

## **Agenda – Local Government and Housing Committee**

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Meeting Venue:

**Committee Room 5**

Meeting date: 5 June 2024

Meeting time: 09.15

For further information contact:

**Catherine Hunt**

Committee Clerk

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**(Pre-meeting 09.00 – 09.15)**

**1 Introductions, apologies, substitutions and declarations of interest**

(09.15)

**2 Social housing supply – Evidence session 3**

(09.15–10.05)

(Pages 1 – 53)

Clarissa Corbisiero, Director of Policy & External Affairs, Community Housing Cymru

Matthew Dicks, National Director, Chartered Institute of Housing Cymru

**(Break 10.05 – 10.10)**

**3 Social housing supply – Evidence session 4**

(10.10–11.00)

(Pages 54 – 69)

Jim McKirdle, Housing Policy Officer, Welsh Local Government Association

Rosie Jackson, Interim Housing Strategy and Development Manager, Swansea Council

David Rees, Principal Officer, Strategic Planning, Swansea Council

Katie Clubb, Head of Service, Strategic Housing Service, Conwy County Borough Council

Emily Owen, Conwy County Borough Council



**(11.00 – 11.10)**

**4 Social housing supply – Evidence session 5**

(11.10 – 12.10)

(Pages 70 – 90)

David Ward, Chief Executive, Tirion

Dorian Payne, Managing Director, Castell Group

Mark Hand, Director of Wales, Northern Ireland and Planning Aid England,  
Royal Town Planning Institute

Mark Harris, Planning & Policy Advisor Wales, Home Builders Federation

**5 Papers to note**

(Page 91)

**5.1 Letter from the National Residential Landlords Association – Private rented sector**

(Pages 92 – 95)

**6 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting**

(12.10)

**(Private)**

**7 Social housing supply – Consideration of evidence**

(12.10 – 12.30)

Document is Restricted

# **Response to the Local Government & Housing Committee's inquiry into social housing supply**

**April 2024**

## **About us**

Community Housing Cymru (CHC) is the voice of Welsh housing associations, advocating for a country where good housing is a basic right for all. Our members provide affordable homes in communities across the country. Housing associations in Wales:

- are not for profit organisations with social good as their core purpose.
- provide over 173,000 homes to over 300,000 people, housing one in 10 people in every region of Wales;
- build 70-80% of new social homes in Wales; 4,496<sup>1</sup> were built by registered social landlords in the first two years of this Senedd term.

## **Key messages and recommendations**

There continues to be large-scale support both publicly and politically that more social housing is one of the main routes out of the housing crisis. The Welsh Government's 20,000 social homes target provides an accountability mechanism for its work with the social housing sector. The current record-breaking multi-year funding settlement for new social housing is a demonstration of Welsh Government's confidence in the sector to invest in partnership with it.

There has also been a pragmatic approach to grants to address the exceptional and increasing risks in the development sector driven by the cost of living crisis.

However, we know that the current operating environment is flawed, with deep rooted inconsistencies that lack the joined up approach that is needed. Housing association's stand ready

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<sup>1</sup>[Affordable housing provision April 2022 - March 2023, Welsh Government](#) and [Affordable housing provision April 2021 - March 2022, Welsh Government](#)



to play their part and work with key partners to advance progress. Here, we outline the ongoing barriers to development, accompanied by a series of short and longer-term recommendations that we believe are fundamental to building low carbon, social housing at pace and scale.

### **1. A long-term, joined-up strategy is vital to address the current housing crisis**

**Recommendation:** The Welsh Government should develop a strategy for housing in Wales.

### **2. The overall funding environment must reflect strategic priorities**

**Recommendation:** The Welsh Government should work with social landlords, tenants and key partners to develop a long-term rent policy that ensures affordability for tenants and that offers long-term certainty for landlords, with the ability to flex to local circumstances and communities.

**Recommendation:** The Welsh Government must urgently set out the costs associated with meeting all elements of the WHQS2023 and work with the sector to identify routes to finance this over the longer-term

**Recommendation:** The Welsh Government extends the approach taken to Social Housing Grant in the first half of the Senedd period by providing indicative multi year settlements. The current settlement should be viewed as a floor for future investment levels.

### **3. Systemic barriers to development need to be tackled**

**Recommendation:** The Welsh Government should work with partners to assess the scale of the planning capacity challenge and to develop a long-term plan to make the planning system sustainable, including investment in the recruitment and upskilling of staff within the planning and development system and creating a dedicated improvement/advice service for local planning authorities.

**Recommendation:** Building on existing work, the social housing sector should consider how MMC can best be supported to flourish, including working with Welsh Government to identify where they can support, such as higher grant rates being made available for schemes using MMC.

**Recommendation:** Welsh Government should undertake a light touch review of their strategic approach to land as part of a wider housing strategy, with reference to the recommendations made in the 2019 Independent Review of Affordable Housing supply, and identify key next steps. This should include reviewing the accessibility and availability of data of surplus public sector land available for housing on ePIMS and other systems and creating a central and well resourced central team to support land disposal across the public sector.



**Recommendation:** The Welsh Government should continue to build on its data collection to aid in understanding progress to tackling systemic barriers, including through the work to review the current process for Local Housing Market Assessments.

**Housing associations will** continue to build on their understanding and act upon the views of tenants to ensure the right homes are being developed for specific individuals and communities.

**4. Urgent action is needed to address process issues preventing new homes being built in the short-term:**

**Recommendation:** The Welsh Government should take short term action to tackle planning backlogs by delivering on the First Minister's commitment to an Affordable Homes Taskforce. This could include targeting resources into planning teams or providing support to applicants to ensure high quality applications.

**Recommendation:** The Welsh Government should continue funding for the Transitional Accommodation Capital Programme (TACP) in 2024/25 and 2025/26 and consider how underspends or constraints on the Social Housing Grant (SHG) can be best utilised to support this. A similar approach to SHG should be taken to support provisional multi year settlements which would provide certainty and confidence to build a strategic acquisitions and redevelopment pipeline.



## Our response

### 1. A long-term, joined-up strategy is vital to address the current housing crisis

Building new social homes is a core purpose for most housing associations in Wales and a critical response to the housing crisis.

However, development does not exist in a vacuum. It must be balanced with crucial maintenance of and investment in existing homes and services for tenants, including support and care services, tenancy sustainment, budget advice, support to access welfare, and to help tenants access the labour market.

