

Report to: **Executive**

Date: **14 October 2021**

Title: **Response to the Housing Crisis**

Portfolio Area: **Leader – Cllr Pearce**

Wards Affected: **All**

Urgent Decision: **N** Approval and clearance obtained: **Y**

Date next steps can be taken:

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RECOMMENDATIONS:

That the Executive:

- 1. Approves the proposed measures to address the housing crisis as set out in Section 4.**
- 2. Adopts the revised downsize incentive policy in Appendix 1.**
- 3. Formally recognises and support a needs based, not proximity based principle for the spending of affordable housing contributions (within the legal framework of the Community Infrastructure Levy Regulations 2010, the governing regulations for planning agreements).**
- 4. Recommends to Council to agree to form a Community Benefit Society (CBS); and delegates authority to the Director of Place and Enterprise in consultation with the Chief Executive; Section 151 Officer and Monitoring Officer; and with the Leader of the Council to undertake full due diligence and the necessary steps to set up the CBS.**
- 5. Sends the letter in Appendix 2 to Rt Hon Michael Gove Secretary of State for Levelling Up, Housing and Communities.**

1. Executive summary

- 1.1. A Housing crisis was declared by South Hams District Council at its meeting held on 23rd September 2021. A motion proposed by the Leader Cllr. Judy Pearce achieved unanimous support from those members present. The motion is set out in Section 3 below.
- 1.2. This report is the response to that crisis setting out the steps that will be taken to tackle the issues set out in the motion.
- 1.3. They include lobbying for:
 - 1.3.1. Change in legislation to promote fairness between primary and second home council taxation.
 - 1.3.2. Proposals to stimulate the delivery of homes once planning has been achieved.
 - 1.3.3. A review of Local Housing Allowance (LHA) Rates for Housing Benefit purposes and Broad Market Area boundaries to better align them with the real cost of rented accommodation.
- 1.4. A needs based approach to spending of S106 off site affordable housing contributions, instead of being exclusively geographic
- 1.5. Revision to the Downsizing policy, to create movement in the market
- 1.6. Maximising the delivery of affordable homes through JLP policy.
- 1.7. Seeking to deliver low carbon high quality modular homes, such as Zedpods, aimed at the social rented market.
- 1.8. The work required to complete the formation of a housing company (as previously approved by Executive – reference Appendix 3) will be undertaken so as to support that delivery and other wider objectives.

2. Background

- 2.1. Affordability of housing in England, the South West, Devon and in particular in the South Hams has become an acute issue for our communities and those aspiring to become part of them. Not only is the issue of affordability felt by those looking to purchase but there is a severe lack of rented stock in the private rented market and high demand in the affordable/social rented category .
- 2.2. At a recent South West regional meeting of Homes England, NHS and Local Authorities, the NHS stated that their lower paid staff couldn't afford homes nor can they get a home through the housing waiting list which continues to get longer (see Figure 2). Their consultants, who can afford homes, can't take new jobs in the area as they can't rent whilst they find a house to buy (see Figure 3). So the issue is one of both affordability and supply of rented stock and it is affecting the fabric of the region.
- 2.3. Since 2002, the ratio of median house prices to median earnings in the South Hams has gone from 6.8 to over 10 (see figure 1). The amount a bank or building society will lend has not materially

changed over that period, leading to the need for greater deposits required for those looking to acquire a home.

