



Llywodraeth Cynulliad Cymru
Welsh Assembly Government

Welsh Assembly Government

The Affordable Housing Toolkit

June 2006



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Foreword



The Assembly Government's vision for housing in Wales is that everyone should have the opportunity to live in good quality, affordable housing; be able to choose where they live and whether buying or renting is best for them and their families. The delivery of this vision, which we set out in our National Housing Strategy: *Better Homes for People in Wales* is central to our objective of creating sustainable, mixed communities.

Better Homes set out a number of objectives for improving both social housing and privately owned housing; we are working in partnership with others to secure their delivery. The introduction of the target to achieve the Welsh Housing Quality Standard by 2012 in both the local authority and housing association sectors will result in a step change in the scale of investment in the existing housing stock over this period.

Since we published *Better Homes*, the issues of housing supply and affordability have become an increasing concern throughout the UK. In Wales we are fortunate that overall we do not have a large imbalance between rates of housebuilding and household formation as is evident in several parts of England; but there are clearly localised pressures, particularly in rural Wales, as well as a general background of declining affordability. It is therefore critical that local authorities take a positive and responsible approach to meeting their housing requirements within the framework of collaboration encouraged by *People, Places, Futures - The Wales Spatial Plan* and the sub-national household projections published by the Assembly Government's Statistical Directorate.

Our vision for housing also recognises that for some, home ownership is not an option and that there is a need to look ever more critically at the delivery of our policies relating to the provision of affordable housing. These cut across both housing and planning within the strategic context provided by the *Wales Spatial Plan* and it is therefore appropriate that we take this opportunity to bring together in one document and clarify the Assembly Government's policies on affordable housing and the range of mechanisms available to local authorities and their partners to help them address their housing needs.

Affordable housing is a national as well as local issue and this document, together with the associated package of planning reforms and guidance on housing market assessment, is a key part of the national response to the issue.

Since consulting on the draft of this toolkit we have also been considering how the Assembly can use its own land holdings and those of Assembly Sponsored Public Bodies to help maximise the provision of affordable housing and deliver some of our other policy objectives. A detailed protocol will be developed to put this into practice. This new approach will utilise the expertise of our new Department for Enterprise, Innovation and Networks and ensure that affordable housing considerations are fully reflected in development briefs when land is brought to the market.

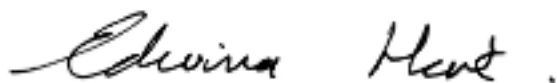
We have addressed the planning aspects of housing through our review of TANs 1 and 2, and the housing chapter of Planning Policy Wales. The changes to planning policy enable authorities to allocate sites solely for affordable housing in appropriate circumstances whilst introducing new arrangements for monitoring the supply of affordable housing.

Alongside those measures, the recent publication of our Local Housing Market Assessment Guide will help local authorities and their partners develop an improved evidence base for local housing strategies and Local Development Plan policies on housing.

We have also provided funding towards the appointment of Rural Housing Enablers and the development of Community Land Trusts in recognition of the specific problems affecting many parts of rural Wales.

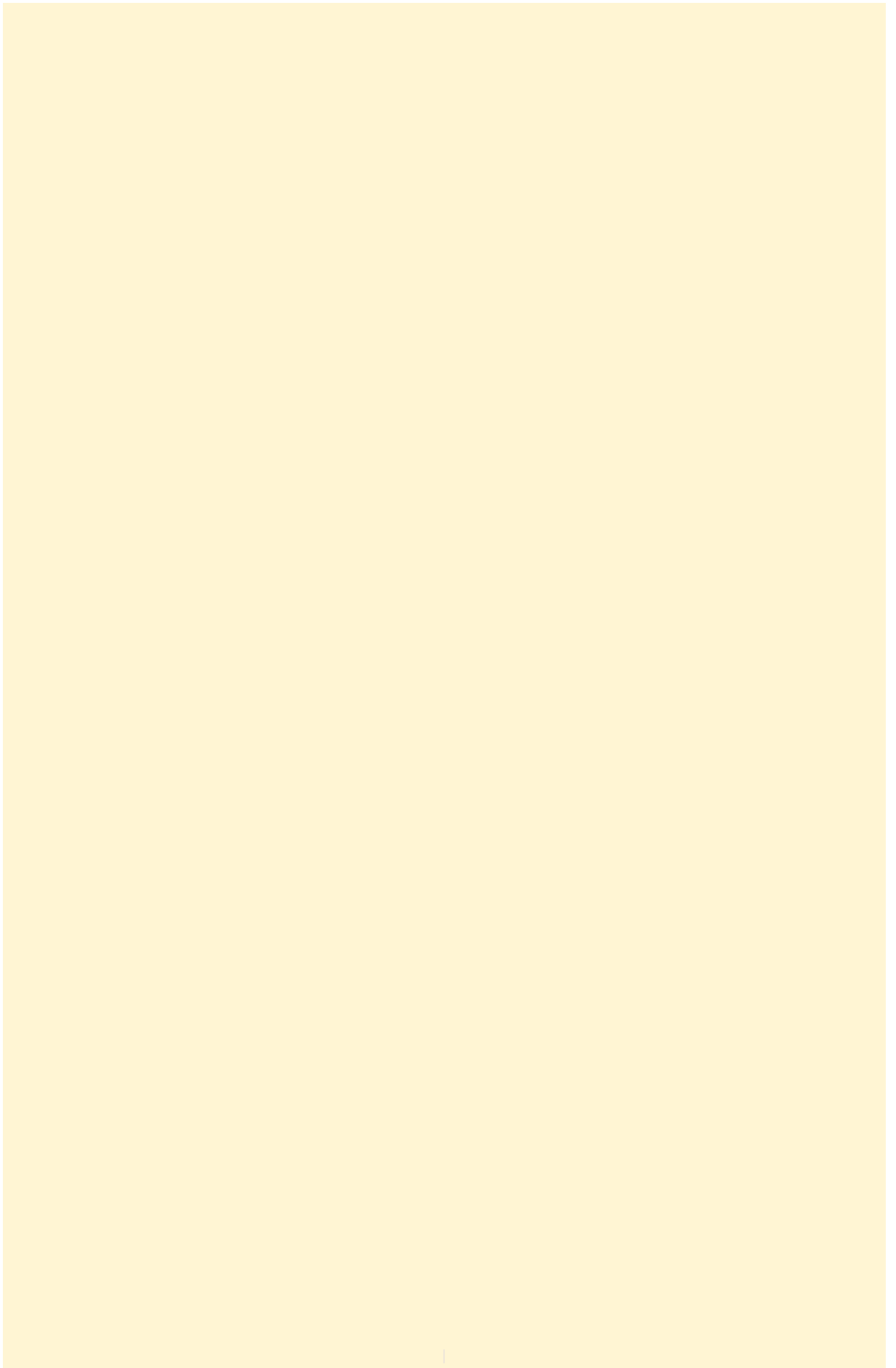
This Affordable Housing Toolkit seeks to complement and support the other actions we are taking. Our aim is to encourage authorities and their partners to use all the powers and tools at their disposal to maximise the supply of affordable housing commensurate with local housing needs and circumstances. It is essentially a signposting document to raise awareness of the inter-relationship between different policies, tools, and functions and provide examples of good practice from around Wales. It is critical that authorities adopt a corporate approach to the interface between housing, planning and other functions which impact on housing supply and collaborate with others to produce solutions which best reflect the local context.

We have listened carefully to the comments raised in consultation and I hope that in its finished form this toolkit helps to provide the clarity which we know many practitioners have been seeking. Assembly Government officials are available to provide additional advice and support to all parties who are prepared to use these tools creatively to help deliver our vision and objectives for housing.



Edwina Hart AM MBE
Minister for Social Justice and Regeneration

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1. Introduction

1.1 In Wales in recent years there has been a broad balance between the rate of new house building and household formation, whereas in England there is both an overall deficit in supply together with a very large deficit in South East England. However, even in Wales, new house building has only just kept pace with the increase in the number of households and the figures leave no room for improvement of stock through demolition and replacement or for the re-housing of overcrowded households. This is against a background in which house prices have risen at a much higher rate in recent years than average incomes.

1.2 These factors have led to acute difficulties in some areas both for those entering the housing market for the first time and those who need to trade up owing to changing family circumstances. Migration pressures are clearly part of this equation with a significant increase in net migration from England to Wales since 1997/98. In 2003/04 there was a net gain of over 14,000 persons from this source with 45% choosing to move to Mid and West Wales and a further 29% moving to North Wales. There have also been internal population movements within Wales. For example in 2003/04 Cardiff exported significant numbers of people to its neighbouring authorities.

1.3 The effects of such pressures together with the general upswing in the housing market has led to varying levels of affordability throughout Wales. Overall average house prices have risen from just over three times average earnings in 1999 to nearly five and a half times earnings in 2005. During 2005 the ratio between average house prices and average male earnings stood at 3.11 compared to around 6.03 in England. However, Monmouthshire, Powys, Ceredigion, Pembrokeshire, Cardiff and the Vale of Glamorgan all had ratios above the average for England. The lowest ratios were found in the Valley authorities of South Wales. Affordability can also vary considerably within local government boundaries and can have significant impacts on individual communities which are subject to migration pressures and/or demand for second homes.

1.4 The Assembly Government's Statistical Directorate has recently published national and sub-national household projections for Wales, which can be downloaded from the following hyperlink: <http://www.wales.gov.uk/statistics>. The projections use the Office for National Statistics (ONS) 2003 mid-year population estimates of the usually resident population as their base. Between 2003 and 2026 they show that:

- The total number of households within Wales is projected to increase by 20 per cent to 1,478,500.
- The number of households in all four regions of Wales are expected to increase, with the largest increase in South East Wales (22 per cent) and the smallest in North Wales (16 per cent).
- In general, the average household size is expected to continue to fall from 2.34 persons to 2.09.
- The number of married couple households are projected to fall whilst the number of cohabiting couples is expected to rise.

- Whilst on average single parent households are projected to increase by 20 per cent, in Mid Wales a decrease of 2 per cent is expected

These new projections provide a starting point for the establishment of housing requirements in Local Development Plans and further advice on this subject is provided in section 3 of this document and in our Local Housing Market Assessment Guide.

1.5 In addition to its role in meeting housing requirements and addressing affordability, new house building makes an important contribution to the Welsh economy. A study for the Council of Mortgage Lenders¹ estimated that housing related activities accounted for approximately 4.5% of total employment in Wales in 2000.

1.6 Housing investment in the UK accounts for around 3% of gross domestic product whilst total housing expenditure represents almost 13% of GDP². It is, therefore, essential that we harness its potential both to meet our housing requirements, as a catalyst for area regeneration, and to narrow the gap between our most deprived communities and the rest. However in considering the need for new development it is essential that sustainability considerations are reflected including the possible impact on the future integrity of Welsh speaking communities, in accordance with Planning Policy Wales and Iaith Pawb, the Assembly Government's Welsh Language policy. Section 9 contains further information on sustainability issues.

1.7 The issue of the Welsh language being lost from rural communities is one that has taken on increasing importance owing to the upswing in net in-migration and the pressures this has placed on local housing markets in rural Wales. The Assembly Government has recently published a research report on *The Role of the Housing System in Rural Wales*. This sets out the relationship between the housing system and the economy of rural Wales and can be downloaded at: <http://www.wales.gov.uk/housing>. The Assembly Government's Housing Directorate has also commissioned a review of low cost home ownership which will provide a better understanding of its role and potential in rural Wales. This will be published on the Assembly Government's internet site shortly and will help inform future policy development in this area.

1 Pickernell et al. *Housing, Financial Services and the Welsh Economy*, Council of Mortgage Lenders, London, 2002.

2 Stewart, J 2005. *Housing: the Key to a Successful Economy*, in *Game Plan: Housing and the Economy*, CIH Cymru, 2005

2. Our Vision for Housing in Wales

2.1 The Assembly Government's National Housing Strategy, *Better Homes for People in Wales*, was launched in 2001. The vision set out then was that everyone in Wales should have the opportunity to live in good quality, affordable housing; and to be able to choose where they live and whether buying or renting is best for them and their families. We remain committed to that vision and much has already been done to facilitate its delivery, particularly in relation to improving quality and extending choice.

