



## This is an Open Report

**Report to:** Cabinet  
Community Protection Panel

**Date:** 27<sup>th</sup> November 2008  
19<sup>th</sup> January 2009

**Subject:** Housing Responses to the Economic Recession

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

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

---

**Purpose / summary:** To set out the effects that the credit crunch and economic slowdown are having on Wigan's housing situation and what measures are being implemented and developed to help relieve those worst affected.

**Alternative options considered and reason for selecting the one recommended:** The main alternative would be to continue with existing policies

**Recommendation / decision:** To accept the report and for a further report to be presented in January that will look to action a series of outlined options / proposals

**Key Decision:** This report does not involve a key decision. The decision made as a result of this report will be published within **48 hours** and cannot be actioned until **seven working days** have elapsed, i.e. before 9 December 2008

### Risks / Implications:

Financial:	None at this stage
Staffing:	None at this stage
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?**

Yes depending on the options pursued

**If yes, have the property implications been agreed with the Corporate Property Officer?**

yes

**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?**

Subsequent reports are likely to involve policy changes

Has the Service Director - Borough Solicitor confirmed that the recommendations within this report are lawful and comply with the Council's Constitution? **Yes**

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

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

\* delete which applicable

**For Cabinet reports only :**

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

	<b>X</b>
Discussion	<b>X</b>
Decision	
Information	

**Tracking/Process:**

	Consultation	Ward Members	Partners
Panel	Overview & Scrutiny	Cabinet	Council
19/12/09		27/11/08	

There are no Background Papers in accordance with Section 100D of the Local Government Act 1972:

Proper Officer \_\_\_\_\_

Date \_\_\_\_\_



## **1. Background**

- 1.1 The national economic slowdown /credit crunch is having a major effect on our local housing situation. This report seeks to quantify this and set out some local priorities for action. It then sets out a range of policies and actions that could make an appreciable difference over the next 12-18 months. It also recognises that many of our existing strategies such as developing new affordable housing and wider regeneration opportunities are aimed at delivering major benefits over the medium and long term. Effectively this is an attempt to build up our ability to make a real difference in the shorter term alongside our existing longer term strategy aimed at creating more sustainable communities.

## **2. Current Situation**

- 2.1 An economic slowdown generally has a downward effect on overall housing supply and demand (not necessarily for social housing). So far it has had the following effect on the local economy and housing market.
- Unemployment in the borough is still broadly in line with the regional average at 3.2%. However this masks significant recent increases and business confidence for future prospects is low.
  - Only modest increases in actual repossessions have so far occurred, but a steep increase in early possession action ( up 58% in the Wigan and Leigh Courts over the last quarter) is reported. Indeed national forecasts are predicting a doubling of the problem over the next 12 months. There has also been a local increase in homeless presentations due to repossessions, largely concentrated from less affluent areas
  - Whilst the official Land Registry measure of local house prices shows a relatively small annual fall (4% since early summer ), the Halifax and Nationwide measures based on partial but more recent data show a very sharp fall over the last few months (>10%). Certain sectors and less popular locations are suffering even greater falls. The market has reacted to this downward pressure by reductions in activity. (740 properties transactions in May 2007, 347 in May 2008).
  - Developers have suffered dramatic falls in sales (blamed so far on a lack of mortgage supply rather than lack of demand) and most have scaled back activity on sites. Few if any new sites are coming on stream and interest in future development has significantly reduced.
  - There is a continued shortage of affordable housing (stabilized at a high level of need). Homelessness trends are still slowly reducing, but this is largely due to increased preventative work rather than a falling trend.
  - However there has been a major increase in the number of vacant property (>20%over the last 12months). This is largely due to unsold new development (mainly apartments) with 460 having been empty for more than 6 months. It is also noticeable that more vulnerable areas are experiencing greater concentrations than more affluent districts.

