

Affordable Homes Delivery Plan 2016-20



**Delivering more
homes for the people
of Carmarthenshire**

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Purpose

We have recently published our five year vision¹ for maximising the supply of affordable homes. The purpose of this plan is to provide the detail on how and where we will deliver more homes. It will also outline what resources will be used and how more could potentially be accessed if we are flexible and creative.

The initial programme will deliver over **1000** additional affordable homes over the next five years, with a total investment exceeding **£60m**.

The plan will also explain how we could deliver an ambitious new build programme by looking at the delivery options. This will further increase the number of homes delivered and provide additional investment.

The plan will align with the recently published Regeneration Master Plan and will be reviewed on an annual basis to take advantage of further opportunities.

What is needed?

People told us that there is a need for smaller type homes, mainly for rent and for local people. People also told us that we need to maximise the use of under-used existing homes when meeting affordable housing need.

Our assessment of need told us that to meet the highest housing need we would have to provide at least 2,000 homes by 2020, an average of 400 every year. Historically, we have provided around 70 additional homes each year for the last five years. In 2015/16, however, we will deliver in excess of 200 additional affordable homes. This plan sets out how we will deliver even better performance.

This does represent a huge challenge for our delivery plan, but we will build on the work we have already done this year. This will mean a pro-active approach by making the best use of existing solutions and making the funding go as far as possible.

In doing so, we will also ensure that the programme for delivery takes account of the wider benefits of the investment. This will include the economic, social, health and well-being, environmental improvements and promoting the Welsh language benefits. If we get it right we have the opportunity to deliver a wide range of housing.

Above all, we want to ensure as many people as possible live in a home they can afford and in an area they want.

What will be our approach to delivery?

Our approach will be based around the following key principles that were developed as part of our affordable housing commitment. They are:

- Targeting help where the need is highest, in both urban and rural areas, by delivering more affordable homes for rent
- Being flexible, whether bringing empty homes back into use or buying existing homes

¹ "Our commitment to Affordable Homes 2015-2020"

- Doing whatever it takes by developing innovative and creative ways to deliver more e.g. utilising our land to deliver more homes
- Using our resources in the best possible way to ensure value for money
- Using the expertise, skills and resources of others

What solutions are available to us?

A variety of solutions have been looked at as part of the development of this plan. Detailed work has been undertaken on each of the solutions and what they can deliver over the next five years.

Each solution will deliver more homes, but some are more cost effective than others. Appendix A highlights the various solutions that could be delivered. Not all of the solutions, however, will be available in the highest housing need areas. As a result, the delivery programme also provides a clear strategy for different parts of the county.

In general terms, the delivery programme looks at the following solutions to deliver more affordable homes:

1. Managing additional tenancies in the private sector
2. Bringing empty homes back into use
3. Buying homes sold under the Right to Buy scheme (RTB) and buying private homes

The above do provide the most cost effective options. The plan, however, does allow us to look at other solutions. These will be:

- Using our own land to initially deliver a limited number of new build homes ourselves
- Making land available to build new homes in partnership with housing associations and the private sector

Our known funding sources over the next five years will be:

- £31m available through the Housing Revenue Account (HRA)
- Nearly £2m investment from Welsh government to bring empty homes back into use
- £17m of investment by housing associations (including £10m we administer for the Welsh government to support housing association development. This is called Social Housing Grant (SHG))
- £11m investment using developers' contributions (sometimes known as section 106 agreements)

We will be creative in the use of developers' contributions; we have formed an action group with planning and corporate property colleagues to determine how best to use the resources available. We believe there is a need to move away from direct affordable housing provision on site. The aim is to make the whole system simpler and

make the best use of the funding available. Appendix B confirms what the group will be looking at.

What standards will apply?

We will be reviewing the standards that apply to the delivery programme, making sure these standards are the most cost effective and sustainable in terms of design and specification.

So, how many affordable homes will be delivered over the next five years?

Table 1 (below) highlights what we can deliver, based on maximising the number of affordable homes. We believe the programme will be relatively straightforward to deliver.

From this information we know we will be able to deliver over 1000 additional affordable homes across the county over the next five years. This will be a total investment exceeding £60m.

