

Update on the Housing Response to the Economic Recession – June 2009

1.0 Background

- 1.1 A couple of reports have already been presented detailing the major effects the credit crunch and the economic slowdown was having on the housing situation in the borough. They 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 a further update of how the current economic climate is effecting the local housing situation and sets out progress against these priorities.

2.0 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 April was 5.1% of the working age population, compared to the North West at 4.6%. Significantly the rate of working age population claiming JSA was at just 2.3% in December 2007 and 3.8% in December 2008.
- The last quarterly update on possession activity in the local county court has showed significant falls in cases. (55% reduction Q1 compared with the previous year) This is largely due to increased local services and government protocols. However the underlying demand for advice remains very high.
- Latest Land Registry figures show a fall in house prices in Wigan by 16.3% between March 2007 and March 2008. This compares to a regional fall of 15.0% over the same period. The bulk of these falls have occurred over the winter. These figures have a timelag and the more recent trends show very mixed signals however there appears to be a slowing in the rate of fall.
- Property sales have fallen even more dramatically over the past couple of years with the last report showing September 2008 having 238 sales. Latest figures published by the land registry show activity in March reduced to just 120. To put this in context is is now approximately 20% of levels in 2006 and 2007. Caution is needed with Land Registry data, as often there can be delay between sales and registration on the system. Again recent trends seem to indicate a slightly healthier position with estate agents reporting a rise in interest and agreed sales, however the market remains extremely depressed..
- Most large development sites continue to be 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. There continues to be a significant number of recently built properties which remain vacant.
- 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.

- Homelessness presentations and acceptances continue to slowly fall. However the numbers approaching advice services continues to increase with severe pressure on services and in particular the bond scheme etc.

2.2 These trends show the continued and worsening 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 unprecedented 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 Previous reports 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

3. Key Issues / Action Update

3.1 In terms of progress on the priorities identified within the 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 successful WALH bid to the Homes and Communities Agency for the development of an additional 52 homes. Feasibility work is continuing on further developments and an additional early bid is likely. The Council in liaison with local developers and RSLs have developed further bids to the HCA for new speculatively build unsold properties to be converted to rent. It is likely that this programme will add a further 50 homes for rent including a number of larger properties. 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 the above actions 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. All these measures alongside further new procedures will be incorporated within the new empty homes strategy.

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. Additional housing debt advice and an expansion of WALH Housing Options Service has also been developed. The National Mortgage Rescue scheme has now commenced (launched 16th January) with Wigan as a fast track authority. This involves a partnership between the Council, WALH, CAB and Plumlife (RSL). Significant interest has been shown and whilst take up has been very low it has proved extremely useful in encouraging residents in mortgage difficulties to approach the Council and advice agencies and other ways of preventing repossession have resulted as a result of this local and national actively levels of cases looking to commence repossession proceedings for mortgage areas have declined. In overall terms the number of repossession claims granted in the Wigan and Leigh Courts have fallen by 55% (Q1 2008 compared with Q1 2009) as opposed to a fall of 28% in GM and a 36% fall in the NW.

The government's rent restructuring policy proposed above inflation rent rises in Council dwellings was raised with the Government by the Council, MPs and Wigan and Leigh Housing and their tenants. The Council has ensured that all savings arising from revised government guidance has been passed on to tenants.

4.0 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 have occurred that will result in further opportunities over the coming months. This includes encouraging Councils to build more new homes for rent and the development of a wider mortgage guarantee scheme, aimed at those who are facing income reductions. Further monies are being made available from the Homelessness Directorate aimed at further preventative initiatives eg small loans etc.
- Thirdly in liaison with colleagues across the Council a couple of meetings with key financial institutions and the MPs about the credit crunch / recession has taken place and a wider Council approach is being developed on this topic.
- 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.

5.0 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.

Appendix 1

A RESPONSE TO THE CURRENT HOUSING MARKET ISSUES – PROGRESS REPORT

Issue	Initiative	Outcome / Impact	Resources	Timescale	General Points
More Affordable Homes	Wigan's Housing Solutions (CAB) (setting up a social letting 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 Whilst it was originally anticipated to go live in April 2009, staff recruitment, training and legal issues have slightly delayed launch.	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 52 new homes	Bids to HCA for funding. Will require capital funding from the council and prudential borrowing	Report to Cabinet 5/2/09. Approved the bid submitted and accepted by HCA. Aim to start on site late Autumn.	Bid accepted by HCA. Will result in additional 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.	Council funding and / or prudential borrowing needed	Looking to submit an early bid to HCA followed by further larger bids.	Further reports to Cabinet will be made recommending action.
	Consider purchase of vacant new private sector housing stock.	The Council has established links with developers and RSLs and totalling well over 100 dwellings 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 and would reduce the	It would involve considerable support from HCA with private funding from RSLs	Bids have been submitted Out of bids in excess of 100 vacant units we have secured approvals for approximately 50 additional units for rent.	Awareness of market currently good. Produces properties over the short term and reduces the vacant housing problem.

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		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. Active marketing of nearly 50 properties now underway, but issues surrounding availability of mortgage finance and future direction of housing market may affect takeup.
Reducing Empty Homes in the Private Sector	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.	Developing new landlord accreditation scheme – launch May.	New accreditation scheme being action and new strategy to be operated by Summer.
	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 temporary staff appointed to private sector enforcement team. Part of the new empty homes strategy.	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. Recent increase in CPO action.
	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 Looking to be submitted to overview and scrutiny / cabinet for approval in the next cycle of meetings.	Arrangements / negotiations

Issue	Initiative	Outcome / Impact	Resources	Timescale	General Points
Reducing Repossessions / Better Advice	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	This scheme has attracted significant interest with 22 cases approaching the Council / advise agencies. Due to the stringent conditions only 1 case is likely to qualify. However seen as a success locally as individuals with arrears have approached again at a relatively early stage and in most cases other prevention measures have been successful.
	Court referral scheme	Assist those with mortgage / rent / debt problems to access appropriate advice by providing referral mechanism in court to CAB		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 redirected from existing budgets and additional funding from DCLG	In operation	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. Main aim is to increase preventative services. Creation of homelessness prevention fund	Resources from existing budgets /additional resources DCLG	Ongoing	Largely in operation and levels of homelessness have reduced More substantial prevention monies available June 2009

Issue	Initiative	Outcome / Impact	Resources	Timescale	General Points
Fuel Poverty	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