2.2 The Strategy is being implemented through an action plan which summarises the aims, objectives and planned target outcomes set out in *Better Homes*, or developed since it was published and records progress towards their delivery. Both documents can be accessed at: <http://www.wales.gov.uk/housing>.

2.3 Since the publication of *Better Homes* we have witnessed powerful socio-economic forces at work which have pushed house prices upwards and beyond the reach of many on lower incomes. Affordability has thus become an increasing concern and is a key feature in many local housing strategies.

2.4 That is why it is essential that the Assembly Government, local authorities, house builders, housing associations, and other partners work together to maximise the supply of affordable housing in accordance with local needs and priorities.

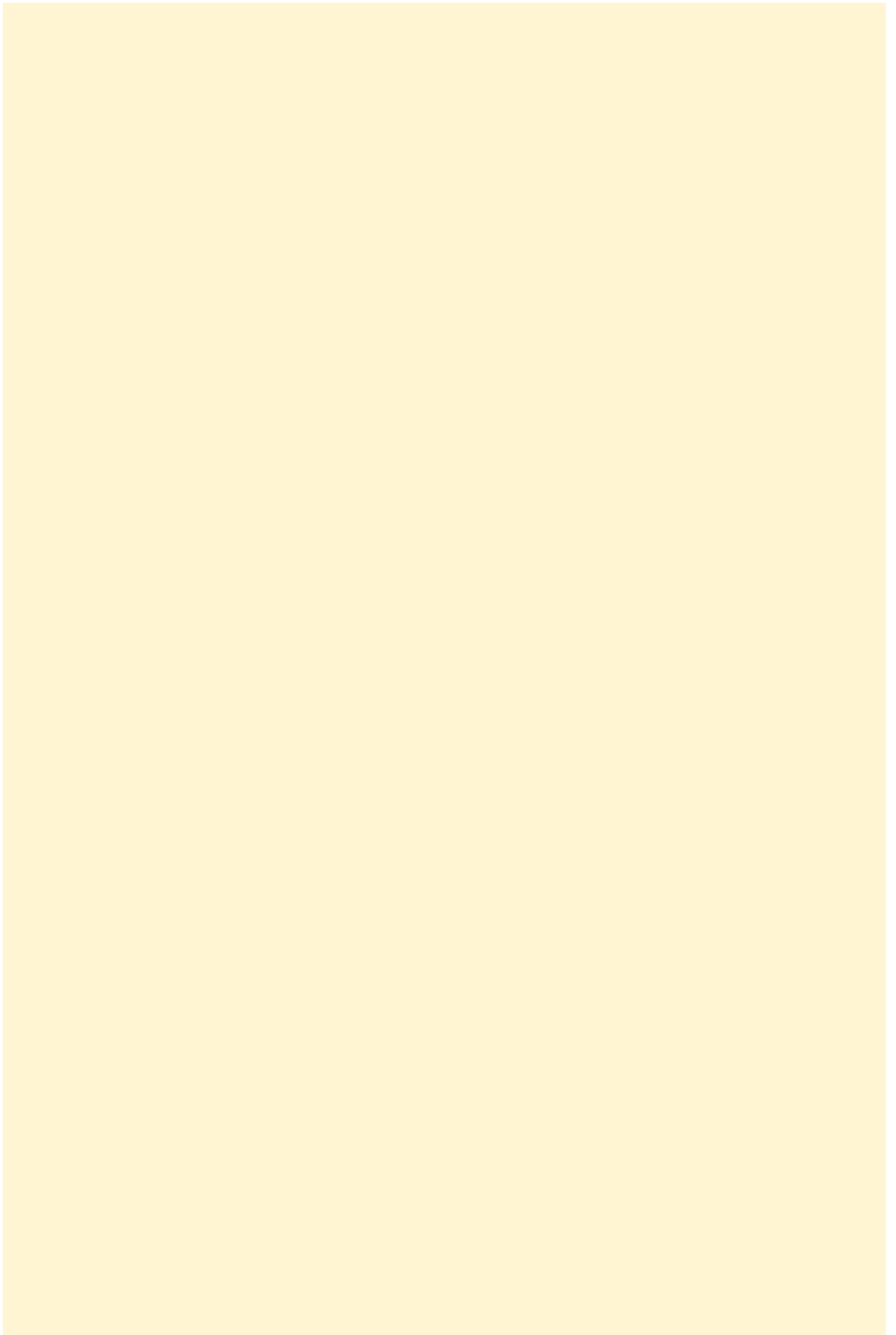
2.5 This document brings together the national policy context in relation to housing and sets out the powers and tools available to deliver affordable housing. It also draws upon examples from around Wales to demonstrate how they have been used and to help spread good practice.

2.6 This toolkit is designed to assist primarily delivery aspects and how in practice local authorities and others ensure that affordable housing needs are met on the ground.

2.7 The following sections sets out the current situation in relation to:

- The national policy context;
- The assessment of housing requirements;
- The development of local housing strategies;
- The delivery mechanisms for affordable housing;
- The work of rural housing enablers;
- The use of statutory powers in land assembly;
- Designing good quality sustainable housing.

The last section of the document provides a valuable source of reference to other documents that should be of interest and a source of good practice to practitioners in the field of affordable housing.



3. National Policy Context

3.1 The Wales Spatial Plan sets out a cross cutting agenda that puts housing into its wider context in relation to the Assembly Government's socio-economic and environmental priorities and in terms of the different parts of Wales. The national policy context for housing is set out in more detail in *Better Homes for People in Wales*, which deals specifically with housing issues.

3.2 The national planning policy framework for housing is contained in *Planning Policy Wales 2002*, *Technical Advice Notes 1 (Joint Housing Land Availability Studies)*, and *Technical Advice Note 2 (Planning and Affordable Housing)*.

Wales Spatial Plan

3.3 The Assembly Government adopted *People, Places Futures*, the Wales Spatial Plan in November 2004. It can be obtained from the Assembly's website at:

<http://www.wales.gov.uk>.

3.4 The Plan is a spatial interpretation of the Welsh Assembly Government's strategic policies and its role is to ensure that the Welsh Assembly Government, its partners and agencies take account of different challenges and opportunities in different parts of Wales. It provides a framework for collaborative action between all partners to respond to national and regional priorities, recognising that 'one size' solutions do not fit all parts of the country. In addition, local authorities have to have regard to the Spatial Plan when preparing Local Development Plans and it is a material consideration when making decisions on individual planning applications.

3.5 The plan is being implemented at the local level via regional groups, which have been set up by the Welsh Assembly Government to reflect the six spatial plan areas. The groups represent partnerships between the Welsh Assembly Government and its agencies, together with local authorities, business, voluntary, environmental and equality organisations. The partnerships provide a framework for joint working on various issues and some have set up sub groups to look at key issues such as affordable housing and the establishment of sub-national housing requirements. It is critical that the private sector is involved in such groups.

3.6 The approach has the potential to more effectively respond to housing markets as it looks across local authority boundaries and considers the whole range of socio-economic and environmental factors which affect housing supply and demand. This toolkit will enable the partnerships to develop a 'package' of measures designed to deliver affordable housing requirements, which respond specifically to local opportunities and constraints.

National Housing Strategy

3.7 *Better Homes for People in Wales* (<http://www.wales.gov.uk/housing>) translates the vision for housing in Wales into an overarching framework that authorities are required to have regard to when preparing local housing strategies and submitting Operational Plans for housing. The framework is supplemented by:

- guidance on the preparation of local housing strategies and sub-strategies for dealing with homelessness, Supporting People, and the needs of black and minority ethnic communities;
- guidance on the assessment of housing needs and housing market assessment;
- guidance on the preparation of statutory policies for private sector renewal and making use of the private sector;
- advice and guidance relating to grant programmes and the consents regime for the disposal of housing land; and the provision of financial assistance to RSLs.

3.8 Authorities' responses to the range of guidance provided should help them to build a comprehensive understanding of housing markets and conditions in their areas and to be able to plan for meeting both their overall housing requirements and the need for affordable housing.

The Planning Policy Framework

3.9 A fundamental reform of the planning system is being taken forward under the Planning: Delivering for Wales programme. As part of this programme the planning policy framework for housing has been reviewed. One of the objectives of the review was to secure additional affordable housing through the planning system. Following the public consultation exercise that took place last year, a revised planning policy package is being issued today alongside this toolkit. The package comprises:

- Ministerial Interim Planning Policy Statement 01/2006 (MIPPS);
- Revised Technical Advice Note 1: Joint Housing Land Availability Studies; and
- Revised Technical Advice Note 2: Planning and Affordable Housing.

3.10 The review has been informed by the Assembly Environment, Planning and Countryside Committee Inquiry into the Planning aspects associated with the provision of affordable housing and sustainable communities in the countryside and the Welsh Assembly Government response. Preparation of the revised planning policy package has also been assisted by stakeholder groups drawn from the private sector (including representatives from the house building industry), local government, housing associations and professional bodies.

3.11 The planning system has an increasingly important role to play in the delivery of affordable housing both in situations where public subsidy is available and where the applicant for planning permission provides the subsidy through a Section 106 agreement or other mechanism. However these mechanisms are not mutually exclusive and Social Housing Grant may be available to meet a shortfall in funding. This section of the toolkit provides an overview of the main changes to the planning policy framework for housing which should be read in conjunction with the MIPPS and Technical Advice Notes.

Planning Policy Wales (Updated by Ministerial Interim Planning Policy Statement 01/2006)

3.12 Planning policy requires local authorities to work collaboratively between housing and planning functions when preparing local housing strategies and development plans. It stresses that local authorities must understand the housing system so that they can develop evidence based market and affordable housing policies for inclusion in local housing

strategies and development plans. It is essential that authorities engage fully with the private sector and other stakeholders in order to develop a shared understanding of the realities of local and regional housing markets. The *Local Housing Market Assessment Guide*, which we have also published, provides details of how this can be achieved in practice.

3.13 The development plan is the main vehicle to identify the community's requirement for market and affordable housing. When identifying development plan housing requirements, local authorities should take as their starting point the current Assembly Government national and sub-national household projections. Within each region local planning authorities will need to work together collaboratively and with appropriate stakeholders to apportion to each authority the projections, or agree their own regional policy-based projections. Whilst local authorities are permitted to produce their own policy based projections, they should carefully consider the impacts of any under supply of housing on:

- the affordability of housing, and;
- the ability to secure developer contributions towards the provision of affordable housing.

3.14 Local planning authorities must ensure that sufficient land is genuinely available or will become available to provide a 5-year supply of land for housing. The Assembly Government will monitor development plans and housing land availability studies to ensure that local planning authorities meet the 5-year housing land supply requirement.

3.15 A community's need for affordable housing is a material consideration that must be taken into account when preparing development plans and deciding planning applications. Where the local housing market assessment has provided evidence of a need for affordable housing, the development plan must set **an authority wide affordable housing target** and identify the policy approaches which will be adopted to meet the target. These approaches may include **site thresholds** on allocated and windfall sites above which an element of affordable housing will be sought from developers or a combination of thresholds and **site-specific targets** for individual sites included in the development plan. In appropriate circumstances this may also include allocating sites solely for affordable housing. In rural areas these approaches must be supplemented by a rural exception site policy (see paragraph 3.20).

Revised Technical Advice Note 1 Joint Housing Land Availability Studies

3.16 Joint Housing Land Availability Studies are produced for each local planning authority area in order to monitor the supply of housing land and to provide information about the adequacy of this supply. The main aim of the revision is to build on the existing process and in particular to reflect the technological and institutional changes that have taken place since 1997. These changes include:

- clarification of the need for action where an insufficient supply of land is identified;
- the incorporation of Study findings into the Local Development Plan Annual Monitoring Report;
- the introduction of a mechanism to monitor the provision of affordable housing through the planning system (as defined by TAN 2);

- harmonisation of study frequency; and
- additional data collection requirements.

