

**Report to:** Cabinet  
Community Protection Panel

**Date:** 19th February 2009  
16th March 2009

**Subject:** Progress on the Housing Response to the Economic Recession

**Report of:** Executive Director of Environmental Services

**Contact officer:** Peter Layland 01942 828983 (Ext: 3983)

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**Purpose / summary:** To provide a further update on the impact the credit crunch and economic slowdown are having on Wigan's housing situation; and to provide a progress report on the measures that are being developed and implemented in response.

**Alternative options considered and reason for selecting the one recommended:**

**Recommendation / decision:** To accept the report and for a further report to be presented in due course.

**Key Decision:** This report does not involve a key decision

**Risks / Implications:**

Financial:	None relating to this update
Staffing:	None outside existing budgets
Policy:	Housing Strategy
Equal Opportunities - Has a Diversity Impact Assessment been conducted?	No
Wards affected:	All

**Property Implications – Does the proposal involve a reduction, addition or change to the Council’s asset base or its occupation?**

No

**Does this proposal have significant implications for the Council and the local population?**

A diversity impact assessment is not necessary at this stage, however, equality and diversity implications have been considered when producing this report.

**Does this proposal involve a new policy or procedure or significant changes to an existing policy or procedure?**

It outlines responses to a changing policy context

Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council’s Constitution? **N/A**

Has the Service Director - Corporate Services confirmed that any expenditure referred to within this report is consistent with the Council’s budget? **N/A**

Are any of the recommendations within this report contrary to the Policy Framework of the Council? **No**

**For Cabinet reports only :**

Categorisation of the report:	<b>X</b>		
Discussion leading to a decision		Discussion	
Monitoring	<b>X</b>	Decision	
Sharing for corporate understanding		Information	

**Tracking/Process:**

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
16/3/08		19/2/09	

List of Background Papers in accordance with Section 100D of the Local Government Act 1972:

Title of document	Which meeting did it go to?	Date of meeting	Copy available from?
Housing Responses to the Economic Recession	Cabinet / Community Protection Panel	27/11/08	DCLG
The Credit Crunch and Regeneration . Impact & Implications by M Parkinson		19/1/08	

Proper Officer M Kimber

Date 2 February 2009

## **1. Background**

- 1.1 A report was presented to Cabinet (27/11/08) and Community Protection Panel (19/1/09) detailing the major effects the credit crunch and the economic slowdown was having on the housing situation in the borough. The report also set out a range of priorities and actions that could make an appreciable difference over the next 12 to 18 months. This report aims to provide an update of how the current economic climate is effecting the local housing situation and sets out progress against these priorities.

## **2. Current situation**

- 2.1 Since the previous report the following trends can be reported

- The number of the working age population in Wigan claiming Job Seekers Allowance in December was 3.8% of the working age population, compared to the North West at 3.5% and the national position at 3.0%. Significantly the rate of working age population claiming JSA was at just 2.3% in December 2007.
- Latest quarterly updates on possession activity in the county court are expected mid February, but indications from advice services suggest that possession activity will again be high.
- Latest Land Registry figures show a fall in house prices in Wigan by 8.6% between November 2007 and November 2008. This compares to Greater Manchester overall experiencing fall of 7.2%, the North West overall 10.2% and England and Wales overall 12.2%. As these figures have a timelag they almost certainly underestimate the actual position
- Property sales have fallen dramatically since November 2007. November 2007 saw 671 sales in the borough. The most recent housing sales statistics (September 2008), shows 238 sales. Caution is needed with Land Registry data, as often there can be delay between sales and registration on the land registry system. However, data for March and June 2008 shows just 317 and 298 sales respectively.
- Most large development sites have either been mothballed or activity reduced. New sites with planning permission are not being started and Developers are continuing to approach the Council in regards to purchasing sites and properties they are unable to sell. Private landlords are also now approaching the council to seek out tenants for their properties.
- Whilst interest rates have reduced, mortgage availability is still hard to come by for those wishing to enter the housing market, with lenders asking for high deposits (typically 40 – 20%) and premium rates to purchase properties.

