

SCRUTINY COMMITTEE

28th November 2012

Present: Mr EA Sangster (Chair)
Mr A Archer; Councillors JA Brinsden, P Harries, Mrs L Jenkins, Mrs A Lee and DWM Rees; Mrs M Thomas.

(NPA Offices, Llanion Park, Pembroke Dock: 10.00am – 12.30pm; 1.00pm – 2.50p.m.)

1. Apology

An apology for absence was received from Councillor PJ Morgan.

2. Disclosures of Interest

Mrs M Thomas wished to draw attention to the fact that she was a board member of Charter, a provider of affordable housing in Newport, Gwent, however she noted that it had no involvement with housing in Pembrokeshire.

3. Minutes

The minutes of the meeting held on the 12th September 2012 were presented for confirmation and signature.

It was **RESOLVED** that the minutes of the meeting held on 12th September 2012 be confirmed and signed.

4. Briefing Paper – PCNPA Affordable Housing Provision September 2012

There was a correction to this paper which had been included with the papers that day. The table on the second page referred to a site at Parrog Road in Newport as being under construction, however this was not the case.

5. Arrangements for the Evidence-Taking Sessions

It was agreed that the Chairman would welcome those giving evidence and invite them to give the presentations they had prepared. He would then ask them the questions that had been identified. Finally other Members would be invited to ask any supplementary questions they wished. Members indicated that they wished to find out more about the provision of intermediate rented housing and the interrelationship between need and provision either side of the National Park boundary.

6. Evidence provided by Lyn Hambidge, Head of Housing Commissioning, Pembrokeshire County Council

Ms Hambidge began by commenting that she had been working in housing in Pembrokeshire for 20 years and had concluded that there



would never be enough affordable housing to meet need, irrespective of the policies that were in place. She explained her role as Head of Housing Commissioning which was both a strategic and operational role. She also had an overview of homelessness within the county as this was linked to the Common Housing Register for which she was responsible.

In terms of the delivery of affordable housing in Pembrokeshire, the main route was through the social housing programme whereby money – the social housing grant (SHG) from the National Assembly was given to Registered Social Landlords who delivered affordable housing in accordance with a strategic programme put forward to the Assembly. However the SHG had been reduced in recent years.

Ms Hambidge noted that there were two main reasons why she believed delivery was lower in the National Park than in Pembrokeshire as a whole - the land and building costs tended to be higher within the National Park due to the need, for example, for landscaping and wooden rather than UPVC windows and doors and the limited availability of SHG which Registered Social Landlords were less willing to spend on projects within the National Park due to these higher costs. Increasingly deals were being done with developers to provide affordable housing without SHG.

Most affordable housing schemes throughout the County were on land owned by the Local Authority as this helped to keep land values low, however she did acknowledge that there was a tension within PCC between the provision of affordable housing on its own sites and the need to generate revenue to spend on e.g. education and social care. She provided the following figures for delivery of affordable housing units throughout Pembrokeshire:

	2009/10	2010/11	2011/12	2012/13 (anticipated)
PCNPA	11	3	0	0
PCC	111 (inc 48 Extra Care)	103	18	109

Turning finally to a comparison between housing policies in Pembrokeshire County Council (PCC) and the National Park, she explained that it was not a simple picture and that the housing market had changed in the years since adoption of the Pembrokeshire Coast National Park Authority's Local Development Plan. PCC is now looking at lowering percentages of affordable housing in its housing allocations within its own LDP. She also noted that developers in Pembrokeshire were not keen to develop affordable housing. She put this down to the large number of small landowners who had a great expectation of the value of their land. Recently larger housing developers were becoming



involved in developing housing in Pembrokeshire and they brought with them a greater understanding and were more comfortable in providing affordable housing. She believed other developers were now coming to the realisation that both Authorities were serious in their requirements for affordable housing and that expectations on land values were perhaps being more realistic.

A number of supplementary questions were then asked, the first about the drop in the SHG which Ms Hambidge stated was due to Government cuts and looked unlikely to change in the foreseeable future. However she advised that the Assembly had agreed to a mixed grant rate in Pembrokeshire with some intervention now at 30% as opposed to the more traditional 58%, which had helped to increase rates of delivery. Ms Hambidge went on to say that there needed to be a balance between the provision of rental accommodation and low cost ownership properties.