Revised Technical Advice Note 2 Planning and Affordable Housing

3.17 The overriding aim of the revision is to facilitate an increase in the provision of affordable housing via the planning system. To this end, the revised TAN:

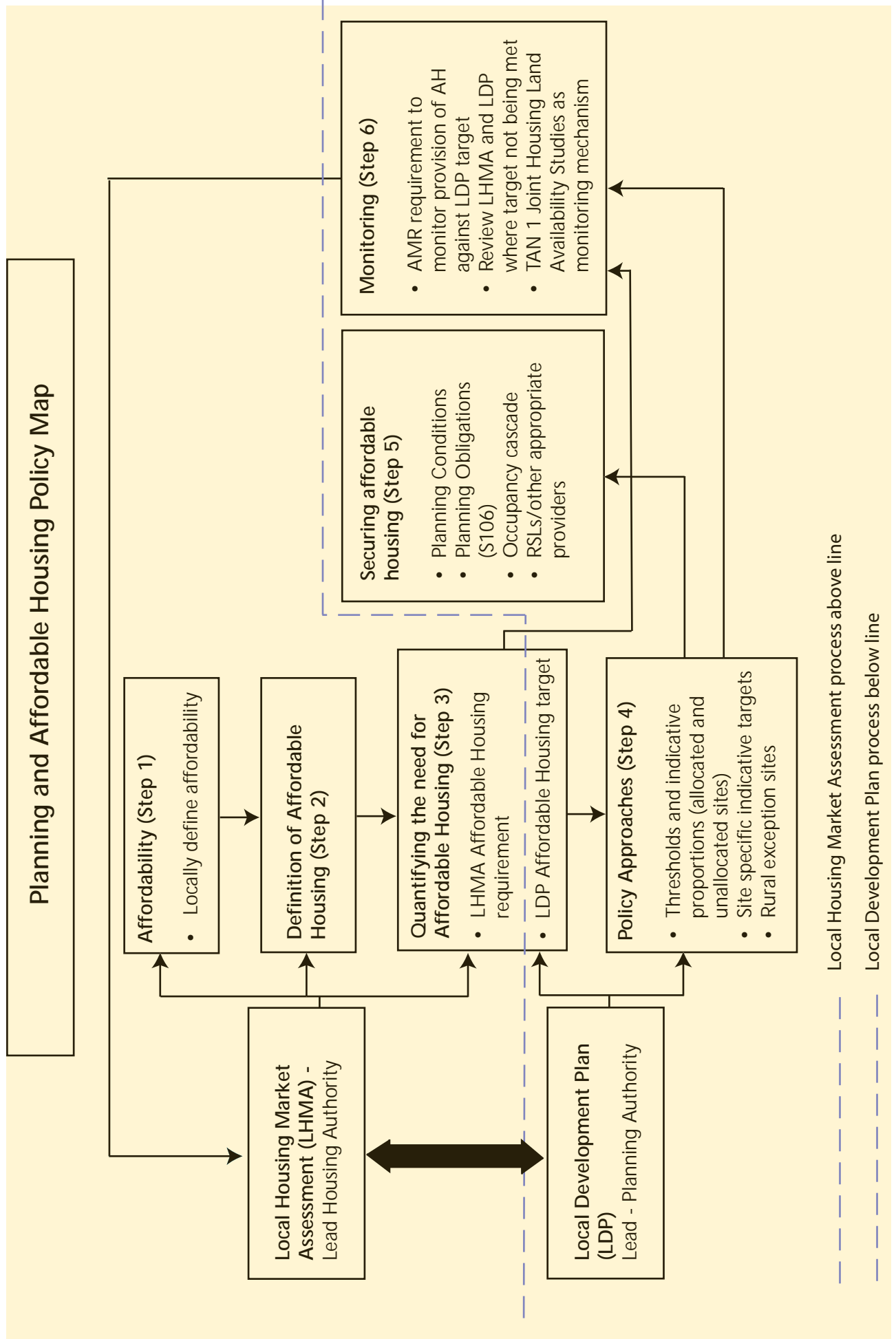
- provides a step by step guide to the delivery of affordable housing through the planning system;
- includes a definition of affordable housing for the purposes of the TAN;
- provides advice to local planning authorities on how to determine 'affordability';
- stresses the need for collaborative working (between local authority housing and planning departments and with key stakeholders);
- requires housing and planning authorities to undertake local housing market assessments in participation with key stakeholders to produce a joint evidence base for assessing and monitoring housing requirements;
- requires local planning authorities to include an affordable housing target in the development plan based on the housing need identified in the local housing market assessment and to indicate how the target will be achieved using the policy approaches identified in the development plan;
- requires local planning authorities to monitor the provision of affordable housing against the target and, where necessary, take action to ensure that the target is met; and
- outlines the role of registered social landlords and planning obligations and conditions in securing affordable housing via the planning system.

3.18 The table and policy map set out overleaf provide a summary of the main steps to be followed by a local authority to support the delivery of affordable housing through the planning system.

TAN 2: Steps to support the delivery of housing through the planning system

TABLE 1

Step 1	<p>Define affordability (Local Housing Market Assessment)</p> <ul style="list-style-type: none"> • Adopt definition of affordability provided by LHMA or other appropriate definitions for planning purposes
Step 2	<p>Define affordable housing (Local Housing Market Assessment)</p> <p>Categories may include:</p> <ul style="list-style-type: none"> • Social rented housing • Intermediate housing. This can include equity sharing schemes (e.g. Homebuy) and other schemes where prices or rents are above those of social rent but below market housing prices or rents. It can include schemes where secure arrangements are in place to ensure future affordability or the provision of replacement affordable housing where staircasing to full ownership is possible
Step 3	<p>Quantify the need for affordable housing (Local Housing Market Assessment/Local Development Plan)</p> <ul style="list-style-type: none"> • Assess demand for affordable housing • Assess existing supply of affordable housing • Identify requirement for additional affordable housing • Establish LDP affordable housing target (may be lower than the requirement depending on local circumstances)
Step 4	<p>Select appropriate planning policy approaches to deliver affordable housing (Local Development Plan)</p> <ul style="list-style-type: none"> • Thresholds and indicative proportions (allocated and unallocated sites) • Site specific targets • Rural exceptions policy including definition of 'local' for the purposes of the policy • Locally defined policies • Support policy approaches by detailed supplementary planning guidance
Step 5	<p>Ensure mechanisms are in place to secure affordable housing (Local Development Plan)</p> <ul style="list-style-type: none"> • Planning obligations • Planning conditions • Involvement of a registered housing association • Other 'locally' acceptable mechanisms
Step 6	<p>Monitor and review evidence base and policy approach (Local Housing Market Assessment/Local Development Plan)</p> <ul style="list-style-type: none"> • Use Joint Housing Land Availability studies to monitor delivery of affordable housing through the planning system • Include monitoring information in LDP Annual Monitoring Report • Use monitoring information to decide whether to review LHMA and LDP



Supplementary planning guidance

3.19 Local planning authorities should consider if there is a need to support affordable housing policies contained in development plans with supplementary planning guidance. Supplementary planning guidance can provide a useful role in supplementing development plan affordable housing policies by providing additional information on areas such as:

- evidence of need;
- definitions of affordability and affordable housing;
- heads of terms for S106 agreements;
- how affordable housing policies will be applied, including outlining where off site provision or commuted sums will be acceptable;
- the S106 negotiation process; and
- identifying the design principles for affordable housing.

Supplementary planning guidance should be subject to public consultation and be adopted by council resolution.

Denbighshire Affordable Housing Supplementary Planning Guidance

To support the adopted Unitary Development Plan Denbighshire County Council has produced supplementary planning guidance on affordable housing. The SPG defines for land use planning purposes affordability and affordable housing. In justification of the UDP affordable housing policies it provides evidence of the level of need and type of affordable housing required. Other sections of the SPG outline the process of negotiating affordable housing, the use of planning obligations and the design and layout of affordable housing schemes.

Rural exception sites

3.20 Planning policy includes special provision for rural exception sites for affordable housing to meet local need. Rural exception sites can be located within or adjacent to rural settlements on sites that would not be released for market housing. Such sites potentially have a significant role to play in helping ensure the viability of rural communities. However, available evidence suggests that limited use has been made of this policy in Wales. The Assembly Government wishes to promote greater use of this policy. Local authorities, and where they exist, rural housing enablers, should work with local communities to undertake community housing needs assessments and identify potential rural exception sites.

Roman Park View, Trellech, Monmouthshire

Trellech is a small village 4 miles south of Monmouth in the Wye Valley Area of Outstanding Natural Beauty. A survey carried out by Trellech Community Council, the local authority and Charter Housing identified a need for affordable housing in the village.

A Council owned site adjoining the settlement boundary consisting of an underused part of an existing playing field was identified as being a suitable location for the affordable housing. Six semi detached three bedroom houses have been built by Charter Housing. The local authority retains nomination rights over the affordable housing as landowners and partners in the scheme.

Trem yr Ysgol, Llangollen

Cymdeithas Tai Clwyd has developed three rural exception schemes. Its experience demonstrates that local objections to such schemes can often be overcome through close partnership working with landowners, planners, housing professionals and the community, and providing robust evidence of need. Its development at Maes Pengwern, on the eastern fringe of Llangollen comprises 22 homes.

In the section 106 agreement the Association covenanted with the council to commence the development within two years and not to permit occupation of the properties other than in accordance with the terms of the agreement, which defined a qualifying person as:

- Someone who has resided in the community of Llangollen for a continuous period of one year preceding the occupation of the dwelling
- Is in permanent employment within the community for a period of at least six months preceding the agreement
- Has previously resided in the community or been in full time employment there for a period of at least ten years

However the agreement contains a provision that if on notification of a vacancy, no qualifying person can be identified, then after a period of at least four weeks the requirement for residence or employment could be extended to ten other named communities. The final part of the occupancy cascade enables the association to let properties to anyone in housing need who resides or works within the county of Denbighshire, after a further period of four weeks during which there is an obligation to advertise the vacancy in a local newspaper.

The terms of this agreement helped the Association to acquire the land for the sum of £25,000 thus freeing up scarce SHG resources to provide additional housing elsewhere within the county.



Affordable Rural Housing, Cymdeithas Tai Clwyd,
Trem Yr Ysgol, Llangollen

4. Housing Market Assessment

4.1 The Assembly Government's Local Housing Market Assessment Guide which was recently published (<http://www.wales.gov.uk/housing>) aims to help local authorities understand the nature and level of housing demand and need in their local housing markets. The guidance integrates the existing approach to assessing housing need into an understanding of how the wider housing market operates. Developing this understanding is critical to the identification of housing requirements and the creation of sustainable communities that offer a wide range of housing and are socially inclusive.

4.2 A sustainable community is one where people want to live and work, now and in the future. They meet the diverse needs of existing and future residents, are sensitive to their environment, and contribute to a high quality of life. They are safe and inclusive, well planned, built and run, and offer equality of opportunity and good services for all.

Sustainable communities are:

- Active, inclusive and safe
- Well run
- Environmentally sensitive
- Well designed and built
- Well connected
- Thriving
- Well served
- Fair for everyone.

4.3 The Local Housing Market Assessment Guide will enable authorities to derive overall figures for the number of households requiring additional housing in their areas and assess what this would mean in terms of the need for affordable housing provision. Based upon this assessment, authorities can then develop robust planning policies to provide the right mix of housing in terms of tenure. The assessment will help to ensure that the information underpinning local housing strategies is robust and comprehensive.

4.4 The guidance adopts a pragmatic approach towards assessments, which recognises that they are essentially a snapshot of the position at a particular point in time. The housing market in a particular area will always be in a state of flux as will the precise boundaries of the local housing market area. For these reasons, the guidance adopts a balanced rationale which provides a technical approach to assessing the number of households requiring additional housing whilst recognising the practical constraints to achieving a definitive assessment of demand and need across the whole housing market. It:

- builds on existing knowledge and partnerships and is informed by a wide range of existing data sources;
- increases the involvement of stakeholders in the development of the assessment;
- recognises the integrated nature of the local housing market across different tenures;

- recognises that local housing markets generally do not follow local authority boundaries and that partnership approaches may be more appropriate;
- encourages joint working to use resources in the most effective way possible, avoiding duplication of work;
- promotes a higher standard of quality control over the assessment process by local authorities and their partners; and
- promotes understanding of housing demand and need within the overall housing system.