Recent years have seen mounting pressure on social landlords in Wales across a number of fronts. The economic environment continues to be turbulent, with inflation impacting both new build and existing services, as well as pushing many more tenants into financial hardship; the funding environment for support and care services has been increasingly challenging; the legislative landscape has undergone a once in a generation reform following the Renting Homes (Wales) Act; and policy ambitions across decarbonisation, standards, building safety and homelessness are understandably high. We support the ambition of the Welsh Government in all of these areas, but a more joined-up, strategic approach is urgently needed to ensure that the sector can continue to deliver effectively and ensure we are not setting ourselves up to fail. This in turn will allow housing associations to plan more effectively for the new homes that are needed. A joined up approach must also be considered as part of the First Minister's commitment for an Affordable Homes Task Force (mentioned further below).

A national strategy would also set the tone for local areas, supporting local housing strategies to be better shared by homelessness prevention teams and planning departments in order to work towards the same end goal. This could be tied into Local Housing Market Assessments (LHMAs) and local needs assessments. A sufficient affordable housing supply is a vital prerequisite of homelessness prevention and alleviation. In order to end homelessness and address the current level of housing need, we will need a holistic, joined up approach across all tenures and all partners.

Housing associations are well positioned to play a vital role as part of a housing strategy for Wales. Their focus on social value means looking beyond simply bricks and mortar, to how good homes can create thriving communities which enhance people's lives, improve their wellbeing and health, and encourage local people to find greater satisfaction in the area.

This is demonstrated in the homes that housing associations deliver and provide already in Wales. They have [built and renovated](#) homes that support individuals and communities, and are more in tune with the environment than ever before. This includes delivering accessible homes for people who need them, better integrated communities through mixed tenure schemes, as well as using innovative design to promote wellbeing and overcome problems such as food poverty.



If we want this innovative work to continue at the pace required to create the level and type of social housing stock needed in Wales, we must look at changing the way we do things. Particularly where some barriers are being baked into the system, we need to look at the housing crisis in a holistic way.

## **2. The overall funding environment must reflect strategic priorities**

To deliver on a long-term strategy, the right kind of funding must be in place at the right time to enable investment in new and existing homes. Housing associations are uniquely positioned to access and leverage private finance to stretch the impact of public investment, with access to £3.5bn in private finance currently, rising to £4.5bn by 2027. This is a vital element of the housing association model, but relies on wider funding stability to enable it to flourish. The two other key elements making up the funding of social housing are government grant funding and income from rents.

Any calls on housing associations therefore must carefully consider the mix of funding between these three elements to ensure that it is deliverable, sustainable and moreover desirable in its eventual outcome. However, we are concerned that this is not always happening.

### *Rent policy*

There is an unbreakable link between rent policy and the wider funding landscape. Rent policy is one of the most important parts of the equation on how housing associations build affordable homes. The rent charged on a property is a fundamental part of the relationship between landlord and tenant, and access to a good quality, affordable home can increase disposable incomes, prevent material deprivation for those who live in the home, and improve work incentives. Housing Associations endeavour to keep their rents as low as possible, while balancing affordability for tenants and the viability of their business.

Having reached the end of the [current social rent and service charge standard](#), we are currently waiting for an approach to be developed on how rents in the social sector are to be set in future. This clearly needs to balance affordability for tenants with adequate income for landlords to invest in homes to the quality and standard expected. Lack of certainty and confidence in future rental income severely limits effective, value for money investment into existing and new homes and services for tenants by preventing long-term business planning. It also risks adversely affecting the confidence of lenders, effectively making the cost of borrowing higher.

### *Decarbonisation and standards*

Decarbonising the social housing stock is the single biggest issue that all landlords in Wales will face in the coming years. There is a clear and urgent case for action to mitigate and prevent the effects of climate change. This is undisputed.





At the start of this month an ambitious standard for social homes in Wales was launched without an indication from the Welsh Government of the costs and impacts of meeting the requirements or how it would be funded. We absolutely support the aims of the Welsh Housing Quality Standard (WHQS) 2023, and landlords stand ready to play their part and invest, but the gap between ambition and a clear path for implementation puts social landlords in an increasingly difficult position.

The sector needs support from the Welsh Government to enable them to achieve the ambitions set out in the WHQS2023. This must be underpinned by a clear, joined up strategy that recognises the impact that significant investment in retrofit will have on business plans, especially investment in new homes. As a minimum, the Welsh Government needs urgently to establish a baseline for the costs of all the requirements in the final WHQS, including wider requirements beyond decarbonisation that have the potential to draw significantly on maintenance budgets (e.g. external storage, fencing, flooring, water butts). This should include a comprehensive understanding of what is affordable within existing business plans and leveraging borrowing, and what the gap is that needs to be addressed either through grant or innovative finance models. This is vital, as members continue to be clear that any potential on balance sheet solutions to decarbonisation could subsume available investment and destroy development programmes.

### *Grant funding*

An investment in grant funding for affordable housing is an investment in the Welsh economy. For every £1 spent by housing associations, 85p of it is retained in Wales.

During 2022-23, 79% of all RSL affordable housing provision in Wales were delivered with some form of capital grant funding, up from 67% during the previous year.<sup>2</sup> However, the past few years has brought about material cost inflation and high interest rates which has limited procurement opportunities and ultimately, reduced what government grants can buy. This is a particular challenge for rural communities where scale (for viability) looks different to other areas in Wales. In 2021/22 and 2022/23, the Welsh government provided additional Material Cost Increases funding to help to address cost rises within the life of a home building project. Whilst interventions like this have provided welcome support to the sector, it is clear that additional grant funding will be required to deliver on the joint ambition of 20,000 affordable homes.

A substantial multi-year investment in the Social Housing Grant has been in place since 2022, which has played a vital role in the delivery of new social homes. With the 20,000 target as one of the 6 Key Programme for Government commitment, it will be important to secure a continued provisional multi-year budget in 2025-26, with the current settlement as a minimum, and to consider options for pivoting spend to catalyse acquisitions and modular homes, which may be able to be brought online more quickly.

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<sup>2</sup> [Affordable housing provision April 2022 - March 2023, Welsh Government](#)



### 3. Systemic barriers to development need to be tackled

A range of systemic barriers impact on the ability of housing associations to build new homes at the pace and scale needed. Exceptional cost increases and inflation mean we simply get fewer homes for our collective investment, and overwhelmed planning departments and complex processes make building swiftly extremely challenging. We have also seen contractors leave the market and complicated contracting arrangements can deter others from entering. The Welsh Government has recently commissioned Construction Excellence Wales to undertake a piece of work on this specifically, which we are very supportive of.

This all impacts on the certainty that associations, contractors and subcontractors can have in the pipeline of new homes. This in turn reduces the ability to confidently invest in and scale up Modern Methods of Construction (MMC) and other innovative approaches, which could play a vital role in unlocking new homes.