The issue of additional costs within the National Park was also raised and Ms Hambidge was asked if this mattered for providing affordable housing in Pembrokeshire as a whole. She replied that it did, as some communities were not able to have new build housing. However most local authority land holdings were in the main towns of the county so this influenced where affordable housing could be provided. Officers from the National Park were providing information which allowed her to lobby AMs and MPs to improve their understanding of the position on the ground.

One Member asked about the impact on social housing of immigration from outside the County. Setting the context that the Common Housing Register had to be available to everyone by law, Ms Hambidge explained that the allocation policy prioritised people who could demonstrate a local connection e.g. 12 months residency in the area. Agreement had also been reached with Registered Social Landlords that they would implement a local lettings policy on any new developments. However she noted that the same questions had been raised by a number of communities, and when the figures are analysed, few units were let outside of Pembrokeshire. She advised that the definition of 'local' was having lived in Pembrokeshire for 10 years or in the community for 5 years but that the allocations policy was currently the subject of review and a public consultation exercise.

Ms Hambidge was asked for her perspective on the challenges facing the delivery of affordable housing in National Parks. She replied that there needed to be land on which to build housing, however this was affected by both availability within a sensitive landscape and cost. The involvement of larger scale house builders who had more money to cross subsidise developments would also help. Asked about the suspension of the Right to Buy Council housing, she said that it was probably too late for the proposal to make a significant difference as in 2007/08 there had



been 4 houses sold within the National Park and 24 outside and in 2012/13 there had been no sales at all. However the Council would be putting together a strategy which would be agreed by Councillors. The National Park Authority would be one of the Statutory Consultees on the strategy

Ms Hambidge concluded by saying that dialogue and discussion with developers was vital and that the provision of affordable housing would only be achieved through flexibility and negotiation. Figures for housing need broken down by the number of bedrooms required, both within and outside of the National Park, as at 22nd November 2012 were circulated for Members' information. The Chairman thanked her for her contribution.

7. Evidence provided by Matthew Owens, Rural Housing Enabler

Mr Owens explained that his role as Rural Housing Enabler was funded and supported by a variety of organisations including Welsh Government, Local Authorities and Housing Associations. It was an independent role focused on carrying out housing needs surveys (these were available on his website), assisting communities and relevant bodies to identify land opportunities and then facilitation to bring schemes to development. One of the main routes was to bring forward 'exception' sites, two of which were currently under consideration within the National Park at Marloes and Moylegrove. Surveys had been carried out in 44 Community Council areas and this had identified a large amount of 'hidden' housing need, with 82% of those declaring themselves in housing need not being on the Common Housing Register.

Turning to a consideration of affordable housing policy within the National Park, this was achieved through 3 routes – provision on allocated sites, exception sites and through the financial contribution on single dwellings which he felt to be a positive measure. He noted that allocated sites were not currently coming forward at the level required mainly due to housing market conditions, however he believed that the 50% affordable requirement did raise questions of viability, and that consideration could be given to reducing this as a temporary measure until the market improved. However he noted that it was early in the life of the Development Plan and the policies did need a reasonable opportunity to work. He also noted that where a high percentage of housing had been allocated for affordable units, consideration should be given to compulsory purchase where landowners were intentionally not bringing sites forward.

There were also a number of barriers to exceptional land release, including the limited amount of land available, the cost of development which was higher in rural areas, landowner value expectation and the difficulty in finding sites that the community would support. He added that exception sites were an important option for smaller communities which



did not have any land allocations, however they were usually small and so were not significant numerically.

Mr Owens was asked about the process of engagement with Registered Social Landlords (RSLs) and how this could be improved. He replied that he understood there was an increasing amount of flexibility in discussions between planning officers in the National Park and RSLs on viability and design requirements but that sometimes a greater degree of clarity in the technical detail of the latter would help to move things forward.

He was also asked about the role of Dŵr Cymru Welsh Water in the provision of infrastructure and if a lack of investment was causing problems. Mr Owens replied that a requirement by Welsh Water for investigative work had led to the withdrawal of an exception site outside of the National Park and he was aware that similar problems had been experienced elsewhere in Wales also.