- 2.4. The average (median) salary in the South Hams in 2020 was £31k and the average house price was £310k. A typical mortgage would therefore require a deposit of £170.5k, which is beyond the means of the vast majority of local people to save.
- 2.5. All of this is set against a Joint Local Plan (JLP) that is exceeding its housing delivery targets (653 more than forecast by 2020), has a 6.1 year land supply and the delivery of 87 more affordable homes than our policy position requires since the start of the plan period. The current market-led system for delivering homes simply is not working. So what is driving this crisis?
- 2.6. As with all structural problems, it is a combination of numerous interrelated issues for which there is no silver bullet:
 - Foreign investment (pension funds etc.) account for as much as half of all new homes bought in prime London areas. The commodity price is of no interest to these funds, only the increase in value and return they generate, pushing up London prices.
 - London's housing market and high salary earners who are cash rich buyers are recognising more value in alternative, desirable locations elsewhere in the Country. This ripples outwards and sets the cost of housing across England.
 - Living preferences have changed, away from urban areas putting a disproportional pressure on rural housing markets. A trend accelerated during the post-Pandemic period.
 - Rural planning constraints limit the locations and volumes of houses that can be built to meet this demand.
 - The visitor economy provides a strong commercial driver towards holiday lettings. A crackdown on financial incentives for traditional landlords, whilst the holiday let market has been largely ignored, has further reduced availability of long term rented accommodation (see Figure 3),
 - The rich continue to get richer¹ ensuring a continuous flow of money into second homes. This further restricts the supply of accommodation for people who live, work or have family connections within our area. Whilst this has started to be addressed with principal resident policies on new homes, existing properties do not have such constraints.
 - Land prices for new homes reflect the wider sales trends for existing homes, which continually lifts the baseline price for a new home.
 - Developers prefer to build larger homes that sell for more money. This results in higher levels of under occupation and excess living space. Without smaller homes being built there is little opportunity

¹ <https://www.ucl.ac.uk/culture-online/ask-expert/your-questions-answered/why-do-rich-keep-getting-richer-and-poor-keep-getting-poorer>

for downsizing and limited options for younger people and working age families.

