

Communities, Equality and Local Government Committee

Inquiry into the provision of affordable housing in Wales

Response from Leadbitter Western Housing Division

Introduction

Leadbitter has been involved in the provision of affordable housing including social housing for rent, shared ownership schemes and also private rented and open market homes in Wales since 2002. We have worked closely and in partnership with Local Authorities and Social Housing Providers creating mixed tenure and cross subsidy solutions to bring affordable homes to people who need them throughout South East Wales. In more recent years our operations have begun to move further West having completed housing developments in the areas in the vicinity of Swansea.

Until recently we have had in our pipeline a steady stream of developments which have provided continuity of provision of homes and continuity of work which has enabled us to maintain employment and training for our staff. However this situation began to downturn in 2008 and in more recent times our supply of work has begun to decrease significantly having the effect of not only reducing the supply of affordable homes available, but also leading to us having to deploy some of our staff to our Bristol Office and in some regretful instances make people redundant.

The key to our issues has been:

- **The supply of land with planning consent,**
- **Funding for schemes,**
- **The lack of funds available to potential purchasers**

There appear to be fewer schemes coming forward from our main customers – Housing Associations; access to land is often thwarted or at least delayed by planning and the desire and often requirements to maximise land values in times of austerity are creating barriers to the financial viability of developments; but also the demand for homes is being suppressed by the lack of funds available to potential customers.

Planning and Funding Procedures and Funding for our clients

Planning and procurement procedures and availability of funding have conspired together to have a blocking or delaying effect on projects. In some instances within the same local authorities there can be a conflict between those who are seeking to meet housing need, those who are providing land for development and those who control of development control through planning procedures. As an example we are about to begin constructing a development which has been in the pipeline for 6 years and has been delayed for a plethora of reasons.

Mortgage availability the main blocker to tangible demand for future home owners

Building Societies and Banks are extremely risk averse and their strict criteria with regard to income and deposits mean that many of our potential customers are unable to access the necessary funds to purchase even 'affordable' homes. We do build in areas with lower land values, which in theory will help first time buyers and lower paid people get their foot on the property ladder – however some building societies will not accept tax credit and child benefit as admissible income. Therefore the very people who need these homes cannot get access to them.

Another issue is that Building Societies are instructing their surveyors to value new homes at the same level as existing homes in the area, therefore we consider this an undervalue, which again prohibits access to mortgages.

Consequently these 'suppressors' of what is a very real need and demand is restricting supply, as developers will not begin developments or have put developments on hold whilst potential purchasers are unable to access funds.

We suggest the following courses of action:

Availability of Land with planning consent

RSL sector need to work very closely with Local Authorities to provide cohesive approaches to meeting housing need

We encourage WG to continue to pressurise LA's to facilitate development, thus improving the supply of land with planning consent – planning must become a tool to facilitate development not a barrier

Land owners in the public sector must take best value over highest price for their land and be more receptive to differing payment terms – they could use their duty to the wider aspects of sustainability to justify accepting lower land values

Funding Availability

The RSL sector need to unshackle themselves from their own restrictive standing orders and consider taking more share of development risk and longer term views on financial returns

RSL's must be encouraged, supported and incentivised through local / National Government to utilise their own assets and reserves to produce more homes with less grant

There needs to be greater promotion of collaborative working and joint venture initiatives enabling "specialists" to work together under one umbrella agreement eg perhaps involving health and social services in appropriate schemes

Private sector cross subsidy must be embraced and promoted with more creative and open minded thinking by clients

Opportunities in the elderly care sector should consider monies via Pension funds and leaseback schemes using the strength of covenants provided by RSLs

Greater use should be made of mixed tenure in elderly care to give choice to residents and the opportunity for cross subsidy.

WG could look at some of the models being carried out by the HCA whereby the HCA are retaining equity stakes directly in developments

Creating tangible demand

Home ownership needs radical overview to help those who are greatest in need, more initiatives, gap funding, increase in mortgage availability etc.

Negotiations need to take place with Building Societies and Banks to encourage a less 'belt and braces' approach to lending.

Local Authorities could become mortgage lenders again (this was successfully implemented in the seventies) especially if Building Societies and Banks are not prepared to step up to the plate.

The potential for institutional investment for private rented investment with developers taking an equity stake in the development should be explored/embraced.

Mortgage restrictions have effectively killed the buy to let market, this is a potential key area therefore for institutional lenders and other large investment portfolios

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For and on behalf of Leadbitter