Funding such as Social Housing Grant will be targeted on the more expensive schemes in rural areas. We will also use it to support wider regeneration initiatives and specialist type housing for people with disabilities. It makes more sense to use grant money for more expensive schemes.

Table 1: Affordable housing delivery over the next five years

Solution	Est. No. of homes	Funding source	HRA investment (£millions)	Total investment (£millions)
Managing homes in the private sector (including the Social Letting Agency)	242	HRA	1.1	1.1
Bringing empty houses back into homes	280	WG "Houses into Homes"/HRA	4.0	5.6
Buy existing homes in private sector	187	HRA	20.2	20.2
Housing Association development- committed schemes	59	SHG		0.5 ²
Housing Association development- future priorities				
• Rural Areas	6	SHG	0.1	1.0
• Regeneration initiatives	43			5.3
• Unallocated Grant	77			10.3
Council New Build and Land Acquisition				
• New Build: Ammanford & Amman Valley Llanelli & District	45	HRA	5.6	5.6
• Land Acquisition Carmarthen & the West Carmarthenshire Rural & Market Towns				
Developers contribution to homes in the area ³	88	Private Finance		11.0
Total	1027		£31.0	£60.6

² £7.2m of grant already "drawn down" in previous years

³ Further work to be carried out with Planning and Corporate Property

Recommendation 1:

To confirm the strategy to utilise our existing options to maximise the supply of affordable homes.

What are our assumptions to support the delivery plan?

The total investment of over £60m is based on:

- Being able to maintain the Carmarthenshire Homes Standard as our first priority. Current projections are £415m over the next 30 years.
- Council house rents increasing by inflation plus 1.5% over the next five years.
- Being able to remain within our borrowing limits set by Welsh government.
- Continuing to receive over £6m every year from Welsh government for major repairs to existing council homes.

RISK: Costs associated with maintaining the CHS increase and/or income from rents and Welsh Government decrease. Each of these circumstances will lead to less money being available to increase the supply of affordable homes.

- Additional revenue expenditure (£172k per year) being available to increase capacity to deliver some of the solutions, e.g. bringing empty homes back into use or understanding rural housing needs better.
- There is more than enough scope to deliver the number of social lettings, empty homes and buying the existing private sector home identified.

RISK: The availability of the solutions being restricted by housing market changes and/or changes to the willingness of landlords/homeowners to participate in the schemes.

- Enough capacity is developed with Housing Associations to deliver affordable housing solutions where they are needed.

RISK: Housing Associations being unable to deliver what is required

A full risk management plan will be part of the monitoring and review process.

The plan will be monitored and reviewed by the Housing Development Group. This group will feed directly into the well established CHS+ Steering Group.

What can we do to deliver even more homes?

This plan will deliver over 1000 additional homes but it still leaves us over 900 homes short on what is needed.

We believe, however, that we could start to meet this gap by being flexible and looking at **alternative delivery vehicles**. This approach could offer the potential to further develop our council land as a valuable asset and help us to consider a far more ambitious new-build programme across all tenures. This will also significantly contribute to the council's long term vision of creating more jobs, stimulate economic growth and help wider scale regeneration activities.

Examples of alternative delivery models are shown in Table 2 below:

We have also estimated what additional funding would be needed to deliver 900 more homes through new build (the "gap") for each of the models.

Table 2: Summary of various Delivery Models

Model	Description
Further development by council ourselves	<p>Council tenders new build schemes on its own land with contractors. We benefit from rental income and any increase in capital value</p> <p>Advantage: low borrowing rates from Public Works Loans Board</p> <p>Disadvantage: the Council will not be in a position to borrow the money required for this option due to the borrowing limits imposed on the Council by Welsh government.</p> <p>Funding required estimated at £126m</p>
Development by a housing association	<p>Direct grant/loan or bond provided by the council to housing association. Land assets may also be used with a housing association providing the finance</p> <p>Advantage: a housing association could borrow privately on top of the finance provided by us, almost doubling the investment</p> <p>Disadvantages: housing association development can be expensive, partly because of high space standards and lack of economies of scale. If the housing association is receiving the rental income rather than us, the HRA Business Plan will reach its borrowing limit faster</p> <p>There will also be state aid issues</p> <p>Funding required estimated at £81m (based on 58% grant)</p>
Developments through local housing trading company / special purpose vehicle/ local asset-backed vehicle / joint venture ⁴	<p>Council invests land and potentially a small amount of initial investment, partner provides funding and house-building expertise</p> <p>Advantages: we can take advantage of a private developer's economies of scale. This is a good way of producing mixed tenure, socially-inclusive developments. It may also help to unlock sites where the private sector is unable to proceed because of up-front infrastructure costs on large sites. We can set the rents on any new homes outside centrally-imposed controls. One variant would be to share profits with the private partner that can then be reinvested in future schemes</p> <p>Disadvantages: takes longer to set up. Not suitable for smaller sites unless these can be aggregated</p> <p>Funding required estimated at £99m</p>