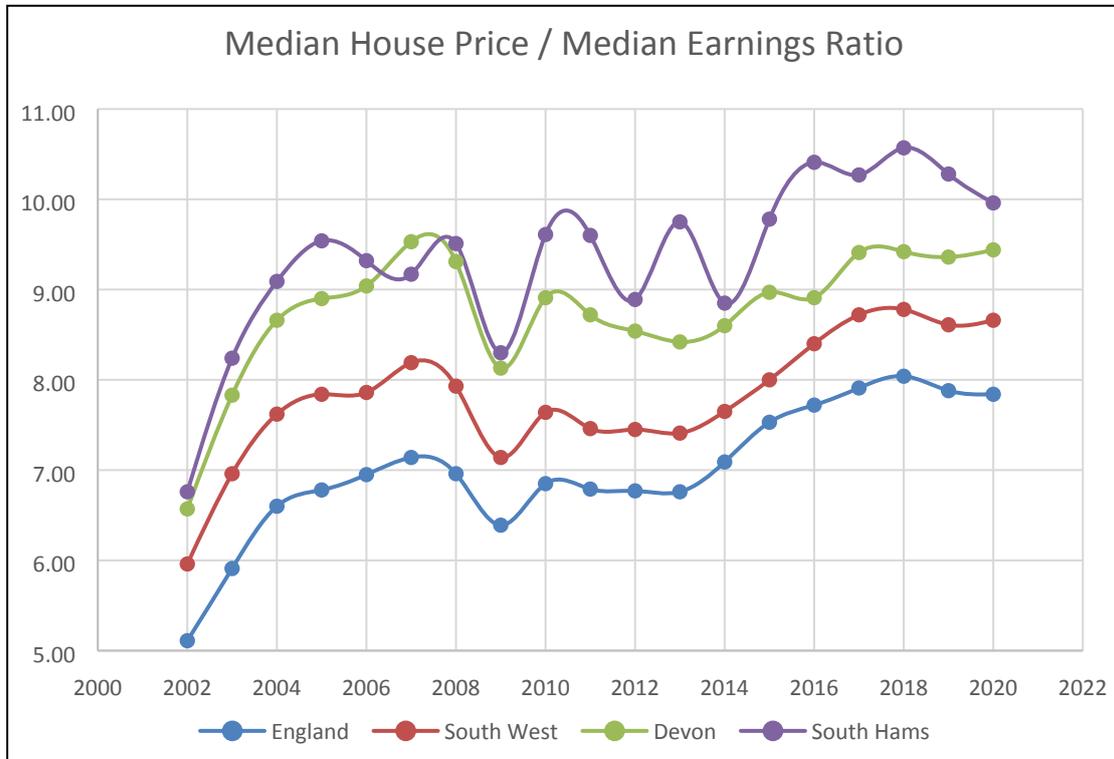


Figure 1

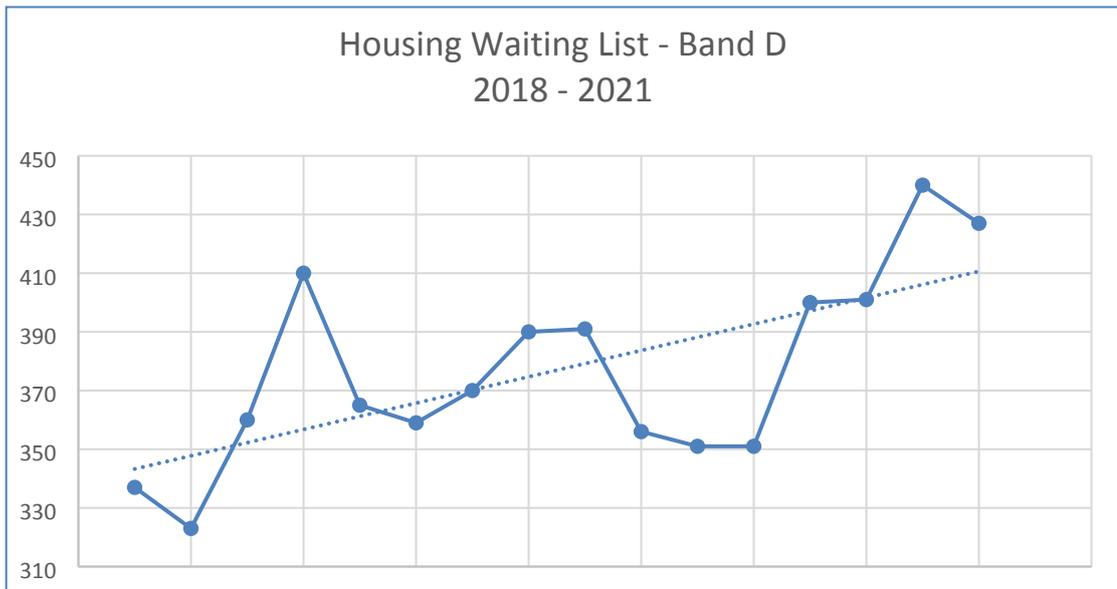


Figure 2

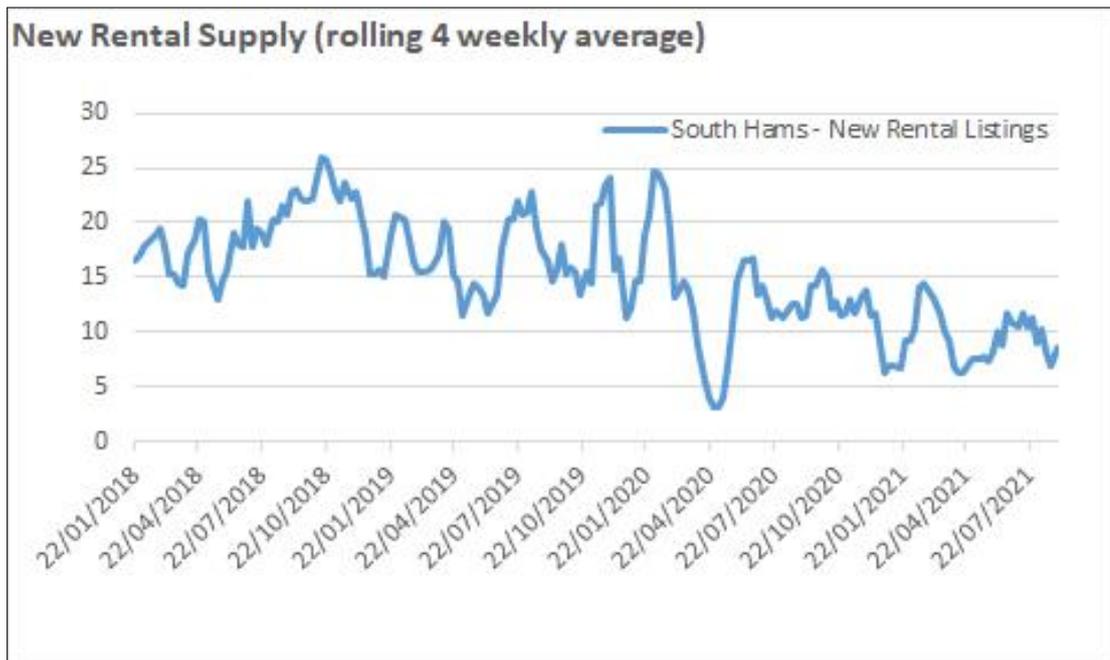


Figure 3

2.6.1. Responding to such a complex set of issues will be challenging and require a multifaceted approach.

3. Declaration of a Housing Crisis

- 3.1. The Council declared a housing crisis on 23rd September 2021. The motion that was carried included twelve points, set out in full below. This report will set out the proposed response to each of these points in turn, exploring what can be done, by whom and what impact it will have.
- 3.2. The actions are wide-ranging, encompassing the need to lobby for legislation change to address structural problems as well as direct actions that the Council can take to address acute problems on the ground.

"In response to the almost complete lack of any rented accommodation available for six months or longer that local people and those working in the area can access, and the excessive rise in house prices locally due to second home-owners and those moving in from other areas since the pandemic, which has made house prices completely inaccessible for the great majority of local people, South Hams District Council resolves to declare a Housing Crisis.

It is fortunate that we have a new Housing 5 year Housing Strategy and Housing Actions in Better Lives for All, but as an expansion of them South Hams District Council should:

- 3.2.1. Lobby government through our MPs and the LGA to allow council tax to be charged on plots with planning permission after a determined period, even if they haven't been built out, so that developers are encouraged to build out sites without delay.
- 3.2.2. Lobby government through our MPs and the LGA to review the regulation of holiday accommodation, to ensure all holiday accommodation is suitably regulated and made subject to local planning policies and taxes. We should appeal to Airbnb for a 90-day rule as applicable in London and lobby DLUHC for a separate planning class for short term lets and a proper licensing system to cater for them.