## 2.2 Key effects on residents include

- The effect is greatest on newly forming households who have continued difficulties in obtaining housing be this social or market housing
- Increasingly difficult conditions for people who need / wish to move
- Many existing home owners are increasingly worried about mortgage payments as household costs increase and the prospect of unemployment / short time working grows.
- Communities increasingly affected by the problem of vacant housing which attracts vandalism /ASB etc
- Major concerns about keeping warm this winter given recent utility price increases.

2.3 It is clear that the full effects of the economic slowdown have yet to be felt and in housing terms it is expected that house prices will continue to fall, that repossessions and homelessness will increase and new development will remain flat. Given the state of the financial markets how long this instability will continue is impossible to say, but it will affect our ability to deliver some of our housing LAA targets. Whilst these trends are likely to make property more affordable, because of the difficulty obtaining mortgages and fears about employment, this will only be of benefit in the longer run.

2.4 A danger not faced before and critical to the future market will be how the small buy to let landlords (concentrated in some of our vulnerable neighbourhoods) react to these difficulties. Evidence on this point is contradictory with many landlords facing rising costs, falling asset values and reducing rent levels, yet others seem to be taking advantage of lower prices and are continuing to buy property. A further issue is that the slowdown itself reduces the governments and our ability to provide new affordable homes as anticipated outputs from affordable housing planning policies diminish, land values fall, it becomes difficult to cross subsidize social housing from building for sale and RSLs find it difficult to raise private borrowings

## 3. Key Issues / Actions

3.1 From this background the following key issues emerge

- Need for more affordable housing
- Tackling private sector empty homes (especially within our more vulnerable communities)
- Trying to minimise repossessions / provide better advice to householders
- Fuel poverty issues.

3.2 In looking to develop initiatives to tackle these challenges against these heading officers have been guided by the following principles

- Firstly given the size and value of the boroughs private sector housing market (£14 Billion) and our limited resources, it is appropriate that our actions should be principally aimed at helping residents with housing difficulties and not in trying to prop up the market.
- Secondly we should look to “bend” our deployment of existing housing resources to better meet immediate needs but we shouldn’t abandon mainstream programmes
- Thirdly a considerable amount of effort has already taken place in reacting to the changed market and generally we are seeking to extend and enhance these ideas.
- Finally the options are wide-ranging, with a number of low cost proposals which could be delivered from existing budgets. However where the purchase of housing assets is considered these are expensive programmes and require major investment to create an impact.

3.3 Against these priorities a considerable number of initiatives / activity have been implemented ranging from successful bids to the Housing Corporation, CPO enforcement action, the Bond Scheme, WALH Housing Options Service / Road shows and dialogue with Housing Associations etc. However a further range of initiatives have been considered and these are set out in Appendix 1 to this report.

3.4 Of these initiatives there are a considerable number which can be progressed and are being implemented. These include

- The creation of Wigan Housing Solutions which involves the setting up of a management / private sector leasing agency aimed eventually at managing or leasing up to 150 private rented properties and making them available to people in housing need. This would build on the current and successful bond scheme. It would also potentially help enforcement activity against private landlords since it would provide a solution to situations where landlords are not managing properly. It is hoped that a start on this scheme will be made in January / February 2009
- The Housing Strategy team in conjunction with RSLs and indeed developers are supporting bids for vacant empty homes to the Housing Corporation (soon to be Homes and Communities Agency). This being supported where bids meet needs. One scheme has been successful creating seven affordable homes
- In liaison with advice partners and the local County Court, agreed notification and advice services are now in place to cover potential repossession cases. The notification system allows people subject to repossession action to be made aware of CAB / advice services before reaching Court which is especially valuable. This builds on the recent government direction to courts to compel lenders to look at all reasonable alternatives before granting a repossession.
- The Council along with the PCT have agreed to implement the AWARD initiative. This is a best practice Fuel Poverty initiative aimed at better identifying vulnerable households and targeting income and energy

efficiency advice. In pilot areas this has proved extremely successful in maximising help to in particular those in private housing

- An initiative to try to reinforce our capacity to work with empty homes and private landlords is being undertaken. This involves the redeployment of existing resources and will link with the private sector leasing initiative. Action will be focused on vulnerable private sector areas. There will be an issue here on staffing resources-certainly in the short term.