⁴ Will offer different approaches to tax, on or off balance sheet, borrowing, protecting public interests and visibility of council involvement

When developing the land assets, there will obviously be a range of issues to consider including capital receipts, the Local Development Plan (LDP), achieving best value, reducing development risks and increasing the viability of the development.

Options on the preferred delivery model will be provided to members by September 2016.

Recommendation 2:

To look at options to maximise the number of new build homes that could be delivered and provide recommendations to members by September 2016.

How many homes will be delivered in different areas of the county?

Areas of highest housing need are distributed across the county and it will be important that our overall delivery strategy reflects this.

As a result, we have developed four 'Action Areas'. These areas have been developed by building up the wards in the county into distinct areas, which link to a degree of cultural identity which people can relate to.

These are:

1. Ammanford & the Amman Valley
2. Carmarthen & the West
3. Carmarthenshire Rural & Market Towns
4. Llanelli & District

In order to come up with a relatively simple approach on how we should deliver the additional homes by area we have compared the relative housing need with the total population in each action area⁵. Table 3 shows us how the split will look based on housing need and population

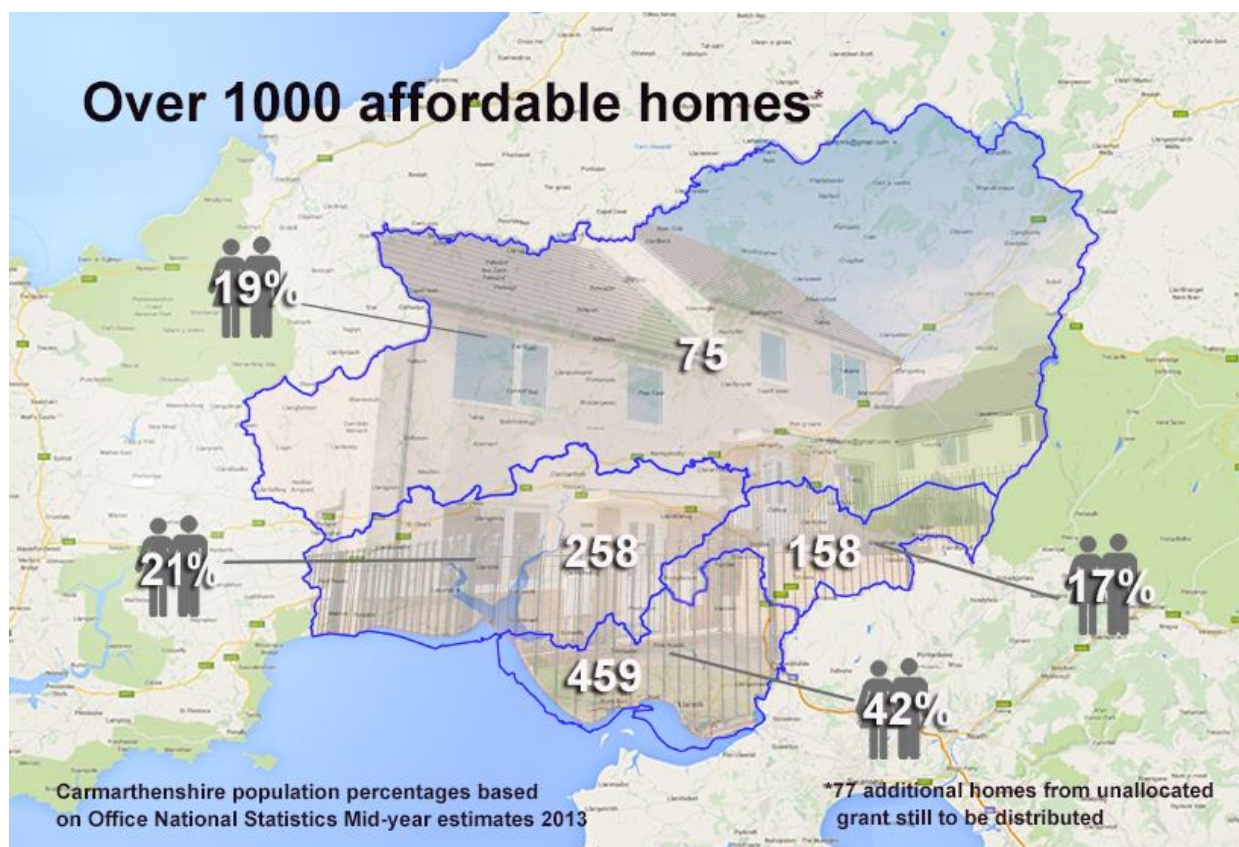
*Table 3: Division of affordable homes by area based on need and population
(Total numbers of areas chosen by highest need applicants- Bands A and B)*