4.5 The Assembly Government has provided funding for the South East Wales Regional Housing Forum to develop a model of housing markets across 10 participating LAs, through the Social Housing Management Grant programme and has funded work on several discrete topics across several LA areas in North Wales. It is intended that the Wales Spatial Plan Area Groups will further encourage this type of collaborative working throughout the whole of Wales. However, in order to stimulate the effective production of Local Housing Market Assessments the Assembly Government is making available a budget of £220,000 within the Social Housing Management Grant programme to help authorities deal with the resource issues.

5. Local Housing Strategies

5.1 The Assembly Government issued guidance on preparing local housing strategies in June 2002, and asked all Unitary authorities to develop such strategies. All had submitted their first local housing strategies by the end of 2004 and independent consultants were commissioned to analyse these. The consultants assessed their compliance with the guidance and the degree to which they reflect the themes and priorities set out in *Better Homes for People in Wales*. They also reviewed how authorities approached newly emerging issues and reported on the overall quality of the strategies.

5.2 The consultants' reports made recommendations regarding the support, training and guidance that might help authorities to address some of the weaknesses identified in the strategies. They concluded that the current guidance to produce short, sharply focused strategies sets local authorities a very difficult task and suggests that a more uniform style, structure, content and level of analysis would enable the Assembly Government to better monitor activity and track how local strategies contribute to the delivery of national housing objectives.

5.3 In the light of the reports, we have reviewed our guidance on developing local housing strategies and have recently issued revised proposals for consultation which can be accessed at <http://www.wales.gov.uk/housing>.

5.4 The revised guidance stresses the importance of collaborative working between, as well as within, local authorities in recognition of the fact that many housing concerns transcend administrative boundaries and are therefore most effectively and efficiently dealt with by groups of authorities acting together. This is particularly relevant to the analysis of housing market areas and establishing housing requirements in line with the principles outlined in the Wales Spatial Plan. To support authorities in the preparation of local housing strategies the Assembly Government is providing financial support through the Social Housing Management Grant programme towards CIH Cymru's 'Fit for Purpose' proposal for building capacity in the strategic housing function.

Resourcing the Strategic Housing function

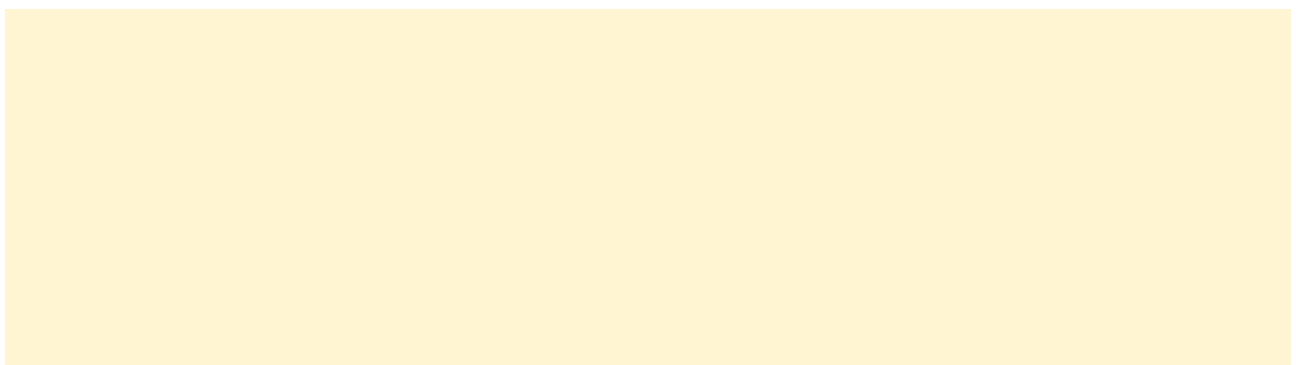
Torfaen County Borough Council has recognised the importance of a well developed and resourced strategic housing role, as a prerequisite to the achievement of the aims contained in the Local Housing Strategy (LHS). Following a Best Value review of the role in 2002 it has been recognised that the responsibilities and tasks around the function require a broad range of skills.

The authority has put in place the following core team:

- **a Housing Strategy Manager** whose responsibilities include strategic overview and planning, LHS development, developmental support to Strategic Housing Forum, overseeing wider Housing Investment Programme, cross-boundary working, negotiating affordable housing through the planning system, asset management (land), local authority strategic lead, investment partnering, housing renewal Interface, promotion of strategic role and partnerships;

- a **Housing Strategy Officer** whose responsibilities include the identification of land and development opportunities, land supply and use, empty homes, Local Housing Assessment and ongoing analysis of market, GIS mapping, development of private rented sector and partnerships;
- a **Housing Enabling Officer** whose responsibilities include the development of strategic assisted home ownership initiatives (Help2Own, Mortgage Rescue), co-ordination and operational management of Social Housing Grant (SHG) programme (bids, project management individual SHG schemes), Community Housing Agreements, Performance Management and Engagement, qualitative measurement and partnerships; and
- a **Housing Enabling Assistant** whose responsibilities include administrative support, co-ordination of assisted home ownership schemes, ad hoc project management, data collation and analysis, responsible for Consumer Advisory Panel, web based communication and facilitation of Strategic Housing Forum. The Council's strategic housing role is performed more effectively as a result of the additional investment in the function and this has led to the development of initiatives such as Help2Own.

For more information contact Kellie.Beirne@torfaen.gov.uk



6. Delivery Mechanisms

Using the Social Housing Grant Programme

6.1 In November 2004, the Assembly Government confirmed its budget proposal to increase the Social Housing Grant (SHG) programme by 62% over the next three years. In 2005/06, the budget increased to £76.4 million, rising to £86.4 million in 2006/2007 and £96.4 million in 2007/2008. This funding is supplemented by private finance raised by Registered Housing Associations, which should ensure that investment of well over £400 million is made over this three year period.

6.2 In recent years resources have been allocated to authorities by formula. However it was recognised that this distribution method simply perpetuated historic allocations. Consequently, in 2004 radical proposals to reform both the basis for allocation and the way in which the programme is administered via RSLs were issued for consultation. The key elements of the proposals were to:

- Replace the formula distribution mechanism with a multi-year bidding process; and
- Concentrate development into a smaller number of larger procurement programmes to achieve economies of scale and more effective local supply chain management.

6.3 There was a general consensus that local authorities should continue to take the lead in determining local priorities for investment. This accords with the Assembly Government's policy of delegating responsibility to organisations best placed to address local needs and priorities. However, it was also recognised that it may be appropriate for the Assembly Government to top-slice the programme to support national and regional priorities in order to strike a balance between local and national objectives.

6.4 A move to three-year programmes was universally welcomed. There was also broad support for the introduction of an evidence-based bidding process and some recognition of the potential efficiency gains to be had from economies of scale, increased collaboration in supply chain management and the benefits of forming partnerships to pool resources and expertise.

6.5 In *Developing Partnerships: A New Approach to Social Housing Grant Programme Distribution and Delivery*, which we issued in March 2005, we set out how we would be implementing the proposals in light of the consultation responses. In doing so we have re-asserted the Assembly Government's continuing reliance on effective local housing strategies and recognition of their leading role in determining local investment priorities. Alongside this we have set out a more active role for the Assembly in procuring the development programme.

6.6 In particular we will:

- aim to achieve better synergy between local priorities and Assembly objectives;
- agree (wherever possible) multi-year development programmes with local authorities and procure programmes from housing association partnerships;
- streamline grant administration;

- move toward scrutiny of programmes not individual projects;
- review structures needed to allow housing associations willing and able to work in new ways to do so;
- revise and strengthen guidance to local authorities on the production of local housing strategies.

6.7 We have not prescribed a model for development partnerships, but have looked to Housing Associations to design and implement new operating arrangements that are best suited to their circumstances. Our chief requirement is that they demonstrate commitment to the principle of working collaboratively to achieve measurable improvements to procurement efficiency.

6.8 Since the publication of *Developing Partnerships* in March 2005, six groups of housing associations have applied to become approved development bodies. To date, four consortia have demonstrated sufficient progress to have been given provisional status as approved development bodies. Discussions are ongoing with the remaining two and Assembly Government officials will continue to work with the consortia to ensure that full compliance with the objectives of *Developing Partnerships* is achieved as soon as possible.

6.9 The approved SHG programme for 2006-08 was issued in February 2006 as another step towards establishing a three-year planning framework for SHG funded developments for local authorities and development consortia. Bids for 2008-09 will be invited later this year.

6.10 Arrangements are being put in place for ongoing programme management and further consultation on this issue will be issued shortly to local authorities and development consortia. The availability of further resources will be considered as part of the Assembly Government's 2006 Spending Review.

Streamlining grant procedures

6.11 To support the new system we will be consulting further on streamlining procedures for approval and payment of SHG to developing partners. This will involve working toward elimination of detailed scrutiny for mainstream developments within agreed delivery plans. This is consistent with the new approach to programme procurement since housing associations need to achieve best value and quality, in new housing developments and maintenance. They need to focus on value for money and look at the quality and whole life costs of buildings. Value for money means the best combination of whole-life costs and quality. It is therefore vital that RSLs are equipped to get the best out of the procurement process.

Low Cost Home Ownership

The Homebuy Scheme

6.12 The Homebuy scheme was first developed in Wales and has since been adopted in England as the primary means of providing assistance to those unable to access home ownership without assistance. In Wales it provides an interest free equity loan, normally amounting to 30% of the purchase price, but this can be increased to 50% in certain circumstances, including the provision of housing in rural areas and to assist existing home owners displaced by regeneration schemes. The amount of the SHG programme used to support the Homebuy scheme is not pre-determined, but is allocated in response to the bids submitted by local authorities. Housing Associations can also draw upon Recycled Capital Grant to provide Homebuy where this is consistent with the local housing strategy.

6.13 Support under Homebuy may be given to people who qualify for a social housing tenancy and also to existing social tenants. Where existing social rented homes are sold to sitting tenants, this will provide a future flow of receipts for recycling as purchasers move on or staircase to 100% ownership. However, concern has been raised at the potential loss of stock in areas of housing pressure. To help preserve the stock of affordable housing, covenants can be imposed upon sales under the Homebuy scheme to provide former landlords with the option to repurchase on subsequent sale. They can also provide for the sale of the owner's equity stake to another person in housing need, as nominated by the relevant local authority or housing association. The imposition of such covenants will in future become a condition of Social Housing Grant funding and consents for the disposal of existing properties sold under the provisions of the Homebuy scheme.

Homefinder

6.14 The Homefinder scheme has been operated by some authorities to enable priority purchasers (as defined in Appendix 3 to the General Consent for the Disposal of Part II Dwelling Houses 1994) to buy a home at a discount of up to 30% of its purchase price. Prospective purchasers, by prior arrangement select a suitable property for sale on the open market which the authority acquires to immediately resell at a discounted price, with the discount being secured by a charge on the property, and repayable if the property is sold. Alternatively, the council can exercise a right of pre-emption and repurchase the property. This scheme is virtually identical to Homebuy with the exception that the discount is limited to 30%.

Help2Own – Torfaen County Borough Council, Eastern Valley Housing Association, the Seren Group and Gwerin Housing Association

Help2Own in Torfaen is a new and innovative scheme aimed at enabling first time buyers to step onto the first rung of the homeownership ladder.

Rising house prices had meant that more and more households who were working but whose incomes were not sufficient to enable them to access homeownership were approaching the authority and partner housing associations for assistance and applying for social rented housing. The scheme has been established by the Council in partnership with housing associations to provide an intermediate housing market solution to the needs of these households.

Help2Own seeks to assist those with some ability to pay. Two routes are available for first time buyers through the scheme - new build homes negotiated through the planning system or 'Do It Yourself' Homebuy. The scheme operates on the principles of date order: first come, first served with the equity share managed by the housing association to ensure low cost homes are available for first time buyers in perpetuity. In order to maximise strategic return, the scheme gives preference to certain key worker categories and also, gives a degree of preference to current tenants of the Council and partner housing associations.

The scheme has enabled the Council and its partners to ensure that balance is retained in the local housing market and that the market continues to meet the needs of all citizens.