#### *MMC and capacity to build new homes*

We have seen the costs of construction increase by 36% between 2015-2022.<sup>3</sup> This reflects the impacts of inflation on materials and supply chains; an ageing and dwindling construction workforce leading to shortage of skilled workers; all of which contributing to a declining contractor market. These issues are often acutely seen in rural areas, where anecdotally we hear that contractors/subcontractors refuse to work or add a large premium in order to accept work.

In our response to the Affordable Housing Review in 2018, we stated that to achieve the sufficient scale to drive down the cost of production, it is clear that housing associations and local authorities will need to collaborate. We suggested a clear role for the Welsh Government in facilitating discussions around the standardisation of the homes we build via MMC at a national level to achieve scale and collaboration, and make the achievement of building to zero carbon more realistic.

Since then, we are pleased that the Delivering Net Zero project has begun to take this forward through the development of a pattern book for the next generation of high performing, timber based off-site manufactured homes. Made up of 9 housing associations and 11 councils, and supported by the Welsh Government, we are keen to see how the project progresses in delivering an aggregated pipeline demand for new homes to unlock a strong, sustainable and short local supply chain.

#### *Planning*

Delays in planning and consenting, such as for SuDS, highways and phosphates are impacting the speed at which new homes can be delivered whilst lack of join up between different functions is exacerbating the problem. The Competition and Markets Authority (CMA) has recently concluded

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<sup>3</sup>[Output prices index for new UK constructions 2014-22, Statista](#)



that the nature and operation of the planning system in Wales is a key driver of the under-delivery of new housing.<sup>4</sup>

Some local development plans are either not in place - making development harder overall, or are generally not up to date, meaning that land cannot be brought forwards. In addition to this, the ongoing review of Local Housing Market Assessments should seek to create an accurate representation for the diverse needs of different people and communities, particularly for rural and less densely populated areas.

These issues can be attributed to overall budgetary pressures on local authorities, along with a number of specialist planners and developers having retired or left the profession, which has resulted in a shortage across Wales. For example, many of our members report waiting for over a year for SAB approval, even once planning consent has been received. This is also impacting on the ability to access Welsh Government grants at the right time. Taken together, this can have a significant impact on the financial performance of schemes and in turn business operations of RSLs, with knock-on implications for contractors. Uncertainty of pipeline is one of the key reasons for financial difficulty and even insolvency within the contractor market, leading to a vicious circle that is reducing the development potential in Wales.

A pipeline of experienced and skilled officers to deliver the 20,000 homes target is critical. Housing associations have undertaken a number of initiatives to encourage new staff into the sector, equip them with vital construction, planning and development skills, and highlight career opportunities to help kickstart house building.

While our members seek to improve things locally, partnership working is key. CHC has been supporting the work of CIH Cymru in scoping the role and viability of a social housing development academy in Wales.

As this proposal develops further, the Welsh Government has an important role to play to direct policy and investment to reverse current trends. They can act in an important convening capacity as part of a coordinated and national promotion programme to upskill new and existing staff in line with changing requirements; and to ensure improvement/advice services are in place for local authorities. A key challenge is siloed working within local authorities, which can be particularly challenging when it comes to more complex schemes and is often a symptom of resourcing pressures. More support for local authorities can aid with this by ensuring that they have clear coordination, vision and the ability to deliver a flexible approach within the parameters of planning policy.

In addition to the above, consideration should be given to the recommendations made by the CMA to improve and support reforms to the planning process. In particular:

- Clearly defining and rationalising statutory consultees to reduce the delay caused by the statutory consultation process.

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<sup>4</sup> [Summary of CMA market study final report into house building Wales summary, 2024.](#)



- Effective monitoring and enforcement of deadlines for statutory consultees so as not to unnecessarily delay the planning process.
- Improving capacity and resources by raising planning fees to a cost reflective level and ring fencing those fees.

### *Land*

Underpinning these systemic issues is the fundamental fact that land, a key ingredient in building new homes, is finite and subject to increasing competition. Land is also the biggest variable cost in development, dictating the viability of many schemes. Given the level of land held by the public sector, it is essential that we consider how the public sector can bring forward more of its own land for affordable housing.

Public land infrequently comes to market with limited preferential treatment for affordable homes when buying from local authorities or the Welsh Government. Ensuring that public bodies are able to release land for housing even when this doesn't represent 'best value' is also important, as well as options for affordable housing providers to have a right of first refusal for suitable land within their areas.

We welcome the Welsh Government's recent work around land and investment in exemplar sites. They can now build on this work to facilitate a strategic approach to this precious resource and explore different routes to releasing public sector land for affordable housing. This should include reviewing the accessibility and availability of data of surplus public sector land available for housing on ePIMS and other systems and creating a central and well resourced central team to support land disposal across the public sector. There is an opportunity for the Welsh Government to utilise the ongoing work of Unnos as an enabler and facilitator for this.

As outlined in the 2019 Independent review of Affordable Housing Supply, an arms length body could be instrumental in this by combining resources and expertise, including the use of Compulsory Purchase Orders. This could involve the Welsh Government/an arms length body taking a greater role in land assembly; master planning; releasing public sector land; and facilitating join up for mutual benefit, such as homes for health staff on under utilised NHS sites.

### *Data*

In order to support delivery, the Welsh Government has recently taken a range of valuable steps to build a much stronger evidence base on the programme to understand barriers and delays, such as on planning and fluctuating costs. The investment that has been made so far to the homes and places portal has been a helpful intervention and one that we would like to see continue. We would like to see the Welsh Government continue to build on this to ensure that relevant data is available to support policy and strategies. The work taking place to update LHMA's is a key part of completing this data picture and ensuring that local prospectuses reflect changing needs in all its forms.

### *Tenant engagement*



The social housing sector recognises the importance of listening to, understanding and acting upon the views of tenants, and housing associations have tenant participation strategies in place to improve service delivery and business efficiency.

Housing associations use a multitude of approaches that work well in regard to tenant participation. For example, making available a wide range of engagement methods, inspiring a culture change throughout the whole organisation and making every contact count, building a rapport with tenants, seeking out the tenant by conducting estate walkabouts, encouraging discussion rather than just asking questions and re-engaging with tenants by telling them what the housing association delivered based on their feedback.