- 3.2.3. Institute an immediate thorough review by the council of all holiday lettings in the District, including, but not restricted to, whether they have planning permission, whether they are paying council tax or business rates, as appropriate, for the accommodation, whether they comply with safety regulations, and to ensure they are paying appropriately for waste disposal.
- 3.2.4. Ask the JLP Team to review the thresholds and percentages of affordable housing on sites, and whether it would be appropriate at the Plan Revision to increase these so that the percentage of First Homes imposed by the government becomes in addition to the present 30% affordable homes rather than part of it.
- 3.2.5. Promote regular Landlord Forums and run a further campaign to publicise the advantages to landlords of Seamoor Lettings.
- 3.2.6. Work closely with our main Registered Providers to ensure best occupancy of stock, so that where tenants are prepared to downsize, not only are they given a priority banding to be able to access a smaller property but support to help them move available.
- 3.2.7. Use some of the affordable housing reserve to increase payments made to anyone downsizing to help make moving more attractive and affordable.
- 3.2.8. Use any Section 106 affordable housing contributions as soon as possible to help fund developments anywhere in the District where the terms of the Section 106 Agreement permit this.
- 3.2.9. Campaign for changes to the Broad Market Area to better reflect the costs of rents in the South Hams.
- 3.2.10. Promote the development of an exemplar site of low carbon modular housing such as ZEDpods, to show that developments like this can be both stylish and great to live in. They can offer many advantages over traditional build and could help, amongst other things, to alleviate the shortage of one bedroomed accommodation in the District."
- 3.2.11. To actively seek opportunities to invest in Council owned social housing with high sustainability specification, to

support those on a low income who are unable to afford 'affordable' rental housing; and

- 3.2.12. To lobby Government to allow local councils to be able to charge up to 200% Council Tax on second / holiday homes as they do in Wales.