For more information contact Kellie.Beirne@torfaen.gov.uk

Transferable Discount and Home Release Schemes

6.15 These schemes enable local authorities and RSLs to help tenants purchase a home in the private sector by contributing, through grant or loan to the purchase. The schemes involve a fixed payment of £3,000 and a further means tested grant of up to £10,000. Since the introduction of Homebuy, use of these schemes has diminished significantly, particularly as they are not eligible for SHG. However, the Assembly Government is prepared to consider applications to use them (or variations upon them - e.g. using Local Authorities' recycled resources) to broaden the range of schemes available to social landlords.

Shared Ownership

6.16 Since the introduction of the Homebuy scheme, demand for Assembly Government funded Shared Ownership schemes (where the buyer pays a rent on the unpurchased equity) has fallen away. The combined cost of rent and mortgage for a 40-50% equity share under the shared ownership scheme will normally purchase 70% equity in an equivalent property under the Homebuy scheme. This product is therefore no longer supported for funding through the SHG programme.

6.17 Under the provisions of the General Consents for the Disposal of Houses and Land 1994, local authorities are still able to sell properties on shared ownership terms but there is little evidence of them doing so.

The Right to Buy and Right to Acquire

6.18 Since its inception in 1980, the Right to Buy has enabled many people to achieve their aspiration of becoming homeowners. In Wales, there have been 133,000 Right to Buy sales and nearly 7,000 other sales. These equate to the sale of around 45 per cent of the original stock, excluding any new builds. However, as a consequence, in some areas of housing pressure, particularly in rural communities, very few properties are now available for rent by people in housing need.

6.19 Consequently the Assembly Government has made two Orders; the maximum discount available under the Right to Buy has been reduced to £16,000 i.e. the same as that available under the Right to Acquire. Additionally, the Housing (Right to Acquire and Right to Buy) (Designated Rural Areas and Designated Regions) (Wales) Order 2003 (as amended) has restricted the Right to Acquire and re-sales of former Right to Buy properties in rural areas. These measures are designed to help preserve the stock of affordable housing, and the map at Appendix 2 illustrates the broad extent of areas which are subject to the Order.

6.20 Further changes to modernise the schemes have been introduced by the UK Government under the Housing Act 2004. These include extending the initial qualification period for Right to Buy for new tenants from two to five years, and extending from three to five years the period during which discount must be repaid when the property is resold.

6.21 Owners who wish to resell their home within 10 years must also first offer it back to their former landlord at market value (assessed at the time the offer is made). Landlords are also required to give tenants information on the costs and responsibilities of home ownership to help them decide whether to exercise the Right to Buy. These changes were introduced in the Housing (Right of First Refusal) (Wales) Regulations 2005 and the Housing (Right to Buy) (Information to Secure Tenants) (Wales) Order 2005 and apply equally to the Preserved Right To Buy and the Right to Acquire.

6.22 The Assembly Government supports initiatives to assist people into home ownership. However, we do not believe that this should be at the expense of a reduction in the number of homes required for rent in areas of housing pressure. We have therefore requested the UK Government to introduce primary legislation to suspend the Right to Buy in areas of housing pressure. Suspension would be for a limited period at the end of which it would be reviewed.

6.23 The Assembly Government has commissioned a comprehensive review of low cost home ownership schemes in Wales and will consider the case for further policy developments when the final report is available.

Housing for Rent

6.24 The Assembly Government recognises that for many people on low incomes, home ownership is not an option. That is why all new housing funded through the SHG programme can be offered on either a tenancy basis or for assisted home ownership through the Homebuy scheme. As indicated above, where it is let on an assured tenancy this does not preclude the tenant from purchasing the property with the aid of a Homebuy loan where the landlord agrees to disposal. Elsewhere we consider how such disposals can be regulated to help preserve a stock of affordable housing in areas of housing pressure.

6.25 In some communities there are difficulties in finding or bringing forward sites for new social housing. In those circumstances we support the purchase of existing homes to be made available for social renting. These may already be in satisfactory condition or may require rehabilitation work to bring them up to standard. In rural areas, where suitable properties are in short supply, the Assembly Government has introduced flexibility on the application of our Development Quality Requirements (DQR) for Registered Social Landlords, under cover of a letter dated 8th August 2001. This provides RSLs discretion to not fully comply with the requirements when acquiring existing properties in the following circumstances:

- the property is in an area exempted from the Right to Acquire;
- compliance cannot be achieved at reasonable cost or at all;
- the identified housing need cannot be satisfactorily met elsewhere;
- the RSL is satisfied that the benefit to the tenant conferred by the location of the property outweighs the disbenefits of any identified non-compliance with DQR; and
- the local authority is aware of and has agreed the identified non-compliance.

6.26 No specific consent is therefore required from the Assembly Government but the RSL is required to record its appraisal of alternative solutions, each non-compliance, countervailing benefits and the local authority's endorsement, on its files for audit purposes. The discretion to not fully comply with DQR does not imply any exemption from the Assembly Government's Regulatory Requirements for the quality of existing and rehabilitated dwellings.

6.27 The growth in Buy to Let has also extended the range and choice of homes available for renting and financial assistance for those on low incomes is available through housing benefit.

Other sources of subsidy:

Section 106 agreements

6.28 The planning aspects of agreements made under section 106 of the Town and Country Planning Act 1990 are dealt with elsewhere in this document. However they have become an increasingly important delivery vehicle for affordable housing, both as part of the development of sites identified in development plans, unallocated or windfall sites and those approved under rural exception site policy which is also covered in the planning policy section. In most cases, it is the provision of land at a discount which provides the subsidy, but section 106 agreements are also being used to provide completed dwellings for both housing associations and directly for house purchasers at a discount to open market value.

6.29 The economics of development varies considerably across Wales and is dependent on site conditions, planning and infrastructure requirements, market demand and the underlying land values. Working in partnership with the private sector and others authorities can develop a broad methodology which reflects local costs and values. This can then be used by individual authorities to develop a guideline as to what may be expected for the purpose of developing appropriate LDP policy towards affordable housing or to clarify policy within Supplementary Planning Guidance. This approach can then be tailored to the site specific level as a basis for the negotiation of a planning obligation and help ensure that unrealistic expectations do not make development uneconomic.

Assessing developer contributions

Newport City Council is leading a group of local authorities in SE Wales to produce a tool to assess the development economics of providing affordable housing on specific sites as part of the s106 negotiation process. It will permit users to assess the economic implications of affordable housing on development viability and enable assessment to be made on different mixes, amounts and types of houses and subsidy levels

The tool requires the following basic inputs:

- Housing market assessment to provide local values
- Building and development costs
- Land values
- Grant availability by type and tenure
- Assembly Government Acceptable Cost Guidance or tariffs applicable to the payment of Social Housing Grant

Affordable Housing at Broadlands, Bridgend

Development Brief

Amongst other things, the 1996 Development Brief for this large site identified a requirement for affordable housing and provided that serviced land should be made available by the developers to a nominated housing association at a price to be agreed with the District Valuer, or failing such agreement, determined by arbitration. The requirement was for 150 dwellings by the end of the Local Plan period in 2006, which represented 12.5% of the original proposal for a 1200 dwelling development.

The brief provided for the land to be released in tranches with a single parcel of 1 hectare to be made available on or before the second anniversary of the completion of the first house on the development.

Thereafter, further 1 hectare parcels were to be made available at intervals of up to 2 years from the previous parcel until the year 2006. It also provided that each parcel of land should remain available for purchase for a period of two years.

The precise location of each parcel was subject to negotiation at the point of delivery, having regard to the ease of access to existing and proposed facilities within south-west Bridgend. It was also recognised as a general principle that there should be an avoidance of a concentration of provision in any one area of the site.

Section 106 Agreement

The May 1997 section 106 agreement remained a 10-year implementation period and reflected very closely the above brief.

Outcomes

The first residential occupation at Broadlands took place in 1998. In the years 2000-2006 Hafod Housing Association will have provided 148 affordable homes in four distinct locations. Three are rented accommodation (118 dwellings) and a fourth is Low Cost Home Ownership (30 dwellings). The rented parcels are in closer proximity to the local facilities such as shops and school.

By 2007 a further 16 rented dwellings will have been provided by the housing association on land outside of the original S106 Agreement, but again more centrally located.



Bryn Cigfran, Broadlands, Bridgend
Hafod Housing Association

Affordable Housing without grant

Land South Of Ty Glas Road, Llanishen, Cardiff

In March 2005 Cardiff County Council entered into a section 106 agreement with Bellway Homes, Persimmon Homes and Selco Trade Centres for the development of a large site at Llanishen in Cardiff. The site has a capacity of around 300 dwellings and the agreement requires that 18% of the dwellings be provided as affordable housing. This is less than the level of provision normally sought by the authority in recognition that this scheme is to be developed without funding from the SHG Programme.

The agreement provides that 65% of the affordable housing should be for social rent with the balance being for low cost home ownership. The low cost home ownership is to comprise a mix of studios and one and two bedroom flats with the sale price of the studios and one bedroomed flats being discounted by 20%, but not to exceed 75% of the relevant level indicated in the Assembly Government's Acceptable Cost Guidance (ACG). The sale prices of the two bedroomed flats are to be discounted by 25%, with a cap of 70% of the relevant ACG or market value, whichever is the lower.

The low cost home ownership dwellings are to be disposed of by way of leases containing clawback provisions in favour of the Council whereby the relevant percentage of the disposal price/value is to be repaid to the council on disposal by the first owner. This will enable the authority to recycle capital receipts to provide affordable housing on other sites in the future.

Disposal of Land and Property by Local Authorities

6.30 Many authorities have helped to provide affordable housing through providing land at a discount to its market value. This will reduce the amount of Social Housing Grant required for schemes undertaken by housing associations, thus freeing up resources for other schemes. In areas of high land value it can sometimes replace the need for grant completely. Some authorities have also used this mechanism for schemes involving the private sector where homes are sold to council nominees or other applicants assessed as being in housing need at a discount. This option is usually combined with the use of resale covenants, as outlined later.

6.31 A number of mechanisms are in place to allow authorities to sell surplus land at less than best consideration. The general powers to dispose of land are contained in sections 123-127 of the Local Government Act 1972. The "Local Government Act 1972: General Disposal Consent (Wales) 2003" allows a local authority to dispose of land at less than best consideration without the specific consent of the National Assembly, provided the disposal contributes to the promotion or improvement of the economic, social or environmental well being of its area, or all or any persons resident or present in its area and the undervalue does not exceed £2 million. This criterion is linked to the "well-being" powers contained in the Local Government Act 2000 which states that every local authority has the power to do anything which it considers is likely to achieve the promotion or improvement of well being in its area.

6.32 If an authority considers that a proposed disposal does not fall within the scope of the General Disposal Consent it must obtain the consent of the Assembly Government before proceeding (NAFW Circular 41/2003 issued on 16 December 2003 refers) unless it falls within the scope of the General Consents for Local Authority Assistance for Privately Let Housing 2004 issued under the Local Government Act 1988.

6.33 These were issued under cover of NAW Circular 16/2004 and remove the requirement for local housing authorities to seek the specific consent of the Assembly for the provision of certain types of financial assistance to Registered Housing Associations. These include the disposal of up to 50 vacant dwellings in any one financial year or land where the aggregate value of any financial assistance provided is less than £2million in any single financial year.

6.34 The proper stewardship of assets should be a matter between the local authority, the electorate and its external auditor and in line with the policy document “Freedom and Responsibility in Local Government” authorities now have greater freedom to take timely decisions in the interests of local communities.

6.35 Authorities are reminded that there is no conflict between this approach and their Best Value duties as set out in the Local Government Act 1999. Those duties require authorities to secure continuous improvement in how their functions are exercised, having regard to a combination of economy, efficiency and effectiveness. There is no sense in which those duties necessarily require authorities to secure the best price in any disposal, despite the similarity of wording. Compliance with the duties in the 1999 Act goes much wider than an individual transaction, and it is critical that authorities adopt a corporate approach to the delivery of affordable housing which recognise its wider benefits to the community.

Forestry Commission Land initiative

6.36 The Assembly Government has established an initiative to examine the potential for providing affordable housing on Forestry Commission land in Wales. It aims to address rural housing needs whilst providing exemplars of sustainable building design and help develop a model which can be adopted more widely in respect of publicly owned land. Preliminary findings suggested that there were approximately fifteen sites on which proposals could be developed more fully in collaboration with the relevant local authorities and other partners. However, several authorities are now working positively with the Forestry Commission to consider the wider potential of its landholdings.