TPAS Cymru's 2023 tenant survey<sup>5</sup> is testament to this, highlighting a strong level of security in a social housing tenure, as well as feelings of pride and wanting to stay in social housing. However, we know there are still improvements to be made, particularly where tenants of older housing stock feel neglected where newer stock is being developed nearby. The sector is committed to ensuring that no one gets left behind through rebalancing programmes by buying Right to Buy's back, as well as targeted home upgrades where new housing developments are taking place, making use of funding from the Optimised Retrofit Programme. Housing associations will continue to advance their communication with tenants through tenant participation groups, as well as working with partners such as TPAS Cymru and Tai Pawb to ensure that everyone has an equitable opportunity for engagement on the things that matter to them.

#### **4. Urgent action is needed to address process issues preventing new homes being built in the short-term**

Building new social homes is a necessarily long-term ambition, and many of the barriers require strategic action that will not bear fruit in the short-term. However, this should not stop pragmatic action being taken now to go further, faster.

##### *Addressing planning backlogs*

As part of the new First Minister's manifesto, we know that one of his key commitments is to tackle the housing crisis by slashing planning backlogs through an Affordable Homes Taskforce. In the short-term, this could super charge affordable house building by focussing planning capacity to unblock the backlog. This could include pooling resources and expertise at a regional or national level to fast track and unlock vital developments, or providing national consultative support on specific areas. This could quickly address serious delays and capacity issues within planning and consenting systems with a limited investment. We stand ready to support the Welsh Government with this and are eager to understand the next steps in due course.

##### *Acquisitions*

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<sup>5</sup> [All Wales annual tenant survey, TPAS Cymru, 2023](#)



Whilst building new homes is crucial, Wales has also recognised the need to maximise all homes available to ensure they continue to fulfil their core purpose of providing affordable homes to the people that need them. This has seen the sector finding increasingly [creative ways](#) to redevelop existing buildings into high quality, safe and affordable housing.

The Transitional Accommodation Capital Programme (TACP) aims to do this by working with social landlords to create additional accommodation capacity through remodelling, conversion and using modular accommodation. This scheme has already allowed housing associations to access over £80 million of funding to create housing capacity and maximise the use of existing homes, whilst work can continue in the meantime to address systemic barriers around house building set out above

Many housing associations have relayed the positive impact that the TACP has made to increasing the supply of affordable housing stock. Comments included:

- Good flexibility of the programme that provides a solution for all types of buildings.
- It is helpful in getting things moving, allowing quick access to funds.
- The TACP has helped to reconsider disposal strategies for some strategic voids where large investment is needed to improve energy efficiency standards.

The ongoing success of the TACP demonstrates the positive outcomes that can be achieved when Welsh Government and housing associations work in partnership. We are aware that the Welsh Government is currently working to secure the budget for the next round of the TACP. As part of this, we would like to see this scaled up and retaining a broad scope of property types for acquisition. Our members have also relayed that they would like to see the application process brought forward earlier in the year in line with their own business planning.



## Terms of reference for inquiry into social housing supply.

### CIH Cymru inquiry response

This is a response to the terms of reference for the local government and housing committee's inquiry into social housing supply.

### Introduction

Wales is in the midst of a housing crisis. In December 2023 there were 11,200 individuals in temporary accommodation including 3,077 children. There were 136 individuals sleeping rough<sup>1</sup>. In 2022/23, there were 12,537 households assessed as homeless and owed the relief duty to help secure accommodation, an increase of 7 per cent on 2021-22. Homeless households were successfully helped to secure accommodation in 30 per cent of cases<sup>2</sup>. Yet this means that 70 per cent of these households were not able to be helped to secure accommodation some of whom will now be experiencing a prolonged stay in temporary accommodation. These prolonged stays in temporary accommodation are having an impact on the amount of money that is being spent on temporary accommodation in Wales this has risen from £5.6m in 2018, to £42.9m in 2022 - a seven-fold increase. There are also 139,000 people waiting for a social home in October 2023.

Research has shown that there is a significant rise in the number of households receiving a no-fault notice in Wales<sup>3</sup>. A considerable proportion of these households would have sought and secured their own new private rented tenancy in the past. However, there is a significant lack of affordability in the private rented sector. Private rents are on average 29 per cent higher in 2024 than they were

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<sup>1</sup> Homelessness accommodation provision and rough sleeping: December 2023. <https://www.gov.wales/homelessness-accommodation-provision-and-rough-sleeping-december-2023>

<sup>2</sup> Homelessness in Wales, 2022-23. <https://www.gov.wales/sites/default/files/statistics-and-research/2023-08/homelessness-april-2022-march-2023-603.pdf>

<sup>3</sup> Homeless boy fears Santa will not find him at Christmas. <https://www.bbc.co.uk/news/uk-wales-67637352>



before the pandemic with predications showing that rents are to remain unaffordable throughout 2024. This increase has been caused by an increase in demand and a lack of supply in the private sector<sup>4</sup>. These increased rental prices have resulted in these households no longer being able to find a home on the open market they can afford and are facing homelessness as a result and increasing demand for social housing which in some areas is the only affordable housing option available. There are now huge pressures on the housing system in Wales and on local authorities and registered social landlords seeking to remedy rising homelessness and meet the increasing demand for a social home.

Recent research by the policy exchange outlined some of the economic impacts housing supply and unaffordable prices are having on the economy:

- Constrained labour mobility as house prices in productive areas have grown faster than wages making housing unaffordable.
- Housing undersupply is having a negative effect on household formation and decreasing home ownership between the ages of 25 and 34.
- Housing undersupply in increasing homelessness, its preventing young people leaving their parents' home and makes it harder for families to save reducing resilience to financial shocks<sup>5</sup>. These indirect benefits come from increased employment and social investment<sup>6</sup>.

CIH Cymru believes that by making housing a foundational mission of government we can improve supply of affordable homes, end homelessness and stimulate economic growth. We are in the midst of a housing crisis yet our analysis of the 2023/24, budget expenditure lines shows that around 4.6 per cent of the total budget is being spent on housing which CIH Cymru does not believe reflects the seriousness of the housing crisis that we are currently navigating as a nation.

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<sup>4</sup> Rental Market Report: March 2024. <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>

<sup>5</sup> Homes for Growth: How Housebuilding Can Revitalise the UK Economy. <https://policyexchange.org.uk/wp-content/uploads/2023/02/Homes-for-Growth.pdf>

<sup>6</sup> increasing investment in Housing supply in Wales. [https://www.hbf.co.uk/documents/6746/Increasing\\_investment\\_in\\_housing\\_supply\\_in\\_Wales\\_-\\_June\\_2016\\_FINAL.pdf](https://www.hbf.co.uk/documents/6746/Increasing_investment_in_housing_supply_in_Wales_-_June_2016_FINAL.pdf)





There is a need for increased government investment, looking at radical ways in which monies could be generated to ensure this increased investment. Options such as the introduction of land value capture or a land value tax of some sort should be considered as a key part of a suite of options. It's an option that was initially floated in the form of the proposed Vacant Land Tax from Welsh Government as one of the proposals for new taxes when tax-raising powers were devolved to Wales by the 2014 and 2017 Government of Wales Acts. In fact, a Vacant Land Tax was championed by former Forst Minister Mark Drakeford, when Finance Minister in Carwyn Jones's administration. CIH Cymru would welcome a reevaluation of the introduction of such an approach as a way to increase investment into social and affordable housing in Wales.