Action Area	Need (No. households asking for area) ⁶	%	Total pop. in action area	%
Ammanford & Amman Valley	1,510	17	32,168	17
Carmarthen & the West	1,958	22	38,348	21
Carms. Rural & Market Towns	643	8	35,977	19
Llanelli & District	4,716	53	78,188	42
Total	8,827⁷		184,681	

⁵ Based on Office for National Statistics Mid-Year estimates 2013

⁶ Based on those households in highest housing need (August 2015)

⁷ Some households may request more than one Action Area



What does this tell us?

- *Carmarthen & the West* and *Ammanford & the Amman Valley* have similar percentages for housing need and population.
- We may be underestimating the housing need in the more rural areas and the above comparison of need and population tends to support this.

As result the action group mentioned earlier will also be looking at carrying out specific work in **rural areas** to understand the need better and resources will be allocated to do so. Appendix B confirms what the group will be looking at.

The action area map above highlights how the initial 1000 homes are divided between the action areas.

It should be noted that 77 additional homes will be delivered using Social Housing Grant and working in partnership with the housing associations as we have identified an additional £10m. This grant funding will be allocated to meet housing need in rural areas, the provision of specialist housing for people with disabilities and contributing to regeneration initiatives. We have an excellent track record of using the grant funding allocated to us each year. We are therefore well placed to attract any additional funding that comes available.

Additional affordable homes by action area

Each area has a specific set of circumstances based on:

- The housing needs of the area
- The availability of certain solutions in that area

The following sections provide a summary for each action area based on these circumstances, confirming the strategic approach in each area, and in what ways we will deliver more affordable homes.

As a further safeguard to ensure that we are delivering the right homes in the right areas we will always consider existing demand for our own housing in each area.

Recommendation 3:

To confirm the action area approach for delivering more affordable homes in different parts of the county.

Ammanford & the Amman Valley



Delivery Strategy

- Mainly two and four bedroom homes
- Significant opportunity to maximise the number of affordable homes through Social Lettings Agency and buying private sector homes
- Plenty of opportunity for bringing empty homes back into use due to relatively large numbers
- New build opportunities at Maespiode, Llandybie
- Housing Association scheme planned for Wind Street, Ammanford

Solutions

Additional Homes

Investment (£m)

Managing homes in the private sector (Social Letting Agency)	41	0.2
Empty houses back into homes	51	1.0
Buy ex RTB/private sector homes	33	3.3
Housing Association development	10	1.3
Land /New build	8	1.0
Developers' contributions to homes in the area	15	1.9

* 17% of the total population of Carmarthenshire live in this area



- Shortage of all types of accommodation
- Social lets, bringing empty homes back into use and buying private sector homes are the most cost effective options
- Buying private sector homes will be more expensive, but still represents good value for money
- May need to incentivise landlords to get them involved in Social Lets in Carmarthen Town as a result of strong demand for rental accommodation
- Housing Association schemes planned for Cae Bryn Drain, Pentrefelin Street, Priory Street and Job's Well Road
- Limited land availability in areas of high housing need