4. The response to the Crisis

Lobby for positive change & fairness

- 4.1. The first two and last points in the declaration (**3.2.1, 3.2.2 and 3.2.12**) focus on lobbying government for regulatory changes. Point one seeks to address the supply side of this crisis, to ensure that consented dwellings get delivered.
- 4.2. At the 2020 monitoring point there were planning permissions in place for 7,643 new homes in the South Hams. Of these, 7,116 homes had not yet started to be built. While there are a number of reasons for this, we would like to 'incentivise' developers to implement their planning permissions as soon as practicable, and using a council tax mechanism provides a clear pathway for enabling consistent delivery. Any income generated should be used toward the delivery of affordable schemes that are progressing.
- 4.3. **Points 3.2.2 , 3.2.3 and 3.1.12** represent the need for fairness. The visitor economy provides £260m into the local South Hams economy each year and is one of the largest employment sectors. It is possible to support and enhance this, yet ensure that those whose businesses prosper from it within the accommodation sector contribute to the cost of providing the services they depend on.
- 4.4. By way of example, if all of the second homes in Salcombe that currently avoid council tax by electing to pay for business rates (if they are available to let for more than 140 days) and then benefitting from small business rates relief, were to switch back to council tax, it would raise an additional £655,000 in council tax (average band E property). Across the district, the same change would generate an additional £3.5million in council tax income collected (average Band D property), of which the District Council would get its share (8%) which could be pumped back into tackling the housing problem. This would require a change to Section 66 (2B) of the Local Government Finance Act 1988.
- 4.5. The Council also has a role to play to ensure that the accommodation is fit for purpose in its widest sense; safe, regulated and planning approved. The quality of accommodation in the visitor market is rarely a problem, but the use of accommodation that doesn't have the right planning approval is more common. Within the resources the Council has (including the changes proposed through the planning improvement reports to Executive), it will seek to rectify this position.

- 4.6. It will undertake a pilot project in a discrete coastal area, to compare and analyse the data streams it holds and determine what effective action can be undertaken. This will include all of the data held across, planning, business rates, domestic and commercial waste streams. This pilot project will start with immediate effect.

Maximising the delivery of affordable homes through policy

- 4.7. **3.2.4** – the JLP affordable housing threshold – is a very powerful tool. As set out in the background section the existing policy is being very effective and delivering 30% of new homes as affordable, but rightly the ambition of this Council is to do more and go further.
- 4.8. To be successful to implement the members expectation in two years time when the JLP is reviewed, officers commit to working up the necessary evidence base and housing need analysis to ensure that the members will have a choice in the future to go further than the JLP currently does. It will remain a choice, because the cost of delivering affordable housing has to be balanced against all of the other requirements and to increase delivery of one area will reduce another.
- 4.9. The Council has recently appointed a housing need data analyst on a temporary contract to start this work, which will inform both the Housing Strategy, S106 negotiations, and the JLP review at the required time.

Working with our key partners

- 4.10. **3.2.5**, looks to promote further landlords forums. Our past experience has shown limited appetite for attendance and engagement at these events, and those landlords in attendance were already well engaged. We have surveyed our local landlords and as a result propose the following actions:
- Establish a registration opportunity for landlords to sign up for updates
 - Promote our own Seamoor Lettings option through social media, Localities van livery, envelope advertising during mailshots and via website.
 - Producing a bi annual information update bulletin – to include Environmental Health, licencing, deposit, Energy performance certificate information etc. to be emailed to all registered landlords
 - Create 'Tenancy Packs' with check lists and advice on how to start and end a tenancy lawfully to be provided via the website and/or on registration.
 - Promote landlord/tenant advice service to encourage tenants to suggest the registration scheme to their Landlords

