Eligibility to occupy Intermediate Rent Affordable Housing needs to satisfy the following requirements:

- Applicant is a household with at least one member working full time (defined for the purpose of this scheme as 35 hours per week)
- Intermediate Rental property applied for will not be 'under-occupied' by the household (that is, it meets the needs of the household as confirmed by the Affordable Housing Officer).
- The applicant cannot access market rented properties to meet their needs at 35% or less of their gross earned household income

2. Residency Qualification

In the current LDP (under the past UDP it was 10 out of 20 years but this was considered un-mortgage-able by the Council for Mortgage Lenders CML)

In Respect of Discounted For Sale and Intermediate Rent Affordable Housing:

i. A local connection in that the applicant must at some time in their life have lived in Ceredigion or an adjoining town/community council area (or a combination of the two) for a continuous period of 5 years.

Or

ii. A need to live in Ceredigion to substantially care for or be cared for by a close relative where the relative meets the requirements of paragraph “2(i)” above and the relative’s property is incapable (whether as it stands or subject to extension) of meeting the needs of the combined household.

Or

iii. A need to be in Ceredigion for employment purposes as a key worker on a full time (35 hours) permanent basis. For the purposes of the LDP, a key worker is defined as follows:

a A teacher in a school or in a further education establishment or sixth form college;

b A nurse or other skilled health worker in the National Health Service;

c A police officer;

d A probation service worker;

e. A social worker;

f An educational psychologist;

g An occupational therapist employed by the local authority;

h A fire officer;

i Any other person whose employment fulfils an important role in the provision of key services in Ceredigion where recruitment from within the County has proven difficult.

3. Occupancy As Sole Residence:

In respect of Discounted For Sale and Intermediate Rent Affordable Housing:

The applicant will be expected to occupy the property as their sole residence and will be required to confirm that they do not own other residential property. Where the applicant is returning to Ceredigion and has unsold property which they previously occupied then a period of grace of not more than 12 months will be extended to allow the sale of the property to take place.