Another way of increasing investment is by legislating for the progressive realisation of a right to adequate housing. The latest cost benefit analysis outlines that for every £1 spent there will be £2.30 in benefits generated from savings to the NHS, reduced homelessness together with improved wellbeing for those households moving out of homelessness<sup>7</sup>. It will also make housing a foundational mission of government and provide the paradigm shift which would mandate housing to be a key lens through which public policy, legislation and public investment is crafted and delivered in Wales. There are barriers and opportunities to be considered as we seek to increase supply of affordable housing, a vital part of the jigsaw being increasing supply of social housing. We welcome the opportunity to provide evidence to the committee on some of the barriers how these can be overcome together with how we can build on existing opportunities to increase supply and stimulate economic growth in Wales for this generation and future generations. Ensuring that we have an equitable Wales. A Wales where everyone has enough money to live on. A Wales where everyone can afford the essentials. A Wales where child poverty is eradicated. A Wales where everyone can access a safe, affordable, and sustainable home.

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<sup>7</sup> The right to adequate housing in Wales: cost-benefit analysis. <https://www.cih.org/media/ggbbh1df/cba-alma-economics-back-the-bill-final-phase-2-report-eng.pdf>



**Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need.**

When the target for 20,000 new low carbon social homes for rent to be developed between 2021 and 2026 was set it was based on the 2019 estimate of housing need which showed that we should be building between 3,049 and 3,878 new affordable homes per annum<sup>8</sup>. So, the target of 20,000 new social homes over five years would exceed the amount outlined by the 2019 housing need calculations. Yet since the target was set in 2021, just 6,045 units of additional affordable housing has been provided in Wales with a further 3,135 projected for 2023/24. Not all these units are new build, some of this provision is through acquisitions or remodelling of existing stock<sup>9</sup>. What is clear from the data is the number of new social homes is falling consistently short of what is needed each year. This is concerning in light of rising homelessness, rising unaffordability of market housing all contributing to increased demand and need for affordable and social homes provision in Wales.

Even though reaching the current target of 20,000 new social homes this Senedd term becomes an increasingly difficult proposition as a result of barriers around the planning system, supply chains and the labour market, we also need to consider whether this is the right number to build towards. Our cost benefit analysis of the right to adequate housing outlined that we needed to build an additional 20,000 social homes over the next 30 years to meet projected levels of homelessness<sup>10</sup>. This is in addition to the 20,000 social homes already committed to by Welsh Government during this current Senedd term. Also, in October 2023 there were, 139,000 people waiting for a social home including 34,000 children<sup>11</sup>.

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<sup>8</sup> Average Annual Estimates of Housing Need in Wales (2019-based) by Variant, Tenure and Region.

<https://statswales.gov.wales/Catalogue/Housing/Housing-Need/2019-based/annualaverageestimatesofhousingneed2019based-by-variant-tenure-region>

<sup>9</sup> Additional affordable housing provision by location and year. <https://statswales.gov.wales/Catalogue/Housing/Affordable-Housing/Provision/additionalaffordablehousingprovision-by-location-year>

<sup>10</sup> The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru.

<https://www.cih.org/publications/the-right-to-adequate-housing-in-wales-cost-benefit-analysis>

<sup>11</sup> Homeless boy fears Santa will not find him at Christmas. <https://www.bbc.co.uk/news/uk-wales-67637352>



The current target of 20,000 new social homes is much lower than the actual number of social and affordable homes needed to meet current levels of housing need as when the current target of 20,000 low carbon social homes was set, we had quite different levels of homelessness and a very different housing market. As such, the answer to this question sets out our views on how housing need is to be calculated, our changing household types and a need for a wider affordable housing target that Welsh Government, in partnership with the housing sector, needs to work towards. Any increase in the number of affordable and social homes needed in Wales cannot solely be met by social housing providers who are already doing all they can to deliver on the current ambition. We need to use all the levers at our disposal to ensure that we are building the right amount and type of homes in Wales, and in the right places, to ensure everyone can access a suitable, safe, and affordable home.

### ***Calculation of housing need***

As previously outlined, the current target for 20,000 additional social homes was set based on 2019 estimates of housing need using 2018 household projections. Additional housing need estimates considers the unmet housing need which includes those households in temporary accommodation together with overcrowded and concealed households. This is further analysed to establish the number of households who can afford market housing. Those who cannot afford a home at market price would then need an affordable home. The guidance for the Local Housing Market Assessments is clear that affordable housing need should provide the number of intermediate rents needed and the number of social homes needed in the local authority area<sup>12</sup>. Whilst we fully understand that the current target for social homes was set at the start of this programme for Government, the housing market and levels of homelessness are now significantly different to what they were in 2019 when the housing need calculations were

