
Place Scrutiny Committee – 31st March 2021

Report of the Director of Housing and Community Services

Housing Market: Affordable housing and potential assistance to first time buyers to access the housing market

Purpose

1. This report contains information on the current position in relation to affordable housing and potential assistance to first time buyers to access the housing market as requested by Scrutiny Committee.

Recommendations

2. It is recommended that the contents of the report are noted.

Background

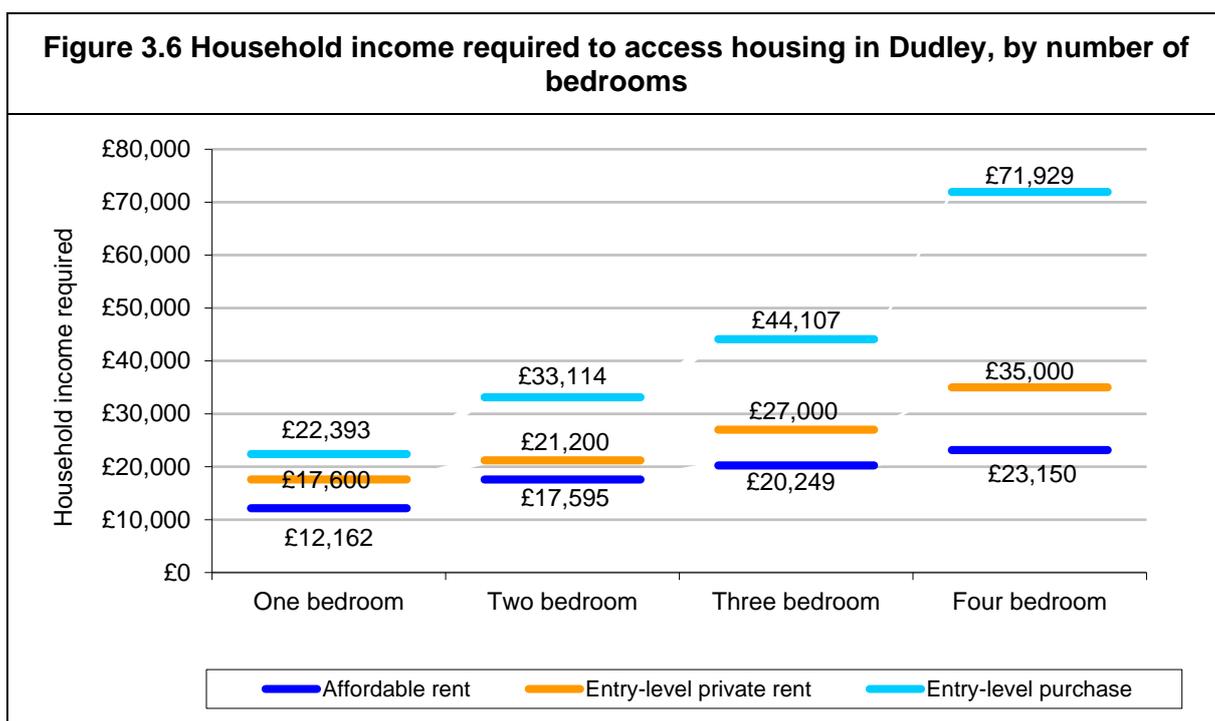
3. The definition of affordable housing is set out in the National Planning Policy Framework. In summary, Affordable housing is:
'Housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:
 - Affordable housing for rent – This includes social rent or affordable rents that are at least 20% below local market rents
 - Starter homes – This is largely being replaced by First Homes (paragraph 13 of this report).
 - Discounted market sales housing – This is sold at a discount of at least 20% below local market value. Eligibility is determined by local incomes and house prices and the discount must remain for future households.



- Other affordable routes to home ownership – This includes a range of products to help those who could not achieve home ownership through the market including shared ownership, equity loans, rent to buy and others.

The Council's current Supplementary Planning Document (SPD) requires all new housing schemes of more than 15 units to include 25% affordable housing, delivered on site and integrated within the wider scheme unless agreed otherwise.

4. The draft Strategic Housing Market Assessment indicates the income required to access the different types of housing tenures in the Borough and other relevant information. It makes assumptions about using 30% of household incomes on housing costs and access to mortgage products (one of which being the availability of no deposit mortgages).



In summary:

- The household income required to access the owner-occupied housing sector for a 2 bedroom entry level property is £33,114 per year.
- The median gross household income in the borough is £29,854.

The average price of a semi-detached home in the Borough in 2019 was £180,039. A household with the median income in the borough would therefore be limited to purchase a one bedroom home, or privately rent a two or three bedroom home, within the cheapest quarter of such properties in the borough. Households with income



levels below the median or requiring a wider choice are likely to be seeking an affordable housing option of one type or another.