Solutions	Additional Homes	Investment (£m)
Managing homes in the private sector (Social Letting Agency)	53	0.2
Empty houses back into homes	62	1.3
Buy ex RTB/private sector homes	30	4.1
Housing Association development	84	3.3
Land /New build	10	1.2
Developers' contributions to homes in the area	19	2.4

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Carmarthenshire Rural & Market Towns



Delivery Strategy

- Increase in supply of two bedroom homes with a small number of three and four bedroom homes
- Small number by bringing empty homes back into use and social lets
- More significant affordability issues so low cost home ownership to be considered in certain circumstances
- May need to incentivise landlords to get them involved in Social Lets in Whitland, Llandovery, Llandeilo and Newcastle Emlyn
- Very limited land availability
- Little delivery of new homes in private sector therefore may need to intervene to “un-stick” sites
- Housing Association scheme planned for Llandeilo

Solutions

Additional Homes

Investment (£m)

Managing homes in the private sector (Social Letting Agency)	20	0.1
Empty houses back into homes	32	0.8
Buy ex RTB/private sector homes	6	0.8
Housing Association development	6	1.0
Land /New build	4	0.4
Developers' contributions to homes in the area	7	0.9
Needs Assessment in rural areas		0.1

* 19% of the total population of Carmarthenshire live in this area

Llanelli & District



Delivery Strategy

- Focus on smaller homes
- Any low cost home ownership homes should be focussed in Llangennech, Pwll and Burry Port
- Social lets, bringing empty homes back into use and buying private sector homes most cost effective options
- Existing Housing Association scheme planned for Buckley Maltings, Llanelli
- Potential opportunity for mixed tenure partnership working in Burry Port
- New build opportunities in Y Waun and Dylan
- Wider opportunities to support regeneration of town through alternative delivery models

Solutions

Additional Homes

Investment (£m)

Managing homes in the private sector (Social Letting Agency)	128	0.6
Empty houses back into homes	135	2.5
Buy ex RTB/private sector homes	118	12.0
Housing Association development	8	1.2
Land /New build	23	3.0
Developers' contributions to homes in the area	47	5.8

* 42% of the total population of Carmarthenshire live in this area

Appendix A: SOLUTIONS TO MAXIMISE THE SUPPLY OF AFFORDABLE HOUSING IN CARMARTHENSHIRE

Managing homes in the private rented sector including the Social Lettings Agency (SLA)

This is a highly successful and cost effective way of getting more families into affordable homes. We currently manage over 150 homes. The scheme benefits from little capital outlay. We will now look to significantly expand the Agency through additional staffing resources and working in partnership with existing letting agents and landlords. There may also be a need, where appropriate, to incentivise landlords in certain areas to make homes available. The management of social lets will play a significant role across all areas of the county as our research indicates that there is scope for expansion.

Bringing empty homes back into use

Bringing empty homes back into use to meet affordable housing need will be a key part of our approach. Whilst the present “Houses to Homes” scheme doesn’t prioritise specifically by housing need, we will provide additional housing capital money to support the scheme as well as additional staffing support. Our research indicates that there are significant opportunities across the county. There are a number of models and ways that can be used to bring homes back into use e.g. becomes part of Social Lettings Agency, Housing buys the home and refurbishes, or we buy and then sell to a local family on a low cost home ownership basis. We will initially focus on bringing them back into use for rent. Costs will vary but based on experience will be up to £25,000 per home.

Buying existing homes in the private sector

For a typical 2 bed home this will be in the region of about £90,000 (including any work to bring it up to the Carmarthenshire Homes Standard). This may be slightly higher in Carmarthen and the more rural parts of the county. Again, this is seen as a key part of the delivery plan as a relatively straightforward and easy way to increase the number of affordable homes

Housing association developments

Each year the council administers Social Housing Grant (SHG) on behalf of the Welsh government to facilitate housing association developments. The SHG funding equates to a maximum of 58% of the development costs. The housing association must fund the remaining 42% of the costs themselves. The amount of SHG funding allocated to Carmarthenshire is approximately £2.0m per year. This generates a total investment programme of £3.5m per annum. The figures shown in Table 1 represent the total investment generated from the grant. There will be further opportunities to take up national slippage and we will ensure we have schemes “on the shelf” ready to go. We will also use the plan to drive down the levels of subsidy given to housing associations.