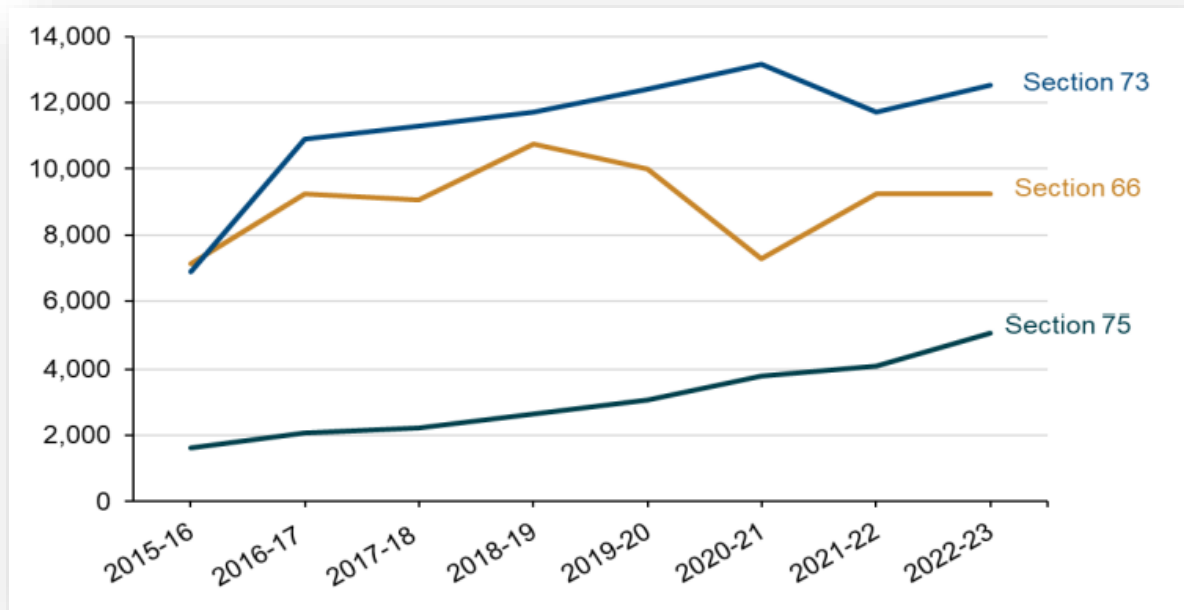
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<sup>12</sup> Undertaking Local Housing Market Assessments (LHMAs). [https://www.gov.wales/sites/default/files/publications/2022-03/local-housing-market-assessment-guidance-2022\\_0.pdf](https://www.gov.wales/sites/default/files/publications/2022-03/local-housing-market-assessment-guidance-2022_0.pdf)



completed. Figure one shows how the levels of homelessness have increased since 2019.

**Figure one: Households threatened with homelessness (Section 66), owed a duty to help secure accommodation (Section 73) and in priority need (Section 75), 2015-16 to 2022-23<sup>13</sup>**



This clearly shows an increase in the number of households becoming homeless in Wales and as such should be factored into calculation of housing need. These increased levels of homelessness are also likely to be a factor in the numbers of people currently waiting for a social home in Wales. In October 2023 there were 139,000 people waiting for a social home including 34,000 children<sup>14</sup>. Whilst not all these will be in housing need these numbers also needed to be factored into current calculations of housing need.

We also need to consider the current population makeup of Wales now we have new Census data available. However, we want to be clear that whilst we are of the

<sup>13</sup> Homelessness in Wales, 2022-23. <https://www.gov.wales/sites/default/files/statistics-and-research/2023-08/homelessness-april-2022-march-2023-603.pdf>

<sup>14</sup> Homeless boy fears Santa will not find him at Christmas. <https://www.bbc.co.uk/news/uk-wales-67637352>



opinion that more affordable homes will be needed, following a recalculation of housing need, our expectation is that this will be met by a mixture of affordable housing solutions including intermediate and social rent. We provide an option for effectively meeting this.

### *Household projections*

The current household projections used in the housing need calculation are based on 2011 census data. The 2021 census established that the population of Wales had slightly increased<sup>15</sup> which needs to be accounted for within the estimate of housing need in Wales. There is also a need to consider how household types are changing in Wales. We have seen from Census data that households are ageing, and we have more one person households and couples without children making up the population of Wales<sup>16</sup>.

We are also hearing from our members that there is a significant increase in demand for affordable one bed properties partly fuelled by welfare policies that make the private rent sector unaffordable for single people. Many single people under the age of 35 are only able to access a shared room rate of LHA. This is often significantly lower than the LHA rate paid for couples and those over the age of 35. For some single people shared accommodation is not a suitable housing option. This is coupled with a significant shortage of one bed social housing in Wales. This was highlighted in the Senedd's Local Government and Housing Committee report on homelessness which outlined that the chronic undersupply of social housing is especially acute when we look at the supply of one bed accommodation which is needed for single person households and couples without children<sup>17</sup>. There is also a need to consider larger sized properties and

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<sup>15</sup> Population and household estimates, Wales: Census 2021.

<https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationandhouseholdestimateswales/census2021#:~:text=The%20usual%20resident%20population%20of,were%203%2C063%2C456%20people%20in%20Wales.>

<sup>16</sup> Demography and migration in Wales (Census 2021). <https://www.gov.wales/sites/default/files/pdf-versions/2022/11/5/1669371058/demography-and-migration-wales-census-2021.pdf>

<sup>17</sup> Homelessness (March 2023) <https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>

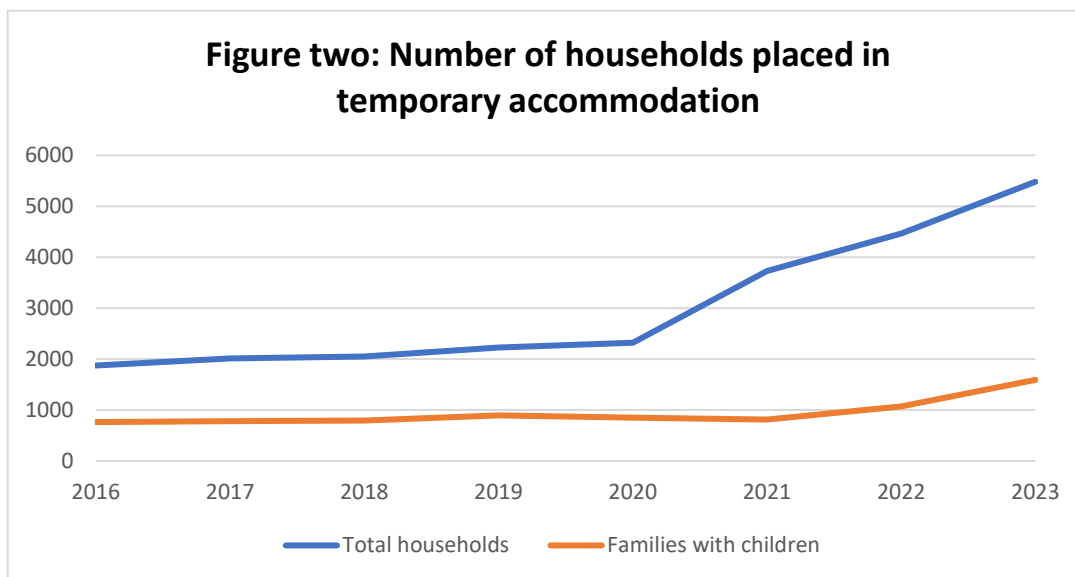
properties for multi-generational families as highlighted in our Tyfu Tai research into housing need and desirability<sup>18</sup>



The current household projections will need updating and fed into estimates of housing need. It should also show the percentage of households that need one bed accommodation in order to tackle the structural issues in the system for single person and couple households who are unable to access market housing. This will provide a more realistic estimate of the unmet need arising from a growing population and the changing demographics.