5. Our knowledge of our private rented sector has been developed by a Building Research Establishment (BRE) study funded by MHCLG's Private Rented Sector Innovation and Enforcement Grant Fund (2019/20). This funding supports new, innovative, or targeted short-term initiatives to tackle poor landlords and raise the standard of properties in the Private Rented Sector.

There has been significant growth in the private rented sector in Dudley in the 10 years between 2001 and 2011 - from 5% of the total stock in 2001 to 11% in 2017. This is lower than the change of 9% seen in England as a whole, but significant for Dudley because the sector here has historically been very small. The analysis for this current report estimates that trend has increased over the last three years.

6. Some of the key findings of the report are as follows:
 - The performance of the private housing stock in Dudley compared to the English Housing Survey England average is mixed with Dudley performing slightly better for all excess cold, but worse for all other variables, particularly fall hazards.
 - The private rented sector is generally in worse condition than the social sector. Compared to the owner-occupied stock, the private rented stock has higher levels of all hazards, excess cold, disrepair, fuel poverty, and low-income households. It is estimated that 8% (2,118) dwellings in the private rented sector are in disrepair.
 - There are an estimated 2,208 Houses in Multiple Occupation (HMOs) in the Borough of which, 300 fall into mandatory licensable requirements.
7. Dudley has a reasonably good supply of affordable rented housing in the Borough at just under 20% of the overall housing stock including Housing associations.

DMBC have 21,000 social rented homes and a combined waiting and transfer list of 3,855 households, but we do not have a perfect match of housing supply to meet this demand. There is very high demand for some types of housing such as 2 bedroom family homes (especially houses) and low demand for other properties such as 2 bedroom high rise flats and bedsits.

Over the past twelve months through Covid , there has been an increase in demand for housing, and a reduced supply of vacancies as less people moved. Competition for family houses is particularly intense, for example in February, a two bedroom Council house in Halesowen attracted over 200 bids.



8. The Right to Buy (Local Authority social housing) and Voluntary Right to Buy (West Midlands Pilot) reduces the supply of social housing faster than it is being replaced. Each year just under 200 Dudley MBC tenants exercise their Right to Buy and become home-owners. This helps to build home ownership but depletes social housing supply. During 2019/20 the West Midlands were part of a Voluntary Right to Buy pilot for housing associations which resulted in 27 homes being sold in Dudley in addition to the local authority's own loss of stock. The replacement rate of this stock is well below the 1:1 replacement intended by the Government as 100% of the sales receipt is not returned to the landlord to build a replacement.

The levels of new affordable housing delivery over the last 5 years have ranged between 98 and 209 new homes per year. This includes social rents, affordable rents and shared ownership. Of the 209 new homes completed in 2019/20 190 were rented and 19 shared ownership. The level of new build affordable housing in the Borough rarely exceeds 200 new affordable homes per year so there is a net loss of affordable rented housing most years as a result of the Right to Buy.

9. It follows that there is likely to be a market for low cost or assisted home ownership within the borough from people who cannot afford to buy on the open market, who are unable or unwilling to participate in the private rented sector, and who are unable to access social housing that will meet their requirements within an acceptable timescale.
10. There are Government led initiatives to enable first time buyers and other households to get on to the property ladder.

Nationally, from 1st April 2013 to September 2020, under the Help to Buy scheme, 291,903 properties were bought using an equity loan and 82% of all completions were first time buyers. The total of these equity loans was £17.4 billion. The value of the properties sold under the scheme was £79.2 billion

Since 2013 the Help to Buy scheme has enabled 1,088 households to buy a home in Dudley borough, with 911 of those being first time buyers (83.7%). The equity loan value on these sales in Dudley is £41 million.

Number and value of Help to Buy:Equity loans by local authority											
Year	2013	2014	2015	2016	2017	2018	2019	2020 incl Q3	Total	First time buyers	Total value
Dudley	85	157	163	158	155	131	136	103	1,088	911	41,319,910
Sandwell	93	162	181	197	298	267	129	43	1,370	1,230	50,587,791
Walsall	77	131	241	217	207	175	63	30	1,141	1,030	38,620,668
Wolverham	99	196	188	218	203	212	201	127	1,444	1,295	50,229,577
									5,043	4,466	



11. On 18 February 2021 HM Treasury published official statistics on the Government's Help to Buy: ISA Scheme. Between the launch of the Help to Buy: ISA Scheme on 1 December 2015 and 30 September 2020:

- 359,250 property completions have been supported by the scheme.
- 472,702 bonuses have been paid through the scheme with an average bonus value of £1,028.
- The mean value of a property purchased through the scheme is £174,281 compared to an average first-time buyer house price of £204,964 and a national average house price of £244,513.
- The median age of a first-time buyer in the scheme is 28 compared to a national first-time buyer median age of 30.