Asked whether he was aware of any exemplar Authorities in Wales from which the Authority could learn, Mr Owens replied that a number of sites had come forward in Snowdonia NPA, however this was due to ownership of sites by the local authority and Forestry Commission, and these opportunities had not been available in Pembrokeshire. Land costs were also higher and landowners' expectations were greater, although education was beginning to improve the situation.

Finally Mr Owens was asked about the willingness of landowners to release land to family members who they said were in housing need, but not for general need, and he agreed that this was difficult to manage practically as the person would have to be in genuine housing need. There was also always an element of NIMBY (Not In My Back Yard) attitudes usually where a vocal minority in a community took over and the voices of those in need were not heard. Part of his job was to explain to the community that development would bring long-term benefits to them and those with a local connection to the area.

The Chairman thanked Mr Owens for his contribution and the meeting was adjourned for lunch.

8. Evidence provided by Pembrokeshire and Cantref Housing Associations

Both Peter Maggs, CEO of Pembrokeshire Housing, and Gareth Thomas, Development Manager at Cantref, began by thanking Members for the opportunity to contribute to the work of the Committee. It was explained that the Housing Associations were independent, not-for-profit, organisations which provided a range of affordable housing, including sheltered and supported people projects. Any surplus generated by the organisations was ploughed back into building more, or improving



existing, housing stock. They used a mix of government grant and private sector funding to develop sites.

Pembrokeshire Housing worked entirely within the county of Pembrokeshire and had, on average, provided 1.5 homes per week over its thirty years' existence, 250 of which were located in the National Park area. Cantref worked predominantly in the Ceredigion area, although it also covered a small area of north Pembrokeshire and had built approximately 20 houses within the National Park.

Both Mr Maggs and Mr Thomas felt that they had a good working relationship with National Park officers and Mr Maggs had welcomed the opportunity in previous years to contribute to the Authority's Local Development Plan affordable housing policy and associated Supplementary Planning Guidance. However, the housing market had been in serious decline since the Plan's publication and he was of the view that the methodology for delivering affordable housing had consequently ground to a halt. He had to conclude, therefore, that the current affordable housing policy was not working and he urged the Authority to take a fundamental look at its policy.

Mr Maggs went on to say that, in his opinion, the Authority may have pitched the bar too high by requiring developers to provide 50% affordable housing on any new development, particularly in the current housing development climate. In addition, he advised that the Three Dragons toolkit used to assess the viability of a scheme did not match up with a prospective private developer's assessment of viability. He suggested that the minimum affordability contribution to a development be greatly reduced, as 20% of something was better than 50% of nothing. He added that Pembrokeshire County Council had revisited their figures for their draft Local Development Plan, although he accepted that the final outcome was dependent upon the Planning Inspector's viewpoint.

Mr Thomas added that he could feel the National Park officers' frustration with the lack of progress in delivering affordable housing in the National Park. He, too, had worked with both the National Park Authority and Pembrokeshire County Council in delivering their affordable housing strategies, but it had to be realised that the amount of suitable development land available within the National Park was extremely limited. He went on to say that the 'hope value' placed upon that land by landowners was higher than developers (and particularly small-scale developers) could offer, which placed further restrictions on the delivery of affordable housing.

He added that the timescale involved between identifying a suitable site and actually developing it could take up to five years in some instances and, while large development companies could look at economies of



scale when assessing sites, sometimes even they felt that the risks were too high and the returns too low to develop the smaller sites available in the National Park.

Mr Thomas then informed the Committee that all affordable housing schemes submitted by housing associations were meant to deliver within Welsh Government cost guidelines, and any higher costs would have to be justified. Development costs in rural areas, on the whole, tended to be higher than in urban areas due to the distance of services from the site, topographical issues, etc. In addition to this, sites within the National Park tended to be smaller with a low number of units, therefore the economies of scale were tighter and it was more difficult to get contractors to commit to a site.