- Housing options advice have experienced homeless cases where creditors with non secured debts (i.e. credit cards) are applying to the court for bankruptcy orders forcing householders to sell properties to clear debts. One case experienced, was for just £2000.
- 2.2 These trends show the continued housing market difficulties as the initial credit crunch is now followed by a more general economic recession. In summary they record continued falls in house prices and activity as demand for housing reduces in light of the economic situation. The only exception being the continued pressures on social housing for rent. It also shows that the main effects on residents remains focused on new households, on those needing to move and those faced by loss of a job / income.
- 2.3 The previous report in November set out a number of key principles that needed to guide our reaction to the housing consequences of the recession and set out the following themes upon which we should concentrate
- Need for more affordable housing
  - Tackling private sector empty homes
  - Minimising repossessions / provide better advice
  - Fuel poverty issues
- 2.4 Since then an independent report by Prof Parkinson to government on the Credit Crunch and Regeneration has been published. This found that
- The residential market has been particularly badly hit by the recession especially in less prosperous areas and in vulnerable sectors such as town centre markets, the buy to let sector and volume builders
  - It is also predicted that the housing situation is likely to deteriorate further before it gets better
  - The importance of the public sector in this situation is highlighted particularly in terms of its need to be flexible, innovative and to try to protect marginal places and people.
  - Finally it also stresses the need to keep in focus the long term challenges faced by places and the need to prepare/plan for the upturn including the development of asset backed partnerships.
- 2.5 These findings confirm the wisdom of the last report which looked to try to protect and help residents in the short term by concentrating on key immediate challenges but at the same time maintaining our longer term placemaking / regeneration agenda.

### **3. Key Issues / Action Update**

3.1 In terms of progress on the priorities identified within the November report, Appendix 1 provides a comprehensive summary and the following comments are made

#### **3.2 More Affordable Housing**

Attempts to increase the levels of affordable housing have dominated the last couple of months with the development and approval of Wigan Housing Solutions and its concept of leasing property from the private sector. This has

been in addition to the development of the WALH bid to the Homes and Communities Agency and the feasibility work being taken on developing subsequent bids, including the possible repurchase of ex RTB properties. The Council in liaison with local developers and RSLs have developed further bids to the HCA for over 80 units of existing unsold properties to be converted to rent. Finally further allocations for up to 80 shared ownership units via the Homebuy Direct scheme have been agreed with the HCA. Whilst primarily aimed at creating more affordable housing a number of these schemes / proposals will hopefully reduce the number of empty homes in the borough.

### 3.3 Reducing Empty Homes

Besides these bids, a number of smaller initiatives aimed at reducing empty homes are being progressed. This includes strengthening partnerships with landlords, strengthening our enforcement capabilities and by looking to change the renovation grants system to encourage owners to improve homes to get them back into use.

### 3.4 Reducing Repossessions / Better Advice

Here small scale, but effective measures to help reduce repossessions and provide better advice have been put in place. These include the Court referral scheme by which all facing repossession action can access housing advice is in place. Additional housing debt advice and a small expansion of WALH Housing Options Service has also been developed. The National Mortgage Rescue scheme has now commenced (launched 16<sup>th</sup> January) with Wigan as a fast track authority. This involves a partnership between the Council, WALH, CAB and Plumlife (RSL). Whilst significant interest is being shown in this scheme it is too early to assess its effectiveness.

The government's rent restructuring policy proposing above inflation rent rises in Council dwellings is being raised with the Government by the Council, MPs and Wigan and Leigh Housing. The Council has also set a rent increase at 4.95%, below the 6.35% required under "rent restructuring". In addition the ALMO has significantly increased the debt management advice it provides to those with rent arrears.

## 4. Future Issues / Initiatives

4.1 Besides continuing with the above initiatives and evaluating their effectiveness, the following issues are expected to guide future action.

- The housing situation will continue to be monitored along with the general economic position and policies adapted accordingly.
- We are aware of a number of further government announcements that are expected in the next few months. The first of these include encouraging Councils to build more new homes for rent, which may also involve a relaxation of certain HRA rules. Work is also underway to develop a wider mortgage guarantee scheme, aimed at those who are facing income reductions.
- Thirdly in liaison with colleagues across the Council a useful meeting with key

financial institutions and the MPs about the credit crunch / recession has taken place and further meetings working on a broad approach are planned.

- Finally as advocated within the recent independent report on regeneration it is vital that longterm approaches to the development of the borough are maintained and enhanced. Such measures are occurring in this borough as evidenced by the Community Vision 2026 Strategy, the current Housing Strategy consultation process, the progression of the Local Development Framework, the Worklessness Strategy and the work to establish wider regeneration partnerships.

## **5. Conclusion**

- 5.1 This report provides further information on the effect of the credit crunch / recession on the housing situation. It also outlines efforts to alleviate its effects by concentration on priority areas. However it would be wrong to say that this is sufficient and is addressing all concerns at the moment. For this reason it is an evolving approach which is increasingly looking to contribute to a wider Partnership approach.

## **6. Recommendations**

- 6.1 To accept the report and for further report to be presented in due course.