- 4.11. This work will be facilitated by a temporary 6 month post currently being advertised.
- 4.12. Downsizing – **3.2.6 & 3.2.7** – and the need to create movement in the housing chain can be addressed through engagement and through direct action. There are currently 70 households registered on Devon Home Choice who would like to downsize. The Council already has a policy of providing one off payments to encourage downsizing, which is included in Appendix 1.
- 4.13. It is recommended as part of this report that the payment is increased from £1000 plus £500 per bedroom to up to £5000 in areas of high demand and the amendments to the policy in Appendix 1 are adopted.
- 4.14. The existing policy has been invoked 28 times in the past three years to 2021 at a cost of £48,000; an average of £16,000 / yr. The new policy is hoped to be sufficiently attractive to increase downsizing and so may run to a cost to the Council of in excess of £20,000 per year.
- 4.15. Following the adoption of the policy, targeted communication will be sent to these households, including offering home visits and other targeted measures to overcome the barriers to downsizing.
- 4.16. This will be coupled with closer interaction and engagement with our Registered Providers (RPs) at both a strategic and operational level. We have arranged to meet with the RP's with stock in our area and discuss the priorities they have made collectively as the Homes for the South West Group and how we can align with them to ensure delivery in our area.

Providing capital funding where it is needed; taking a big picture view – S106 agreements (3.2.8)

- 4.17. Affordable housing is often delivered on site as part of new development, but sometimes offsite contributions are taken in lieu. This is a case by case decision taken at the time of the planning application and informed by the housing team.
- 4.18. The S106, the legal contract that enables the financial contribution, will be worded in such a way as to ensure that the money can be spent where there is need across the District, based on an audit trail showing the relationship to the development and need.
- 4.19. That need is well understood and as set out above, will continue to be refined and updated by further the housing need analysis and the emerging future JLP evidence base.
- 4.20. Members are asked to formally recognise a principle that supports the allocation of affordable housing contributions based on need first, proximity to the planning application location second, and support it within their communities (within the legal framework of the Community Infrastructure Levy Regulations 2010, the governing regulations for planning agreements).

Seek broad market area boundary reforms (3.2.9)

- 4.21. A Broad Market Area (BMA) is an area *'within which a person could reasonably be expected to live having regard to facilities and services for the purposes of health, education, recreation, personal banking and shopping, taking account of the distance of travel, by public and private transport, to and from those facilities and services.'*
- 4.22. In the South Hams there are 2 Broad Market Areas which are South Devon, which incorporates the majority of the District and Plymouth, which includes Ivybridge, Modbury, South Brent and surrounding areas. The Local Housing Allowance (LHA) is a rate within the BMA which is the 30th centile of all the rents – including RP's affordable and social rents.
- 4.23. In 2012 the Government delinked the LHA rates from prevailing rent levels and then were frozen for 4 years from 2016. In 2020 there was an inflationary increase, but this did not address the rises in rents during that period.
- 4.24. The LHA rates are strongly influenced in the east of the District by South Devon (Torbay) and in the west by Plymouth. For example, the 2 bed housing allowance in the eastern side of the District is £598.35 (South Devon BMA) and in the west £583.39 (Plymouth BMA) yet on the 23rd September the 2 properties available in the District of this size, were both flats priced at £850 per calendar month.
- 4.25. It is incredibly challenging to rent privately if you require assistance through Housing Benefit or Universal Credit.
- 4.26. The Council will actively lobby to request a reassessment of the LHA annually and an annual inflationary increase and to further explore the impact of a Broad Market Area specifically for the South Hams.

Delivery of modular low carbon homes by the Council (3.2.10)

- 4.27. The quality, sustainability and environmental benefits of modular (off site construction) housing is well understood. It has not been adopted by the volume house builders because building regulations and the codes governing the environmental and sustainable standard to which houses must be built in England have remained very low. As a direct result of this, it is still cheaper for volume house builders to use traditional construction.
- 4.28. In low volumes, the economics paint a better picture but the market is still slow to respond. It needs brave Councils and other socially focused aspiring landlords to promote, deliver and drive market shift.
- 4.29. As an appropriate response to the climate emergency declaration we need to show real leadership and drive the standard of new homes significantly higher, and achieve this in the short-term.