### *Numbers in temporary accommodation*

It is clear that, since an estimate of housing need was calculated in 2019, homelessness has significantly increased in Wales. Figure two<sup>19</sup> shows how the number of households placed in ALL types of temporary accommodation has increased since 2016.



NB: The number of households is the number placed as of 31 March e.g. total number placed on 31 March 2016.

<sup>18</sup> Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

<sup>19</sup> Households accommodated temporarily by accommodation type and household type (Post 2015-16). <https://stats.wales.gov.wales/Catalogue/Housing/Homelessness/Temporary-Accommodation/householdsaccommodatedtemporarily-by-accommodationtype-householdtype>



What is clear is the number of households in temporary accommodation has significantly increased since the pandemic and is nearly double the number when the estimate for housing need in Wales was last calculated. With the majority of these households being single people or couples. We need to update estimates of unmet need in Wales to reflect the rising levels of homelessness and households placed into temporary accommodation.

### *Affordability assessment of market housing*

Part of this involves analysis of the rents being charged in an area. The rent officer provides this data, yet it is not mandatory for landlords to have to provide this information. This is acknowledged in the guidance document for local authorities in drafting their local housing market assessment which outlines that local knowledge should be used where this data is not currently available. The accuracy of this data is vital in ensuring that local authorities can accurately calculate housing need and the likely number of social homes and homes at an intermediate rent needed per annum to meet existing and emerging housing need in their area. We would like to see the provision of rental data to the rent officer being made mandatory whenever there is a change to the tenancy or to the rent charged for the tenancy.

There is also a significant reduction in the number of properties available to rent against rising demand within the market. Latest data puts the flow of new supply down 6 per cent with demand up 32 per cent<sup>20</sup>. This has resulted in a significant lack of affordability in the private rented sector. Private rents are on average 29 per cent higher in 2024 than they were before the pandemic with predications showing that rents are to remain unaffordable throughout 2024<sup>21</sup>. These increased rental prices have resulted in these households no longer being able to find a home on the open market they can afford. So, it is likely that the number of homes needed at an intermediate rent will have increased.

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<sup>20</sup> Rental Market Report: December 2023. <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>

<sup>21</sup> Rental Market Report: March 2024. <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>



The freezing of local housing allowance has also had a significant impact on the affordability of the private rented sector especially for low-income households with research showing that in February 2023 just 32 properties in Wales could be covered by Local housing allowance<sup>22</sup>. Whilst the unfreezing of the local housing allowance from April is welcome it is only for a twelve-month period so likely to have a small impact on people's ability to access a private rent property to relieve or prevent their homelessness.

We also need to consider the impact of rising mortgage rates on demand for private rented properties and a reduction in the availability of private rented homes to rent. Our members have provided anecdotal evidence that for some working households private renting was just a stepping stone into home ownership. It gave them somewhere to live whilst they saved for a deposit to buy their own home. Yet, with rising rent costs coupled with increased interest rates this has reduced. The latest all Wales tenant survey by TPAS Cymru provided some valuable insight into this. Currently 49 per cent of under 30's privately renting were doing so until they could afford to buy<sup>23</sup>. Yet as outlined by one respondent it was getting harder and harder to do this:

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*We have been saving to buy for several years but it feels like the goalposts always move and it's becoming harder for people in their 20s and early 30s to get on the property ladder. The major rise in interest rates has made us delay our plans to buy. We have had to significantly alter our plans and it's soul destroying because we have spent 13 years renting and desperately want our own home<sup>24</sup>.*

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<sup>22</sup> Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales, Winter 2023. <https://www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf>

<sup>23</sup> The Third All Wales Annual Tenant Survey - What matters right now. [https://www.tpas.cymru/ckfinder/userfiles/files/Full%20Report%20\(E\)\(2\).pdf](https://www.tpas.cymru/ckfinder/userfiles/files/Full%20Report%20(E)(2).pdf)

<sup>24</sup> The Third All Wales Annual Tenant Survey - What matters right now. [https://www.tpas.cymru/ckfinder/userfiles/files/Full%20Report%20\(E\)\(2\).pdf](https://www.tpas.cymru/ckfinder/userfiles/files/Full%20Report%20(E)(2).pdf)





Yet for some of these households low-cost home ownership or intermediate renting would be affordable enabling them to access an affordable rent to save a deposit for accessing home ownership or using low-cost home ownership as a way to access homeownership as their tenure of choice.

It is clear that fewer and fewer people are able to access a home in their tenure of choice due to the market becoming increasingly unaffordable. We need to recalculate the number of affordable homes that are needed in Wales. This number should show the number of low-cost home ownership, intermediate rent and social rented homes that are needed in order to meet the total number of affordable homes needed.

*A new model for providing affordable homes.*

As previously outlined the local housing market assessment will set out the number of affordable homes needed to meet housing need in a local authority area. The homes developed to meet the affordable housing need are a mixture of low-cost home ownership, intermediate rent, and social homes. But how can these new affordable homes be delivered effectively. One way to do this is to expand the schemes currently being developed by Tirion homes.

Tirion homes was set up in 2012 by Welsh Government and the Principality building society to deliver affordable housing across Wales using an innovative finance model that negated the need for grant funding. The sites currently under development are a mix of, market sales, low-cost home ownership, intermediate rent, market rent and social housing. The properties for intermediate or market rent are targeted at working households on a low or middle income with priority given to key workers. Any property rented out by Tirion Homes are done so on a secure contract. The sites also provide a proportion of social homes to be allocated through local allocation policies working in partnership with local social landlords. This means that anyone in housing need can access a social home it does not prevent someone in employment on a low to medium income accessing



a social home. Rather they can choose which tenure they would prefer to access. Embedding choice into the schemes<sup>25</sup>.

The schemes developed by Tirion homes are low carbon, meet WHQS space standards and seek to promote community cohesion through a tenure blind approach to design and a focus on engagement<sup>26</sup>.

This development model not only helps meet the demand for social homes it also provides additional affordable homes for households within a community.

It is clear that the housing crisis has resulted in a need for us to reconsider the number of affordable homes that needed to be provided to tackle homelessness and ensure everyone can access a safe, suitable, and affordable home. The recalculated level of need for affordable homes should clearly outline how much should be provided at a social rent and how many at low-cost home ownership or intermediate rent. There should be no expectation that the entirety of the recalculated affordable housing need is to be provided by just social housing landlords. Rather the meeting of the calculated affordable housing need in Wales should be a whole housing system approach to meeting housing need in Wales. So, everyone can access a home that is safe, suitable, and affordable that is in a community of their choosing.