Land owned by the Assembly and Assembly Sponsored Public Bodies

6.37 Following public consultation in respect of the draft Affordable Housing Toolkit, the Assembly Government has approved the development of a protocol for the disposal of Assembly/ASPB land for affordable housing and other purposes. The principles behind the protocol are:

- that all Assembly Government Departments and ASPBs share information on the availability of land in their ownership which are surplus to their operational requirements and are awaiting disposal;
- if appropriate the new Department for Enterprise, Innovation and Networks (DEIN) would enter discussions with the Departments on possible options for disposing of the land for affordable housing or other purposes;

- where the DEIN identifies a possible use of the surplus land for affordable housing, either in its own right or in conjunction with any other land which would assist with its development, the DEIN should enter negotiations with the Department for the transfer of land into its portfolio, or agree the disposal method of the land. Where DEIN sees development potential in the land, it could agree to a transfer of the asset into its portfolio;
- in both cases the DEIN will then work with the Assembly Government's Housing Directorate, local authorities, and others, to bring forward the land for suitable development. The delivery of the vision and objectives set out in Better Homes for People in Wales would be a key part of this work and this will be reflected in development briefs, assuming the grant of appropriate planning consent. Following the granting of planning permission, sites would be offered to the market and achievement of the policy objectives would be ensured through a combination of covenants, contract conditions and scrutiny of scheme details prior to exchange of contracts.

6.38 An internal working group has been set up to drive forward the detail of this new protocol with the objective of ensuring a fully joined up approach to future disposals which reflects the full range of Assembly Government policy objectives.

Housing Association Reserves

6.39 Housing Associations generate capital receipts arising from the disposal of grant funded assets. This may arise through sales under the Right to Buy and Right to Acquire, the disposal of land which is not prioritised for further investment in local housing strategies, and voluntary disposals to tenants. This latter area of activity is likely to increase in future following the introduction of the Assembly Government's tenure neutral policies, which enable RSLs to offer equity loans under the Homebuy scheme to both existing and prospective tenants.

6.40 Receipts arising from such disposals are available to provide new social housing on the same basis as through the SHG programme and provided additional resources amounting to £5.6 million in 2004/5. This provided a valuable addition to the funding available under the SHG programme.

Community Land Trusts

6.41 Community Land Trusts (CLTs) have been advocated in some parts of rural Wales as vehicles to address local affordability issues. One of their main purposes is to remove land from the speculative market and to make affordable housing available to people who find difficulties in competing in the prevailing housing market. However, elsewhere, CLTs are also involved in maintaining land in the ownership of the community for conservation, agriculture and workspace.

6.42 All CLTs are unique and develop according to local needs. In Scotland, for example, they are often concerned with securing agricultural land upon which the future of crofting communities depends. In all cases, however, CLTs separate freehold from leasehold, thus potentially reducing the value (depending on the length and terms of the lease) of the property built on the land whilst retaining the freehold for the benefit of the community in perpetuity.

6.43 Whilst examples of successful CLTs are cited in England and Scotland, none have been formally constituted in Wales. However, in the consultation draft of this document the Assembly Government's willingness to co-operate and to provide funding towards relevant research on the development of a model appropriate to Wales was indicated. Subsequently the Assembly Government has agreed to provide funding under the Community Purposes Programme towards the costs of an action research project by Land for People, who have been promoting the development of CLTs in Wales. This will enable them to proceed with a two-year project to pilot three CLT demonstration projects in Powys and enable the potential benefits of this approach to be tested against other models of provision.

The Resale Covenant scheme

6.44 Resale covenants can be used to ensure that purchasers of low cost home ownership properties cannot gain a windfall profit when disposing of a property which has received the benefit of subsidy, particularly where that subsidy comprises land provided at a nominal value. The effect of the covenant is to ensure that resales take place at a specified discount to the market value of the property (normally relating to the value of the subsidy as a proportion of the market value of the property at the time it was constructed.) The balance is then registered as a charge on the title of the property, which specifies that it cannot be sold without the beneficiary's consent.

6.45 Where the development is on land owned by a local authority, its interest would be acknowledged by an agreement containing covenants to ensure that each time the property changed hands a new deed in identical terms was entered into. Under the terms of such a scheme consent for disposal would normally be granted where the sale was to purchasers nominated by the council and assessed as being in housing need. Should it wish to an authority can nominate existing tenants or those renting from a RSL as this will help to create vacancies in the social housing stock.

6.46 It is common for site development to take place under license in such schemes with the completed plots being transferred directly from the authority to individual purchasers. This has the advantage that stamp duty is not payable on the land transaction to the developer, thus reducing overall costs and increasing the potential discount on market value.

6.47 Where such a scheme takes place on privately owned land, the landowner would normally be required to enter into a section 106 agreement incorporating provisions necessary to give effect to the scheme.

St Mary's Field, Cardiff

This scheme formed part of a larger development on ten acres of land owned by Cardiff County Council and it was agreed that affordable housing be provided on approximately two acres of the site. This part of the site was sold to Lovell Partnerships Ltd at a discount of £200,000 but in itself this was considered insufficient to provide a worthwhile discount on the price of the homes to be constructed. Fortunately, the authority was able to provide additional financial assistance using other housing capital resources bringing the total value of the subsidy to £0.5 million.

The subsidy was spread across the 30 properties that were built and based upon the market values then prevailing, this enabled the homes to be sold at a discount of 20%. As the site formed part of a larger development of housing for sale, the agreement provided that if individual dwellings were not taken up by local authority nominees by the time construction had reached wall plate stage, they could be sold on the open market. Those plots not taken up could then be substituted for others in the next phase of development, thus maintaining the agreed percentage of affordable housing without detriment to the construction programme.

Over the two year period that the homes were for sale, there was very significant inflation in the value of new housing in Cardiff. It was, however, agreed that to reflect the purpose of the scheme price increases should be capped and the amount of discount increased to 30% to help prospective purchasers buy their homes. This ensured that all of the affordable homes were sold during a two year period.



St Mary's Field, Cardiff
Lovell Partnerships Ltd and
Cardiff County Council

7. Rural Housing Enablers

7.1 Rural housing enablers:

- Work with communities to identify local housing need via housing needs surveys and use the information to raise awareness of current and future housing pressures within rural areas.
- Work with planning and housing authorities, the community, landowners, and housing associations to find suitable sites for housing schemes and bring them to development stage. The enabler may also seek to influence the provision of affordable housing on open market developments.
- Act independently to broker agreements between the above parties.
- Support local authorities, where necessary, in speeding up the provision of affordable homes.
- Contribute to various strategies relevant to affordable rural housing at local regional and national level.

7.2 The aims and objectives of each rural housing enabler will vary depending on the circumstances of the area they are responsible for, such as the availability of housing needs information, existing affordable housing schemes) and the related priorities of their management boards. Rural housing enablers are relatively new in Wales but are based on a role already successfully running in many areas of rural England, where there are over forty.

7.3 The first rural enabler post in Wales covers North Monmouthshire and South Powys and is funded and managed by a number of local and national stakeholders including the Assembly Government¹. The significant interest in this pilot project has influenced the appointment of further enablers to cover Gwynedd, Denbighshire, and Conwy, and Pembrokeshire.

7.4 In considering bids for the Social Housing Management Grant Programme for 2006/7 the Assembly Government has agreed to provide funding towards a project which will develop a framework for the establishment of a national network of Rural Housing Enablers serving rural communities across institutional boundaries. Assembly Government Ministers will give further consideration to the issue when this project reports in the summer of 2006.



Parc yr Efail, Felindre Farchog
Cymaethas Tai Cantref

¹ Stakeholders include the Assembly Government; Monmouthshire County Council; Powys County Council; Brecon Beacons National Park Authority; Welsh Federation of Housing Associations; Charter Housing Association; Eastern Valley Housing Association; Gwerin Housing Association; Mid Wales Housing; and Wales and West Housing Association.

North Monmouthshire and South Powys Rural Housing Enabler (RHE)

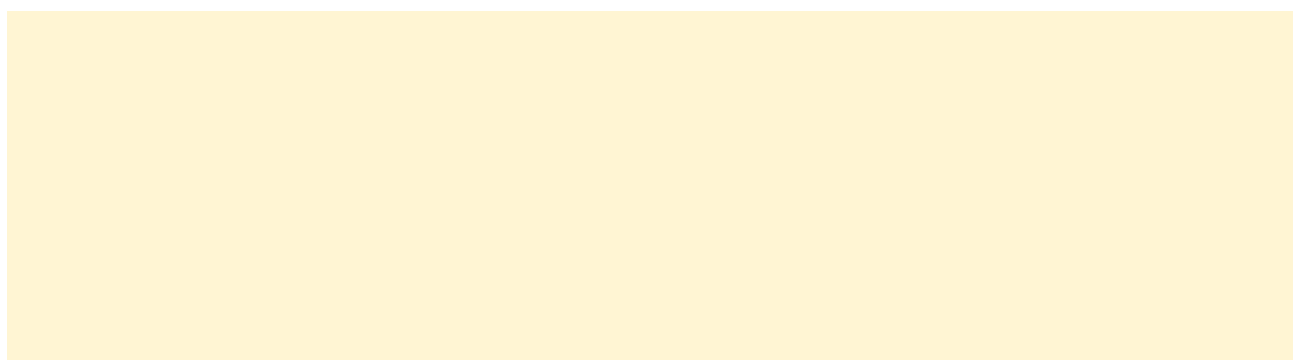
Rhidian Jones was appointed to this post in August 2003 and is the most well established RHE in Wales. His post covers 26 community councils and his specific aims are to:

- raise awareness in local communities of rural housing issues and their impact on the provision of affordable housing;
- raise awareness with statutory and voluntary sector partners of rural housing issues and the impact of the lack of affordable housing;
- improve partnership working on rural housing issues between local authorities, housing associations, the Welsh Assembly Government, National Parks, and voluntary agencies;
- improve and enhance rural housing data resources; and
- increase the numbers of affordable rural housing schemes in development, under construction, and completed.

Rhidian has already made considerable progress towards achieving these aims. Through extensive publicity, he has raised awareness of the housing pressures experienced in some rural areas and the actions that might be taken to reduce them, engaging with 22 communities in the process.

In close collaboration with stakeholders, including community councils and local people, he has facilitated fifteen local housing need surveys. The surveys have identified an unmet requirement for affordable housing and have stimulated a search for solutions. Planning permission has been secured in Crickhowell for an exception site of 24 housing association properties that will serve a local need for affordable housing. This need and the site were identified as a result of the RHE project.

In four other community councils, Rhidian is working closely with local people to evaluate specific sites and start to involve the authorities instrumental to the provision of affordable housing. The project and the work it has done is now providing evidence of unmet, local affordable housing need that is positioning the planning authorities he works in to negotiate affordable housing on open market rural development in line with planning policy. His independent status and the ability to focus purely on helping to address rural housing issues has undoubtedly been key to this initial progress.



8. The Use of Statutory Powers in Land Assembly

Compulsory Purchase

8.1 Compulsory purchase powers are an important tool for local authorities and other public bodies to use as a means of assembling the land needed to help deliver social and economic change. Used properly, they can contribute towards effective and efficient urban regeneration, the revitalisation of communities, and the promotion of business - leading to improvements in quality of life. Bodies possessing compulsory purchase powers - at whatever level - are therefore encouraged to consider using them pro-actively wherever appropriate to ensure real gains are brought to residents and the business community without delay.

8.2 National Assembly Circular 14/04 'Revised Circular on Compulsory Purchase Orders' sets out clear best practice guidance to acquiring authorities on the preparation, confirmation, and implementation of compulsory purchase orders to support development in the public interest. It has been formulated to help them to use their compulsory purchase powers to best effect and, by advising on the application of the correct procedures and statutory or administrative requirements, to ensure that orders progress quickly and are without defects.