Both Mr Maggs and Mr Thomas also referred to the National Park Authority's design requirements, which again added to the cost of developing a site. They understood and accepted that quality of design was important but the requirement to have slate roofs, false chimneys and timber windows all added to development costs. If you added this issue to the fact that the need to prove value for money was one of the requirements for Welsh Government funding, together with the fact that housing rents were also governed by Welsh Government, it made securing funding extremely difficult. The Chair countered this argument by stating that the Authority was obliged by legislation to conserve and enhance the qualities of the National Park, therefore the housing associations could argue the case for any additional funding. This was accepted and, in fact, had been the case when Cantref developed their scheme at Newport, of which they were very proud. However, Mr Thomas replied that, while the housing associations might be able to secure additional funding, private developers would have to absorb the extra costs required.

Mr Maggs went on to say that the National Park Authority needed to deliver affordable housing through the planning process and separately to the housing associations, therefore Members had to think about their planning policy and how they delivered. Members accepted that, when the Local Development Plan was being formulated, the housing market was quite buoyant; they asked Mr Maggs and Mr Thomas whether they considered these policies to be out of step with the current economic climate and whether the Authority should be reviewing its affordable housing requirements.

Mr Maggs replied that the figures were questioned at the time, but he was told that they were backed by the Three Dragons assessment. However, if the figures were based upon land and property values in 2008 and they were the driver in the policy they should, in his opinion, be reviewed. He went on to say that, although the National Park Authority had a different



legal framework to County Councils, it still had the responsibilities of a planning authority and there was an expectation/requirement on the Authority to deliver affordable housing. If the Authority considered that their affordable housing requirement figures were correct, why weren't developers coming forward?

In response to a question on what more the Authority could be doing to unlock the affordable housing issue, it was suggested that the Authority should consider:

- a) allocating more land for housing. It was acknowledged that people's expectations of land values weren't realistic but if more land was made available it should come forward at the right price for development;
- b) allocating sites specifically for affordable housing, and
- c) relaxing the affordable housing requirements.

It was also suggested that officers needed to review how the Three Dragons toolkit worked so that they could negotiate with developers for a proper affordable housing allocation for each site.

Mr Thomas went on to say that local authorities had to understand that developers needed to make a profit in order to deliver schemes. Some developers had been seen to develop large swathes of land in previous years for great profit and it was his view that the Welsh Government and local authorities now wanted developers to pay back by having to pay a contribution to schools, highway improvements, etc. He considered that the planning process had gone from one extreme to the other and there was a need to come back to some middle ground for the benefit of all concerned.

Mr Maggs agreed with Mr Thomas, saying that a profit was a developer's reward for taking a risk with their initial capital. The Three Dragons toolkit had an element of profit built into it, but it was probably not as high as developers would like. He believed that there was need for a debate between officers and developers on profit margins because, unless a developer could make some profit to enable them to move on to the next site, development would grind to a halt.

Mr A Archer stated that he was not downhearted with the Authority's affordable housing policy as it started with the words "... seek to negotiate...". He felt that the way to deliver the policy was to negotiate with prospective developers in order to achieve the right level of affordable housing against the conditions and/or circumstances at that time. Mr Maggs agreed, but he stated that prospective developers only saw the headline of "50% here, 60% there" and they considered it a pain to have to start negotiating when they might not have undertaken any site surveys, etc prior to negotiations with officers.



He gave the Committee an example whereby Pembrokeshire Housing had been interested in purchasing a site that was being sold at auction. The purchase price/development costs had been based upon the National Park Authority's requirement of 60%, even though they would have developed the whole site as affordable housing. Pembrokeshire Housing was unsuccessful at auction and Mr Maggs could only assume that the successful purchaser had either made a mistake in his calculations or was banking upon negotiating down from the 60% affordable starting point.

Mrs Thomas referred to the fact that social housing grant was being cut and asked what was key for the housing associations to enable them to have more housing on their stock. Mr Maggs replied that he knew how much grant would be available until March 2015 and that Pembrokeshire Housing had taken the view that the monies available would be used although private funding would also be sought to enable delivery. Beyond that, he hadn't been informed that funding would disappear completely therefore the organisation would seek to continue albeit at a reduced level. He was also exploring the possibility of selling some existing stock to fund more affordable housing.

Another strand was for local planning authorities to deliver more affordable housing without grant, which Housing Authorities could then take on. Mr Thomas agreed with Mr Maggs, adding that there had to be a greater degree of flexibility in the planning system to allow different tenures on the same site and that wouldn't prevent Registered Social Landlords from delivering without social housing grant.