- 4.30. The formation of a housing company, a decision previously agreed by the Executive [Housing Company: Executive Agenda item 14 of the 6th Feb 2020, see Appendix 3], will be concluded to support this and wider corporate housing delivery. The company will be formed as a Community Benefit Society. The Society is to be formed for the benefit of the community and to meet the following charitable objectives:
- 4.31. The business of providing and managing housing, including Social Housing **(3.2.11)**, and providing assistance to help house people and the provision of associated facilities, amenities and services for those in financial hardship or for the relief of aged, disabled (whether physically or mentally) or chronically sick people.
- 4.32. Such other charitable purposes beneficial to the community consistent with the objects above as the board shall in its absolute discretion determine.
- 4.33. The formation of the company will specifically enable the delivery of affordable and social rental units to local families, let on an assured shorthold bases through:
 - Accommodation purchased or developed using Local Authority capital funding.
 - Management of Section 106 and Windfall property contributions
 - Development and purchase using grant funding
 - Provision of specialist accommodation
- 4.34. Accommodation leased to the Community Benefit Society will be managed through the SeaMoor Lettings management service. An additional benefit of the increase in management portfolio is to raise the profile of SeaMoor lettings with a view to becoming the preferred letting agency for the South West; resulting in additional private let provision for local households.

5. A holistic approach

- 5.1. Better Homes, Better Lives is the Council's 5 year plan setting the ambition around how we can tackle the issues set out in this paper. It includes a number of specific actions in the accompanying Action Plan (AP) that will address the concerns raised. Of particular note are the following:
- 5.2. Seek to expand our own in house private letting service, Seamoor Letting (AP page 18)
- 5.3. Develop and promote an intermediate housing register specifically for key workers (AP page 18)
- 5.4. Support encourage and offer management services to HMOs (AP page 19)
- 5.5. Address under occupation and overcrowding in social housing stock through the Tenants Incentive scheme (AP page 20)
- 5.6. Purchase land to support strategic housing delivery (AP page 3)

6. Proposed Way Forward

- 6.1. That the Executive support the recommendations associated with this report, so as to enable officers to respond to the housing crisis motion declared at Council 23rd September 2021.

7. Implications

Implications	Relevant to proposals Y/N	
Legal/Governance	Y	The Council has powers across all of its functions to help shape and boost housing provision whether by providing houses itself (Housing Act 1985 section 17) or through a housing company (Local Government Act 2003 section 95 or Localism Act 2011 section 1); facilitating delivery by others by land assembly (Local Government Act 1972 and Town and Country Planning Act 1990 section 226); bringing vacant properties back into use (Housing Act 2004); or more strategically, through planning policy; and the grant of planning permissions and planning agreements (Town and Country Planning Act 1990 section 106).
Financial implications to include reference to value for money	Y	The Downsizing policy if successful will continue to require funding, up to an estimated £20k per annum from the affordable housing reserve. The formation of a housing company will incur a cost from the approved budget of £40k (see appendix 3). Direct delivery of Zedpods or other modular housing schemes will be the subject of further reporting and business case.
Risk	Y	
Supporting Corporate Strategy	Y	Homes
Climate Change - Carbon / Biodiversity Impact	Y	Positive impact should the Council deliver low carbon, high quality homes.
Comprehensive Impact Assessment Implications		
Equality and Diversity		No implications.

Safeguarding		No implications.
Community Safety, Crime and Disorder		No implications.
Health, Safety and Wellbeing		No implications.
Other implications		None at this stage.

Supporting Information

None

Appendices:

Appendix 1 – Downsizing policy

Appendix 2 – Letter to Secretary of State for Levelling Up, Housing and Communities, Michael Gove MP.

Appendix 3 – Previous report to Executive on Housing Company

Background Papers:

Better Homes, Better Lives – South Hams & West Devon Housing Strategy 2021-2026