8.3 There is specific guidance to be found in Appendix B to the Circular in relation to the existing powers of compulsory purchase contained in the various Housing Acts. The Appendix provides guidance to local authorities considering compulsory purchase orders under this legislation and outlines the information which should be submitted in support of applications for the confirmation of housing orders in addition to the general requirements described in the Circular. The Housing Act 1985 contains wide prescriptive powers to acquire land for housing development, dealing with substandard housing and in the promotion of clearance and renewal areas.

8.4 Acquiring authorities wishing to use powers of compulsory purchase to promote affordable housing schemes, which will be of clear benefit to the housing needs of their area, should access the guidance in the Circular. Adherence to the advice will go some way to ensuring that the relevant issues are properly addressed enabling examination of proposed compulsory purchase orders by the National Assembly (as confirming authority) to be processed without undue delay. The Circular acknowledges that in considering proposals for the use of compulsory powers of acquisition the acquiring authority must indicate the merits of the scheme and show a compelling case for use of powers in the public interest.

The role of the Department for Enterprise, Innovation and Networks

8.5 The Land Development and Legal Services Division of the WDA had a remit to provide land for affordable housing, which was generally delivered either through direct sales to housing associations or via planning obligations and development briefs. It also had statutory powers to acquire land and to cleanse defective title.

8.6 The Agency also worked positively with authorities to assemble larger strategic sites and with housing associations on a number of smaller brownfield sites where there have been multiple ownerships and/or title difficulties. The Assembly Government has agreed

that the trading activities of its former Land Division should be retained post merger and extended to cover all other infrastructure activity relating to commercial property within the new Department for Enterprise, Innovation and Networks. This will include land acquisition, disposal, the provision of site infrastructure, and property development and funding to ensure that there continues to be an adequate supply of property and land available to meet Wales' future economic and social development needs within the context of the Spatial Plan. It is essential that no opportunities to provide housing are wasted owing to ownership constraints and all housing providers in both urban and rural areas should be prepared to consider the powers available to local government and the new Department where they are impediments to development.

8.7 The WDA's compulsory purchase expertise was primarily in the area of regeneration and inward investment schemes, whereas the Assembly Government's Transport Policy and Administration Directorate had significant expertise in compulsory purchase powers in respect of major road schemes. The integration of the Agency into the Assembly thus presents an opportunity to achieve better synergy between these areas of work.

Site Acquisition by WDA

West Terrace Penarth

This example provides an indication of the use of a Compulsory Purchase Order in unlocking a small site that has remained undeveloped because of unrealistic expectations or an unwilling vendor.

The site (1359 sq metres) is located in a residential area of Penarth where terraced housing predominates. It was formerly occupied by a variety of industrial uses and had become derelict and unsightly. The former Land Authority for Wales were asked by the Vale of Glamorgan Council to consider making a CPO following delays extending over ten years, in implementing any form of development.

This inaction had necessitated the Council entering onto the land to clear dilapidated structures and there were concerns that the site could remain undeveloped indefinitely. The LAW Board resolved to make a CPO under powers which have subsequently been incorporated in the Government of Wales ACT 1998.

At the Public Inquiry the inspector had before him two planning permissions, one based on a scheme submitted by an agent for the owner and another submitted by Hafod Housing Association, who had unsuccessfully sought to negotiate the purchase of the site. The Inspector found in favour of the Land Authority and, on the basis of a pre-agreement with the Association, the Land Authority passed the site to Hafod for development.

The acquisition also illustrates a useful feature of the CPO process. Following the confirmation of the order Hafod's contractor was able to enter onto the land and construct 16 terraced houses even though the compensation had not been settled. This has only recently been settled following a reference to the Lands Tribunal but at prices prevailing at the time of the order's confirmation.

Site Assembly by WDA

High Street, Swansea

Following the adoption of a City Centre Strategy by the City and County of Swansea (CCS) in 1997, Swansea Housing Association (SHA) have been attempting to put together a site of 0.66 Ha. for comprehensive mixed use development in this run down but important location between Swansea High Street Station and the newer city centre.

The site has eight shops to the High Street frontage, a Public House (now demolished) on The Strand, a vacant warehouse and vacant land with derelict buildings also on The Strand. SHA has purchased the majority of the site, including the warehouse, by agreement. However it was apparent that some of the owners would not negotiate and a CPO was thought to be necessary.

The Land Authority for Wales and its successor, the WDA, informally assisted in negotiations to acquire individual properties from 1998 but in February 2005 a Joint Venture Agreement (JV) was signed in order to pursue acquisition through compulsory purchase. Subsequently the Board of the WDA resolved to make a CPO under the powers given by Section 21A(1) and (2) of the Welsh Development Agency Act 1975 as amended by the Government of Wales Act 1998.

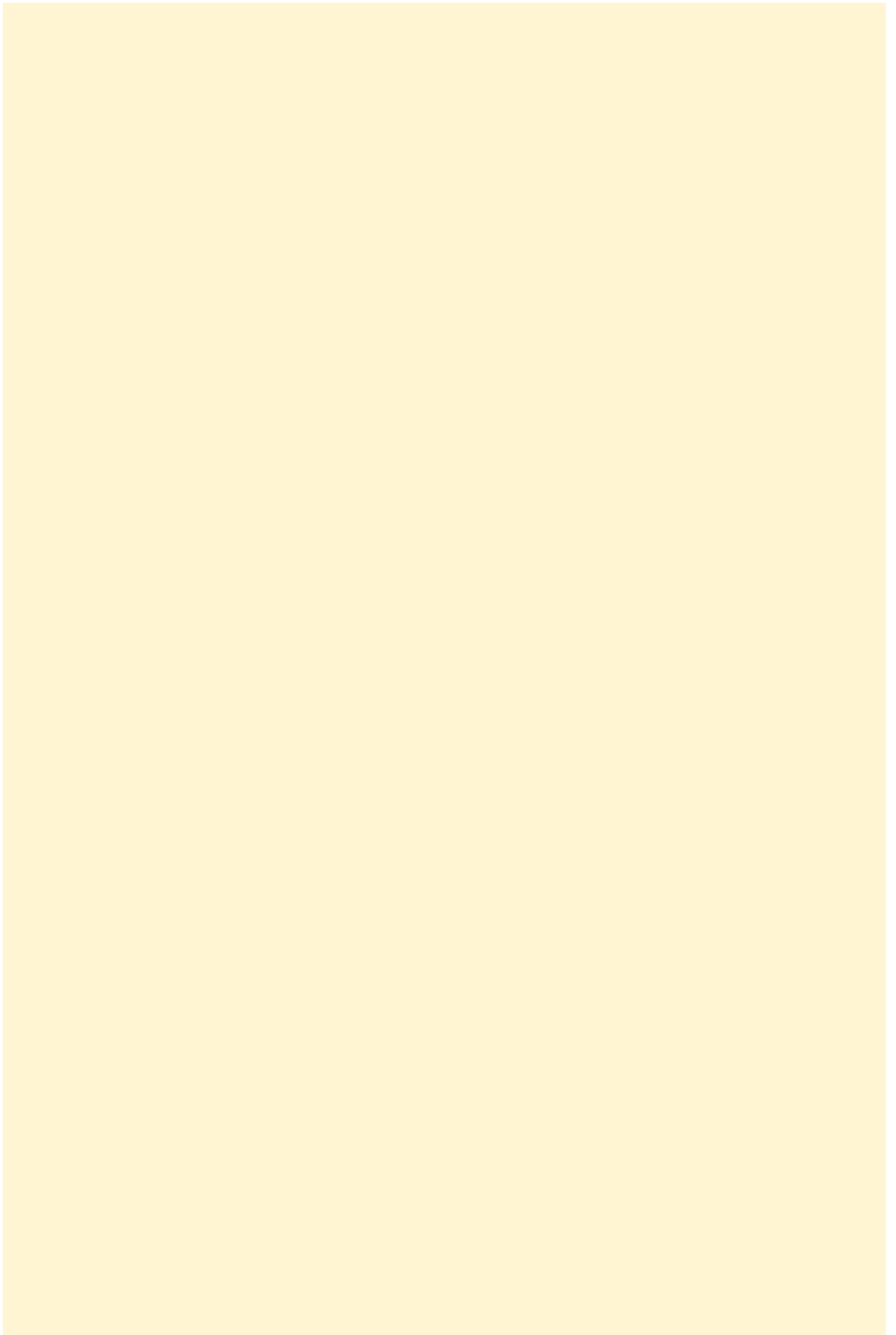
In April 2004 SHA obtained an outline planning permission for 1,300 sq.m. of shops and offices with High Street frontage, 140 private residential flats and 60 social housing flats with 30 studios for artists in the converted warehouse. The overall cost of the scheme was estimated at the time to be £12m and provisional expenditure approvals had been obtained from CCS, the Assembly and private lenders.

Work on the CPO is progressing. Negotiations have been continuing to acquire the outstanding property interests by agreement. It is hoped that agreement will be reached thereby avoiding the need for a Public Inquiry and saving an estimated five months in the CPO process. It is anticipated the CPO will be made in April 2006 and a start on site in later in the year.

The proposal is to create a mixed use 'urban village' using the WDA as 'agents to deliver the land free of encumbrances, since its passage through WDA ownership has the effect of cleansing title.



Swansea Housing Association
Mixed Use Urban Regeneration, Wind Street, Swansea



9. Designing Good Quality Sustainable Housing

9.1 As stated in section 2 it is essential that sustainability considerations be at the forefront in planning the development of affordable housing. Good design is key to the delivery of high quality sustainable development and social diversity, and influences our activity at all levels - from strategic decision making through to detailed implementation. Affordable housing whether supplied by the private sector or housing associations should therefore be well designed, of good quality and sustainable.

9.2 The majority of new social housing is provided by housing associations in partnership with local authorities utilising Social Housing Grant. Design standards and minimum quality requirements are set out for these houses in the Assembly Government's Development Quality Requirements for Registered Social Landlords (DQR). The requirements expand on the Assembly Government's Regulatory Code that protects investment in housing associations in Wales and safeguards the interests of tenants and prospective tenants.

9.3 The standards ensure that homes are flexible and responsive to the changing needs of the occupants and are capable of meeting the changing needs of a variety of households likely to occupy a house during its design life. It encompasses Lifetime Homes Standards that require homes to be flexible, adaptable to meet long-term needs, and convenient for tenants.

9.4 The standards also require that new homes contribute towards achieving a more sustainable housing stock by setting a British Research Establishment (BRE) EcoHomes rating of 'Good' and set energy efficiency standards in excess of current building regulations.

9.5 Planning Policy Wales (section 2.9), supplemented by Technical Advice Note 12: Design, promotes and encourages good design in the built environment. Best practice in construction procurement, including design, is promoted through the Assembly Government's support for 'Rethinking Construction' in Wales.

9.6 The Welsh Assembly Government has also established the Design Commission for Wales to promote a better quality of development in Wales. Its objectives are:

- to champion high standards of design and architecture to the public and private sector in Wales through promoting wider understanding of design issues and the importance of enhancing the built environment across all sectors, including the organisation of exhibitions, meetings, seminars and conferences;
- to promote design practice that is compatible with the scheme made by the National Assembly for Wales under section 121 of the Government of Wales Act 1998 ("the Sustainable Development Scheme"), promoting best practice in energy efficiency, waste disposal and access to public transport;



Cwrt Bannau, Crickhowell
Wales and West Housing Association

- to promote design practice compatible with the highest standards in relation to equality of opportunity and the promotion of social inclusion;
- to promote excellence in prestige projects with regard also to the promotion of excellence in day to day developments such as residential estates and industrial units.

9.7 The Welsh Development Agency's publication 'Creating Sustainable Places' set out sustainability and design expectations for all regeneration and development projects taking place on land sold by the Agency or with the Agency's financial support. This requires that all such developments perform to the BRE environmental assessment method (BREEAM) 'Very Good' standard for commercial buildings or EcoHomes 'Very Good' for residential developments. On certain high profile/high value developments and those on previously used land 'excellent' ratings are expected.

9.8 The previous section of this document explains how the former WDA's trading activities will be continued within the new Department for Enterprise, Innovation and Networks. Section 6 also highlights the development of a new protocol for the disposal of land owned by the Assembly and its sponsored public bodies. Together these measures will give the new Department a broader remit in implementing Assembly Government policy objectives and a working group has been set up to drive forward the details of this new approach. Amongst other things this will consider how different sustainability objectives can be reconciled within the merged organisation to ensure a fully joined up approach which reflects the full range of Assembly Government policy objectives.