## Appendix 1

### A RESPONSE TO THE CURRENT HOUSING MARKET ISSUES – PROGRESS REPORT

Issue	Initiative	Outcome / Impact	Resources	Timescale	General Points
<b>More Affordable Homes</b>	Wigan's Housing Solutions (CAB) (setting up a managing / private sector leasing agency).	Builds on success of the existing bond scheme. Eventual aim of up to 150 tenancies to be managed professionally or leases long term whilst meeting housing need. It would also link with enforcement activity against problem landlords.	Start up costs of approx £50k plus ongoing Supporting People contribution all spread over a couple of years. Budget provision secured.	Report to Cabinet 22/1/09. approved the scheme, anticipated to go live in April 2009	This will increase the supply of affordable housing relatively quickly and at low cost. Whilst accommodation would be time limited it is hoped that this initiative will help improve standards in the privately rented sector
	WALH bid to the Homes and Community Agency (HCA) for new homes for rent	Increase affordable housing supply across the borough using council land. Initial bid is for 60 new homes	Bids to HCA for funding. Will require capital funding from the council and prudential borrowing	Report to Cabinet 5/2/09 asking for approval for the bid	If the bid is accepted this would result in homes being built by WALH
	Further WALH bids for both new homes for rent and to repurchase ex RTB vacant properties	Aim would be to increase affordable housing across the borough and hopefully reduce the level of vacant housing	Council funding and / or prudential borrowing needed	Feasibility work underway	Once feasibility is completed further reports to Cabinet will be made
	Consider purchase of vacant new private sector housing stock.	The Council has established links with developers and RSLs and a number of bids have been made to the HCA for funding. If successful it would result in more homes for rent. Bids target unsold new housing developments	It would involve considerable support from HCA with private funding from RSLs	Bids have been submitted (> 80 units)	Awareness of market currently good. Could produce properties over the next six months. Will report back on any funding announcements

Issue	Initiative	Outcome / Impact	Resources	Timescale	General Points
		and would reduce the number of empty homes			
	Homebuy Direct	Allocation of up to 80 units of shared ownership housing agreed by HCA for the borough. Purchasers would meet 70% of cost with HCA / developer meeting 30% of cost.	Funded from HCA	Ongoing / Proceeding	Scheme target properties on new development sites and thus would reduce the number of empty homes. It would help people access housing, but issues surrounding availability of mortgage finance and future direction of housing market may affect takeup.
<b>Reducing Empty Homes in the Private Sector</b>	Develop initiatives with Private Rented Sector to promote good practice.	Would link and complement work on leasing and greater enforcement.	Additional resources in Housing Strategy being deployed.	Ongoing	Agreed and being actioned.
	Consider expanding Housing Regeneration private sector enforcement action.	Would link and complement work on accreditation scheme and leasing. Would be targeted at empty homes in our most vulnerable private areas.	Resources for 2008/09 identified and temporary staff recruited.	New staff appointed to private sector enforcement team.	Good linkage with other measures designed to bring back into use vacants, encourage private landlords to properly manage properties and to concentrate in priority areas. Limited start agreed and will be actioned.
	Establish initiatives within the grant system to encourage works aimed at bringing empty homes back into use.	Key measure would be to offer interest free loans to owners of empty properties to bring back into use (secured on property).	Resources could be found from a redirection of grant policy.	Would require a change in the grant policy  Aiming for an April start	Proposals developed and being consulted on  Potential delay / threat in the delay in the announcement of housing resources from Government

<b>Issue</b>	<b>Initiative</b>	<b>Outcome / Impact</b>	<b>Resources</b>	<b>Timescale</b>	<b>General Points</b>
<b>Reducing Repossessions / Better Advice</b>	National Mortgage Rescue Scheme	Assist those with mortgage difficulties to remain in their homes.	Government resources of £200m over two years to assist up to 6000 households nationally. Local partnership between Wigan Council, WALH, CAB and Plumlife (RSL) established.	Commenced 16/1/09	Scheme will assist most vulnerable households- those on incomes less than £60k per year and would be eligible for assistance under homelessness legislation. Two options available – part ownership or full sale and rent back.
	Court referral scheme	Assist those with mortgage / rent / debt problems to access appropriate advice by providing referral mechanism in court to CAB	Nil cost	In operation	Court referral scheme will provide an easier way to access to CAB, rather than clients waiting until it is too late. Emphasis on client to make client.
	Housing debt advice	Additional housing related debt advice through the CAB for households to effectively tackle their debt problems to prevent homelessness	Resources from existing budgets	12 months	Scheme will assist households struggling with housing debt. Effectiveness will depend when intervention occurs.
	Homelessness / Housing Options Service	Additional resources to tackle the increased potential of homelessness due to the recession	Resources from existing budgets	Additional staff in post	In operation
<b>Fuel Poverty</b>	Multi Agency Project Fuel Poverty	Looking to reduce excess winter deaths and reduce fuel poverty levels. Would involve the funding of a co-ordinator training for front line health and care staff and participation in AWARM	Resources from PCT & Adult Services	Being implemented	Based on highly successful pilots elsewhere