The Chairman thanked both Mr Maggs and Mr Thomas for their extremely useful contribution to the debate.

8. Evidence provided by Peter Hughes, Managing Director Principality Commercial, Principality Building Society

In response to the welcome from the Chairman, Mr Hughes stated that he welcomed the opportunity to speak to the Committee on what was a challenging subject for the National Park Authority. He informed Members that he wore two hats before them that day; he was Managing Director with the Principality Building Society's commercial lending division and was also Chair of the Council of Mortgage Lenders for Wales.

Mr Hughes went on to say that the Principality was the largest financial services organisation in Wales and was a key player in the housing market, lending some £200m to the Registered Social Landlord (RSL) sector in Wales only. He then referred to two current affordable housing developments; the Welsh Housing Partnership, which was delivering



more affordable homes for less grant, and the Ely Bridge Development Company which, hopefully, would provide 700 homes without any grant aid at all.

Unfortunately, subsequent to the credit crunch, lending to the RSL sector was a low priority for private lenders. On the other hand, the Principality had made a conscious decision to make lending to RSLs a high priority – although it did provide some challenges. For instance, the Principality did not wish to be the “only lender in town” but mixed messages from politicians (who were encouraging banks to lend) and the Bank of England (which was urging caution) did not help. It was hoped that changes to the banking regulatory/supervisory regime would provide opportunities for other lenders to support the low cost ownership market in future.

Referring to housing provision within National Park Authorities in Wales, Mr Hughes stated that he had not seen much impact by the Brecon Beacons National Park Authority on affordable housing. In Snowdonia, the Principality was happy to support the Welsh language aspect although he felt that other lenders might find this more difficult. With regard to Pembrokeshire, the Principality’s commercial division had lent funding to private developers who had affordable housing schemes in the National Park and had heard comments about the fact that the affordable housing requirement was more onerous in Pembrokeshire. He acknowledged that the requirement was negotiable, but he could also understand why developers might not want to take the risk at so high a level. There was, in his opinion, a need to balance the environmental agenda against the economic viability of the mortgage needed; the Principality was committed to supporting affordable housing, but not all private sector lenders were of the same opinion. Mr Hughes added that scaleability was a huge challenge for Pembrokeshire because the economies of scale were tighter for small development sites.

He then referred to Section 106 Agreements, stating that he had worked alongside Social Housing Landlords, Housing Associations and Welsh Government on producing a standard template that could be adapted to local needs, but that was not too cumbersome and which would not prove a deterrent to potential lenders. He had discussed the draft document with Ceredigion County Council officers and would be happy to have a session with National Park officers and/or Members to discuss it further.

Mr Hughes then asked for the Committee’s stance on the affordable housing requirement guidelines; were they likely to be immutable? The Chairman replied that Mr Hughes had rightly identified that negotiation was available although it had become apparent from previous evidence providers that the headline figures were a deterrent to developers. A number of suggestions had been made to the Committee that day and



these would be looked at during the course of the review. He then asked whether Mr Hughes had any observations to make on that point.

Mr Hughes suggested that the National Park Authority could:

- adopt standard clauses where possible in any Section 106 Agreements;
- use cascades to restrict marketing opportunities;
- make linkages to open market value as opposed to ACG (Acceptable Cost Guidelines)
- set up a mechanism to sell to Registered Social Landlords.

He considered that the mortgage and repossession clauses contained in the Authority's draft Section 106 Agreements to be fine on the whole, although he advised that any literature should be kept as simple as possible. He noted that the number of repossessions had been low due to the forbearance of lenders, helped by low interest rates and added that he would provide information on CML (Council for Mortgage Lenders) repossessions if this would prove helpful.

In response to a question about whether the Authority's current level of the affordable housing contribution for single units of £250 per metre² was appropriate, Mr Hughes stated that it was very infrequently that the Principality came across single unit schemes. However, he would gladly put officers in touch with colleagues in the Principality to discuss this and any other issues.

Finally, he suggested that it might be useful to approach the House Builders Federation for further evidence.

The Chairman thanked Mr Hughes for agreeing to attend the meeting that day and to contribute to the scrutiny process.