3.5 Besides these initiatives there are a further number which would have a positive effect on our ability to react to difficulties residents face but would also have a significant budgetary effect. More evaluation of the cost /benefit of such schemes is needed. Measures within this category are

- The reinforcement of our homelessness advice staffing to cope with the expected increase in the number / complexity of cases in the future
- Establishing better Housing Benefit liaison arrangements with Private Landlords which would encourage landlords to let property to people in housing needs
- Reinforcing further the housing enforcement team to tackle empty homes and private landlord issues.

3.6 Additionally there are a further range of important initiatives that are ongoing or still being developed. These include

- Attempting to reinforce capacity in core general advice services. Currently advice agencies in the borough are working at full stretch and there is a concern that they could be overwhelmed by the recession. Discussions have taken place at a corporate level with all partners to ensure that there is no duplication and to try to develop strategies to maximise our response.
- The details of the Governments Mortgage Rescue Scheme are now emerging. This is likely to become available from January and February and is designed to help prevent approximately 6000 re possessions over the next two years. It will work by Councils referring cases to money advisers and then if suitable these will be then submitted to selected RSLs for help. The help will be in the form of the RSL buying a share in the property. It will be aimed at those with single mortgage debts and which don't exceed the value of the property. Thus it will not help the most severe cases. Discussions are ongoing on this topic and whilst it will be a limited scheme it is important that referral mechanisms are established to maximise local help.
- Consideration is also being given to changing our framework for Private Sector Housing Assistance / Grants. A number of empty homes are being held back from being reoccupied due to the cost of reinstating them to a reasonable standard. Discussion is taking place on the potential benefits of offering interest free loans secured on the property in return for bringing the property into use. Such a move would become the subject of a future Cabinet report.

- Finally discussions have occurred with a range of partners and stakeholders about the acquisition of empty properties around the borough for affordable housing. There are some key advantages to this, such as the ability to increase the supply of affordable housing quickly and acquiring older housing in vulnerable areas would reduce community concerns. There are a host of alternative ways of approaching this issue and costs do vary considerably ranging from being able to purchase ten properties per £m invested to twenty properties. However all are more expensive in terms of capital contribution than directing support via WALH new build schemes. As a result officers are investigating other alternatives such as links with the proposed leasing scheme. Despite this it is considered worthwhile that further work is carried out which will look to developing a limited programme of acquisitions which would be directed at relieving problems in more vulnerable areas with the added benefit of creating more affordable housing. A report in January would be able to fully evaluate this along with the inevitable consequences on mainstream programmes. At this stage a review of the Corporate Capital Programme along with information about next years housing allocations and the Ince remediation position re DEFRA funding in the final phases would be available

#### **4. Conclusions**

- 4.1 This report demonstrates the extent of work being undertaken to try to react to the housing difficulties created by the recession. A number of initiatives are in the process of being implemented and additional ideas are being evaluated on an urgent basis. So far the main emphasis of the work has been in trying to alleviate the effects on the most vulnerable rather than trying to support the market.

#### **5. Recommendations**

- 5.1 To accept the report and for a further report to be presented in January 2009 that will look to action a series of outlined options / proposals