As at September 2020 2,558 Help to Buy ISA bonuses had been paid by the Government to applicants from the Dudley Borough. This amounted to £2.579 million. The expected number of property purchases was 1,820.

12. The Government is proposing to provide a First Homes product to specifically help potential first time buyers access home ownership. New housing sites will be obligated to deliver First Homes at at least 30% below the open market value. If they are resold in the future they will be sold at least 30% below market value. In the future it is likely that some households who would have entered the private rented sector will buy under the First Homes Scheme. The draft Strategic Housing Market Assessment suggests that 1,186 households could buy First Homes over the next 19 years. Whilst this is potentially good news for first time buyers, the number of First Homes delivered on developments will take precedence over other forms of affordable housing so there are likely to be fewer social rented or affordable rented units on new sites.
13. In the Budget 2021 the Government is proposing to introduce a mortgage guarantee scheme to help people with small deposits to get on the property ladder and offer incentives to lenders who reintroduce 95% mortgages.
14. Dudley MBC has not directly participated in the shared ownership housing market. It has built a small number of homes for outright sale with no discount but these were primarily to fund additional affordable rented housing on other sites as part of the local authority's own new build affordable housing programme. However, we did offer Help to Buy, and this was taken up by 15 of our 59 purchasers (25%).

Dudley MBC is working with housing associations (Registered Providers - RPs) who deliver a range of shared ownership housing options. This amounted to 19 new shared ownership homes in 2019/20.



	Scheme name	Provider	Number	Property	1 bed	2 bed	3 bed	4 bed	5 bed	Rent type	Funding type	Sec 106
Q1	Himley View	Heylo	2	Apartment		2				Shared ownership	Homes England	N
Q1	Fairfields	Heylo	1	House				1		Shared ownership	Homes England	N
Q2	Fairfields	Heylo	2	House			2			Shared ownership	Homes England	N
Q3	Fairfields	Heylo	3	House				3		Shared ownership	Homes England	N
Q3	Catesby View Tansey Gr	WHG	2	Apartment		2				Shared ownership		Y
Q3	Fairfields	WHG	2	House		2				Shared ownership		Y
Q4	Fairfields	Heylo	2	House			2			Shared ownership	Homes England	N
Q4	Catesby View Tansey Gr	WHG	3	House			3			Shared ownership		Y
Q4	Fairfields	WHG	2	House				2		Shared ownership		Y

There are a number of RP led schemes just starting on site or forecast to start shortly that will deliver a number of opportunities to purchase affordable home ownership homes over the next 12-24 months including:

- Cochrane Rd (Midland Heart/Countryside) - 132 all affordable homes. 32 of the homes are earmarked for shared ownership.
 - Bull St (Platform) 80 units all affordable homes (mix of sales to rented to be confirmed)
 - Leys Rd (TBC) 71 homes (mix of sales to rented to be confirmed)
 - Vine St (Midland Heart/Countryside) 21 homes (mix of sales to rented to be confirmed).
15. The Government has released £7.39 billion funding to promote the creation of social rent, affordable rent and shared ownership homes through the Homes England Affordable Homes Programme 2021 to 2026. It is seeking to deliver 130,000 affordable homes by March 2026 (outside of London). This includes funding to enable prospective home owners to purchase a minimum of 10% share of a new home whilst placing repair and maintenance liabilities for the first 10 years on the housing provider. Dudley MBC is registered as an Investment Partner with Homes England and could choose to deliver shared ownership products. This would require Policy approval, setting up new financing arrangements and probably require additional staffing/expertise to deal with the sales and the administration of loans/mortgages.

Alternatively, we could continue to give strategic support to other providers who can deliver low cost home ownership, without entering the market ourselves.

Finance

16. The Council's strategic work and its provision as a social landlord are funded from housing core budgets and government grants. The financial implications of any change in strategic approach would need to be considered, taking into account available funding streams and maximisation of resources.



Law

17. The Localism Act 2011 gives any local authority in England the general power of competence to do 'anything that individuals may do.' This is provided that it is not prohibited by any other legislation.

Equality Impact

18. An Equality Impact Assessment has not been undertaken on the recent and new initiatives. This would have to be completed prior to the implementation of any Policy recommendations.
19. The Public Sector Equality Duty under s.149 Equality Act 2010 places positive duties on the Council not just to eliminate such discrimination, but also to advance equality of opportunity and foster good relations between groups.

Human Resources/Organisational Development

20. This report has no current direct implications for Human Resources or Organisational Development.

Commercial/Procurement

21. This report has no direct procurement or commercial implications at this stage as it is for information and discussion.

Health, Wellbeing and Safety

22. The provision of good quality, affordable homes have an important role in delivering health, well-being and safety outcomes as there are identified links between poor housing conditions, homelessness/rough sleeping and poor health, mental health and mortality rates.



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