9.9 Many sources of good design practice, and help on achieving energy efficient buildings and buildings that make use of renewables, are available. The Carbon Trust, for example, offers an independent Design Service that provides objective advice on energy efficient and environmentally sound building design. The Energy Savings Trust (EST) works with households, business and the public sector to encourage more efficient use of energy and also promotes the use of small scale renewable energy technologies. The next section of this document references sources of further advice on design and sustainability issues as well as other research and good practice in the field of affordable housing.



A Sense of Place - Gwalia Housing Society
Cambrian Place, Swansea

10. Further Reading

10.1 Recent research published by the Joseph Rowntree Foundation: Land and Finance for Affordable Housing found that in England, an increasing proportion of affordable housing is now being delivered through Section 106 planning agreements. The mix of provision has been changing rapidly - in 1999, S106 provision accounted for just under a third of the total, in 2003 it was almost half. The research found that public subsidy is still very important for schemes subject to S106 agreements but in 2002/03 just over 2,260 affordable homes were completed through this mechanism without any public subsidy, nine per cent of the total.

10.2 The study identifies several examples of good practice. These included having an extremely clear policy; involving all parties, especially housing associations, in the negotiations at an early stage; and replacing site-specific S106 agreements with a single standard version to increase clarity and transparency.

10.3 Another report for the Office of the Deputy Prime Minister The Value for Money of Delivering Affordable Housing through Section 106 highlights 17 case studies. Planning for Affordable Homes in London highlights examples of good practice in development plan policy making for affordable housing and provides a useful checklist to guide authorities in preparing both their housing strategies and their UDPs. Useful examples of corporate policy relating to the disposal of surplus land (and the priority given to affordable housing) are also provided.

10.4 A report undertaken for the South West Regional Housing Body provides an Analysis of Section 106 Agreements to Establish Good Practice for Promotion within the South West Region. It produces examples of different approaches to tackling common problems and sets out some principles that should underpin the detailed wording of any 'model clauses' but also provides advice on improving the process of making agreements. The report states that emerging good practice is to provide certainty on the financial terms on which the affordable housing is to be provided within the s106 agreement, either through specifying the financial terms of the relationship between the developer and the affordable housing provider or guidance on the consumer cost of affordable housing.

10.5 A Rural Evidence Paper by Action for Communities in Rural England (ACRE) illustrates some of the ways in which Rural Community Councils are helping to deliver appropriate solutions for housing needs in rural areas. The paper demonstrates how Rural Housing Enablers provide a key input into the work of local planning and housing authorities but also make the connections across local authority boundaries to wider regional planning strategies.

10.6 With financial support from the Welsh Assembly Government, in March 2005 the Planning Officers Society for Wales issued its Model Design Guide for Wales: Residential Development. The main purpose of the document is to drive up the standard of design in residential development in Wales. It does this by providing planning authorities with a comprehensive structure for managing the design and development process. It also gives developers a strong basis for developing proposals with some certainty that the design objectives they are working to are the same as those accepted by the local authority.

10.7 HRH the Prince of Wales is helping to support affordable rural housing through his work with Business in the Community. That has led to the development of an affordable rural housing initiative and the publication of *Developing New Affordable Rural Housing*, in conjunction with the Duke of Westminster, the Countryside Agency, the Country Land and Business Association and the Housing Corporation. The initiative is aimed principally at encouraging businesses to use their land, property and resources to provide affordable housing in rural areas. It encourages rural landowners to undertake an audit to identify sites to meet needs identified in community appraisals/housing need studies and gives advice on bringing land forward for development of affordable housing. The document provides some useful theoretical illustrations of a range of situations but no specific examples of good practice.

10.8 More recently the Prince's affordable rural housing initiative has issued *Creating a Sense of Place: A Design Guide*. This deals with the appearance, construction and layout of affordable housing designed for villages and small towns. It addresses the good planning, integration and aesthetic appearance of affordable housing and includes case studies (including two from Wales) to demonstrate the principles of good design in practice.

Appendix 1: Contact Points

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Housing Research and Innovation:

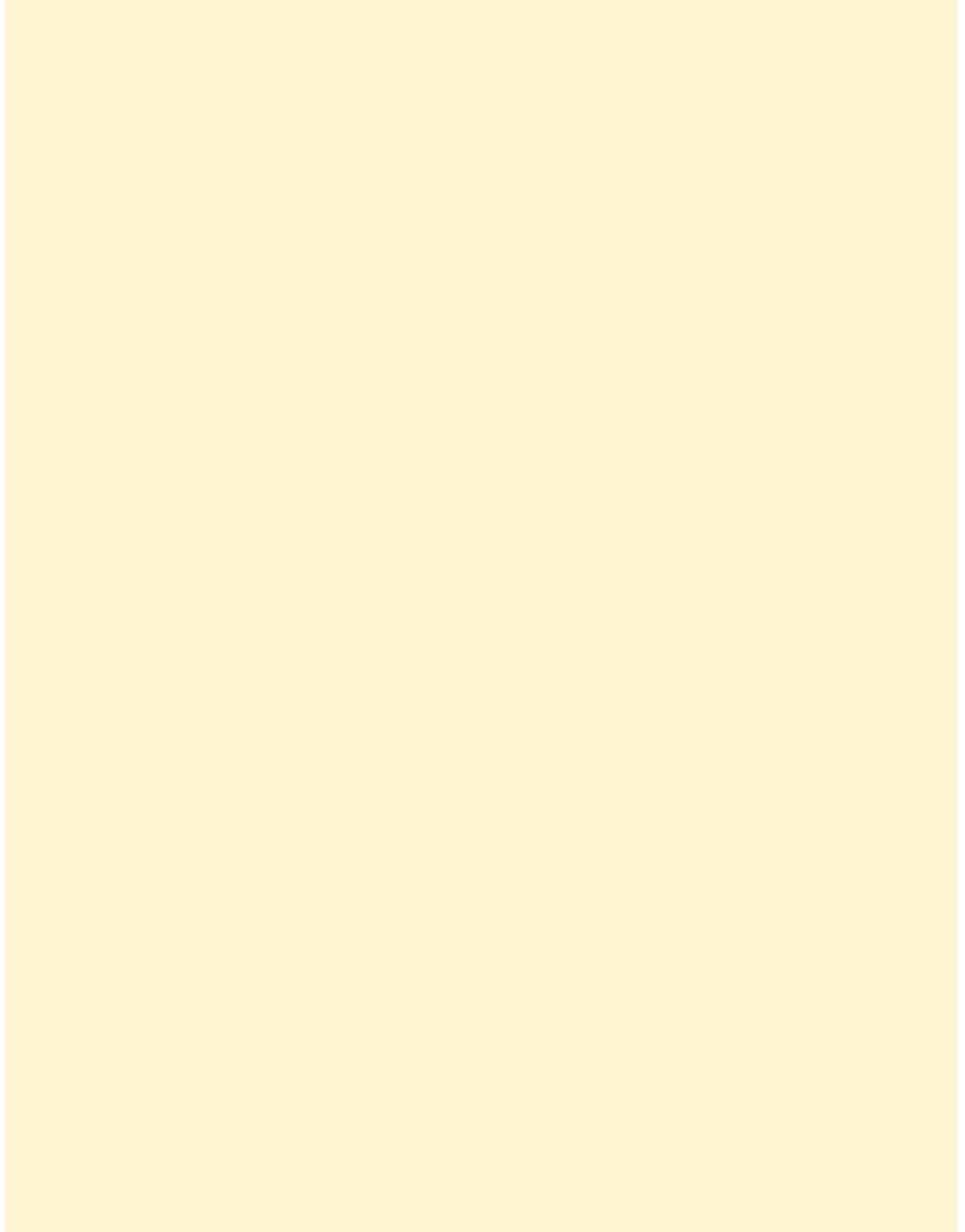
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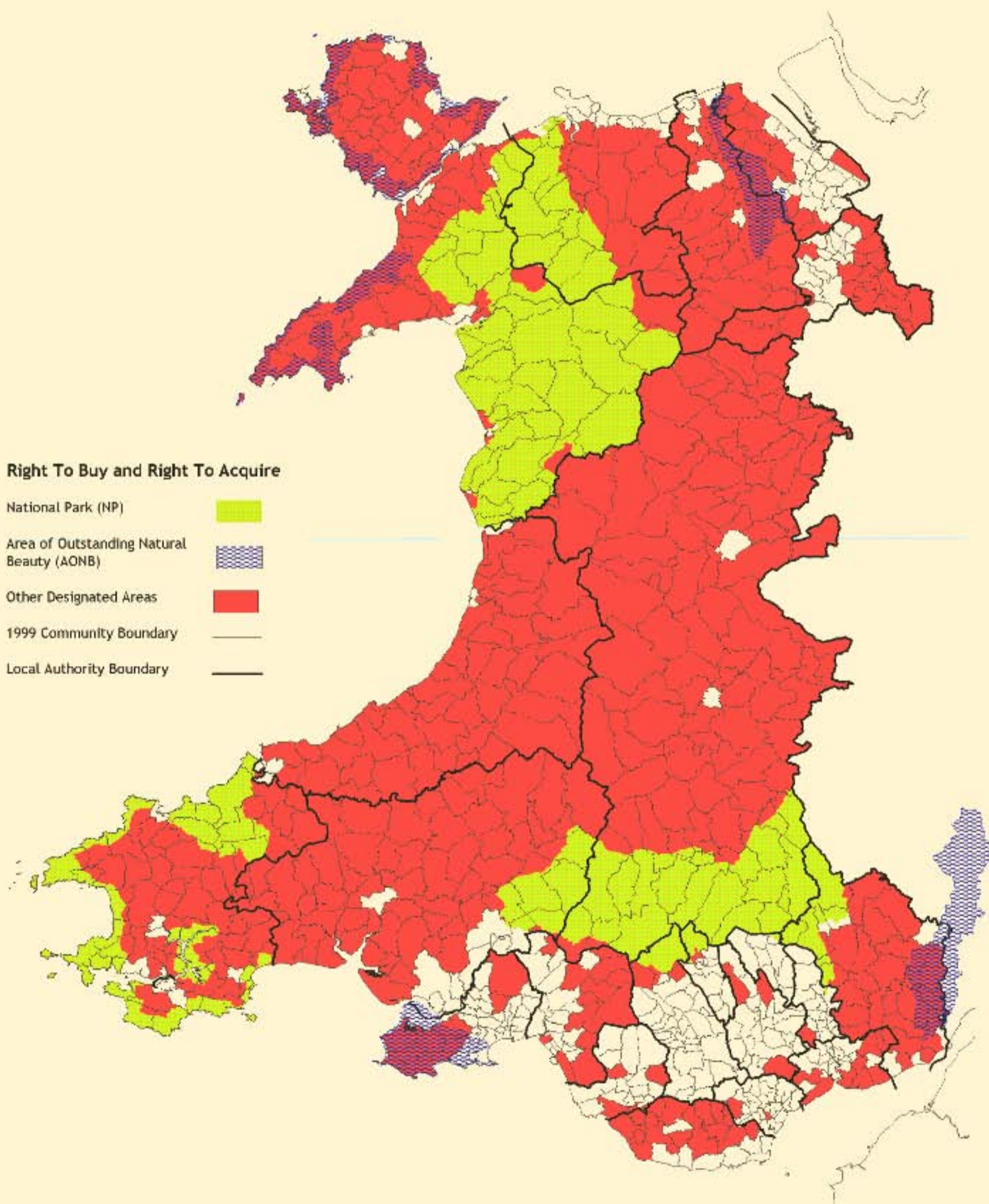
Appendix 2

Right to Buy and Right to Acquire

Map Illustrating Designated Rural Areas



RIGHT TO BUY AND RIGHT TO ACQUIRE DESIGNATED RURAL AREAS (National Parks, Areas of Outstanding Natural Beauty and Other Designated Areas)



Right To Buy and Right To Acquire

- National Park (NP) 
- Area of Outstanding Natural Beauty (AONB) 
- Other Designated Areas 
- 1999 Community Boundary 
- Local Authority Boundary 