## A RESPONSE TO THE CURRENT HOUSING MARKET ISSUES – OPTION APPRAISAL

Issue	Initiative	Outcome / Impact	Resources	Timescale	Rating
<p><b>More Affordable Homes</b></p>	<p>Wigan's Housing Solution (CAB) (setting up a managing / private sector leasing agency).</p>	<p>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.</p>	<p>Start up costs of approx £80k plus ongoing Supporting People contribution all spread over a couple of years. Costs are likely to be covered from funding expected from the Homelessness Directorate.</p>	<p>Planned commencement in April 2009. Currently negotiating to speed this up to January/February. Would need Housing Strategy and support from Legal to achieve this.</p>	<p>High impact / low cost. Need to proceed as market conditions are currently favourable.</p>
	<p>HB liaison arrangements with Private Rented Sector (similar to the WALH situation).</p>	<p>Increase the confidence of private landlords to rehouse families on benefit.</p>	<p>Such an approach would require an additional post in Housing Benefits (cost £28k).</p>	<p>Not yet agreed</p>	<p>Best linked to other private landlord initiatives and would increase landlord confidence. Would require additional revenue funding.</p>
	<p>Consider bulk purchase of new private sector housing stock.</p>	<p>Impact would depend on the scale of the intervention. Would need to concentrate on acquiring properties which would contribute to meeting the most pressing needs.</p> <p>Purchase could be permanent or with the intention of eventually selling on.</p> <p>Considerable work ongoing in this area with discussions having occurred with Finance, WALH and will shortly occur with HCA.</p> <p>Picture emerging so far that this is a real possibility but one which would be more expensive than new build but</p>	<p>Costs would be substantial as the asset would be acquired. However potential "discounts" of around 30% on former values potentially available. Could be undertaken with Housing Corporation or by the Council alone. Costs are dependent on how properties are acquired with purchase at auctions, direct from developers or repossessions from banks reducing costs. Different options range from 10 properties per £m invested to in excess of 20.</p> <p>A programme could be contemplated over the next 12 months, depending on thoughts of what to slow</p>	<p>Awareness of market currently good as already supporting RSL bidding. Could produce properties over the next six months.</p> <p>Separate discussions ongoing with Adactus Housing who are looking at investment models of acquiring property.</p>	<p>Needs more work on the model. Recommendations will be a trade off between existing programmes and the need for housing. Will be in a position to finalise options by Christmas.</p>

Issue	Initiative	Outcome / Impact	Resources	Timescale	Rating
		would be more immediate.	down within housing regeneration, issues around the DEFRA funding at Ince and the needs of the WALH new build proposals		
	Consider buying ex RTB vacant properties.	As above	As above	As above	As above
	Awaiting Government announcements re a new shared equity scheme / Housing Corporation initiatives			Information expected in November	
<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 grater enforcement.	Additional resources in Housing Strategy being deployed.	January	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.	Some resources for 200/09 identified. Resources may be available via redirecting some current staff but this would reduce renewal activity and would need additional staffing resources	Additional staffing resources could be in place in a matter of months.	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.
	Re establish initiatives within the grant system to encourage works aimed at bringing.	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 Regime (January)	This would be worth considering in the forthcoming review of policy.
<b>Reducing Repossessions / Better Advice</b>	Consider details of the proposed National Mortgage Rescue Scheme and look at local options to add to this if appropriate.	National scheme details now emerging and will be led by selected RSLs. It will only be available to 6000 cases over two years and only for those with moderate mortgage	Government resources of £200m over two years	Likely implementation in February?	Await details of scheme, but key issue likely to be in the setting up of robust referral mechanisms with money advisers / RSLs.

Issue	Initiative	Outcome / Impact	Resources	Timescale	Rating
		difficulties. (multi loan, negative equity cases to be excluded). Repossessions expected to rise to 40,000+ per year shortly, thus of limited value.			
	Consider strengthening core advice services.	Core advice services are currently working to capacity. Thus any increase in demand will bring difficulties. Particular difficulties are faces within homelessness and in general income and benefit advice.	Wider discussions occurring on the co-ordination of advice services. In terms of housing / homelessness discussions with WALH have resulted in a need for 2 new post for a period of two years which would increase service capacity		Discussions aimed at ensuring that existing services are used to maximum effect however opportunities identified which require additional funding.
<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 Adult Services £10k  PCT bidding for £120k.	Currently being implemented.	High impact / Lower cost based on best practice elsewhere.
	Possible grant changes to encourage energy efficiency.	Relatively minor effect as standards in grant work currently high.	Resources could be found from a redirection of grant policy.	Would require a change in the Grant Regime.	This would be worth considering in the forthcoming review of policy.