Committed schemes

59 new affordable homes will be delivered in 2016 from three schemes that have already been committed to. These schemes are in Cae Bryn Drain, Carmarthen, Pentrefelin Street, Carmarthen and the housing co-operative scheme in Job’s Well Road, Carmarthen. These schemes are in the *Carmarthen & the West* action area and equate to a total investment of £7.7m. Most SHG has, however, already been drawn down in previous years with only £0.5m required during the life of the plan.

Future priorities

The future use of SHG will be prioritised around three themes. It will be used to fund more expensive schemes in rural areas, support wider regeneration initiatives and develop specialist housing schemes to support people with disabilities. The following schemes have already been prioritised in the plan:

Schemes in rural Areas

- Thomas Terrace, Llandeilo

Schemes that support wider regeneration initiatives

- Wind Street, Ammanford
- Priory Street, Carmarthen
- Buckleys Maltings, Llanelli

Unallocated SHG and Specialist Housing Schemes

The plan currently has £8m of SHG which is not allocated to any individual schemes. £2m of this has been initially allocated in the plan to deliver specialist housing to support people with disabilities. The individual specialist housing schemes will be identified throughout the life of the plan and will be based on need.

Council new build and land acquisition

The plan has currently identified £5.6m for new build and land acquisition. This funding has been distributed throughout the four action areas based on housing need. There is land currently available in the HRA to develop new homes in both the *Ammanford & the Amman Valley* and the *Llanelli & District* action areas. Land will, however, need to be sourced in the *Carmarthen & the West* and *Carmarthenshire Rural & Market Towns* action areas. Progressing these sites will require innovative solutions and partnership working to maximise both public and private sector investment. HRA funding alone will not be enough to complete these developments. As an example we plan to put the following schemes forward for the Housing Finance Grant Phase 2 initiative:

Sites being considered for new build in the Amman & Amman Valley action area:

- Maespiode, Llandybie

Sites being considered for new build in the Llanelli & District action area:

- Y Waun, Llwynhendy
- Dylan, Bynea

Developer contributions to affordable housing

The assumptions for developer contributions in the plan have been allocated to building new homes. The funding is based on the commuted sums we are likely to get from private developments. We will be reviewing the way we utilise this funding through the Affordable Rural Housing and Section 106 Agreements Action Group. This group will ensure that we are innovative and maximise the supply of affordable homes in the best ways in all areas of the county. This could involve utilising some or all the funding to increase the supply of private sector homes we manage, the number of empty homes brought back into use or the number of homes sold under right to buy that we buy. The options agreed by the Action Group could deliver more affordable homes than the 88 homes stated currently in the plan.

Appendix B:

Rural Housing and use of developers' contributions- Action Group

What will be our approach?

We will set up a time bound Action group to challenge what we currently do in the following areas:

- Affordable housing delivery in rural areas
- The delivery of affordable housing through developers' contributions (known as section 106 agreements)

The group's work will focus on:

1. Further developing our needs evidence base in rural areas. We will target surveys in a range of communities in the first 12 months. This will reflect communities that we think are currently in the highest housing need, in moderate housing need and the lowest housing need.
 - Highest housing need- **Abergwili and Llandeilo**
 - Moderate housing need- **Llandovery**
 - Lowest housing need- **Cilycwm and Cynwyl Gaeo**
2. Developing specific measures in understanding current delivery. This will include the number of planning applications approved which include affordable housing, the number of affordable homes completed and the number of affordable homes which have been approved but not delivered.
3. Identifying further opportunities for affordable housing initiatives.
4. Challenging the current Rural Exceptions policy.
5. Understanding why some sites are currently "stuck" and coming up with solutions.
6. Challenging the current requirements of section 106 agreements, both in terms of the use and promotion of developer contribution and the process for amending existing signed agreements.
7. Exploring opportunities for further regional delivery around affordable housing.