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<sup>25</sup> Tirion Homes. A new way / a new home / a new life. <https://www.tirionhomes.co.uk/>

<sup>26</sup> Creating Beautiful Homes and Places. <https://www.tirionhomes.co.uk/wp-content/uploads/2023/01/Creating-Beautiful-Homes-and-Places-draft-2.pdf>

## **The challenges faced by social landlords in increasing supply**



**Chartered  
Institute of  
Housing**  
Cymru

There are significant challenges faced by social landlords in increasing the supply of social housing in Wales. We have addressed these separately below.

### ***Supply Chains***

Our Tyfu Tai Cymru report “Shocks in the supply chain<sup>27</sup>” highlighted the impact of supply chain issues on development programmes. This has led to increased lead-in times for starting developments, developments being delayed due to supply issues or developments having to be altered to ensure they are still value for money as supply chain constraints increase costs. Even when materials could be accessed costs had increased by 30 - 40 per cent further impacting the number of homes that could be developed. The report concluded that Welsh Government should produce a supply chain resilience plan to minimise the impact on the sector. Part of this should be horizon scanning to consider likely future impact and take steps now to reduce the impact on development targets.

### ***Phosphates***

Planning authorities must consider the phosphorus impact of proposed developments on water quality within a special area of conservation river catchment. NRW must be consulted on about these developments and will provide advice on the implications of the proposed development. A development can only proceed if it can be demonstrated that it will not lead to further water quality deterioration in the area. Considerable progress has been made to overcome the negative impact phosphates were having on development meaning that in many cases developments can now proceed. However, there are now significant backlogs in some areas which in turn is affecting the ability of some areas being able to meet development targets. The cost of some developments

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<sup>27</sup> Shocks in the supply chain. Understanding issues in housing supply chains. <https://www.cih.org/media/4hwfxjg2/shocks-in-the-supply-chain-final-eng.pdf>

may also have increased since they stalled further impacting the supply of affordable homes in some areas.



### ***Ongoing economic pressures***

Social housing schemes are usually funded through a combination of social housing grant and private finance. Financial viability assessments for developments are based on the cost of the development against future rent levels. The amount of social housing grant payable depends on the acceptable cost guidance for the property size, type, and the total number of homes being developed<sup>28</sup>. We are hearing from our members that the current economic climate is having an impact on their ability to develop. In some cases, developments that may have been financially viable when initially considered are no longer viable due to inflation increasing cost of materials and interest rates increasing the cost of borrowing.

Our Tyfu Tai research into housing need and desirability highlighted that financial viability was often a determining factor in the mix and type of home developed. From evidence given previously to the local government and housing committee by various stakeholders it would appear that this has resulted in a shortage of one bed accommodation resulting in much longer stays on temporary accommodation. In Wrexham, for example, the demand for single person accommodation far outstrips supply. Wales and West highlighted that over the last decade just 10 per cent of homes built were one bed properties fuelled by a reluctance to build more one bed accommodation. Yet there are significant numbers of three bed homes developed<sup>29</sup>. There is a need to re-evaluate the way financial viability is calculated as part of the social housing grant process. We need to ensure that building one bed homes to meet the rising demand is as financially viable as building a three-bed family home.

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<sup>28</sup> Acceptable cost / on costs for use with social housing grant funded housing in Wales. <https://www.gov.wales/sites/default/files/publications/2023-07/costs-included-in-social-housing-grant-guidance-for-social-landlords.pdf>

<sup>29</sup> Local Government and Housing Committee. Homelessness. <https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>



Whilst we welcome the record level of investment by Welsh Government into the social housing grant it is clear that these monies are not going as far as they once did due to increased cost of borrowing and building supplies. There has been a 33 per cent increase in construction costs for housebuilders since the pandemic<sup>30</sup>. These increased costs come from increased subcontractor costs coupled with increases in costs of both materials and labour. This coupled with rising interest rates and ongoing economic uncertainty is likely to contract the housebuilding sector as a whole<sup>31</sup>

With the increased costs being seen in the construction industry there is a need to consider whether the level of investment into social housing is at the correct level. We have calculated the level of annual investment needed to build a sufficient number of affordable homes just to meet the demand from those households seeking assistance to prevent or relieve their homelessness in 2022/23<sup>32</sup> at around £391 million per annum based on the current Acceptable Cost Guidance<sup>33</sup> and estimates of housing need<sup>34</sup>. Yet if we include the additional 20,000 homes needed as set out by the cost benefit analysis of the right to adequate housing<sup>35</sup> the total level of investment needed based on current ACG levels would be £782 million much higher than the current level of investment of £370m.

Yet our calculated figure of £782 million is just based on those households currently experiencing homelessness. It does not consider the number of individuals currently on the waiting list as we cannot accurately determine how

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<sup>30</sup> Welsh Housing Market and Supply Update – November 2023.

[https://www.savills.co.uk/research\\_articles/229130/354555-0](https://www.savills.co.uk/research_articles/229130/354555-0)

<sup>31</sup> Housebuilding costs continue to increase as build out rates are reduced to respond to market uncertainty.

<https://bcis.co.uk/news/housebuilding-costs-continue-to-increase/>

<sup>32</sup> Households for which assistance has been provided by outcome and household type.

<https://statswales.gov.wales/Catalogue/Housing/Homelessness/Statutory-HomelessnessPrevention-and-Relief/householdsforwhichassistancehasbeenprovided-by-outcome-householdtype>

<sup>33</sup> Acceptable cost / on costs for use with social housing grant funded housing in Wales.

<https://www.gov.wales/sites/default/files/publications/2023-07/costs-included-in-social-housinggrant-guidance-for-social-landlords>

<sup>34</sup> Estimates of Housing Need (2019-based) by Tenure, Variant and Year.

<https://statswales.gov.wales/Catalogue/Housing/Housing-Need/2019-based/estimatesofhousingneed2019based-by-tenure-variant-year>

<sup>35</sup> The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru.

<https://www.cih.org/publications/the-right-to-adequate-housing-in-wales-cost-benefit-analysis>



many of the 139,000 currently on a waiting list for a social home in October 2023<sup>36</sup> would be in housing need or how many are actually homeless and therefore risk double counting.

Some social landlords are also having to make difficult choices between developing new homes and retrofitting their existing homes. Research undertaken by Savills outlined that many housing associations are having to make difficult choices in how to allocate their spending with 95 per cent of respondents stating that investment into existing homes and communities was more important than the development of new homes<sup>37</sup>. Whilst this research was focussed on English housing associations the financial pressures are the same across the UK and there is a very real risk that development could slow as registered social landlords try and balance the financial pressures of bringing existing homes up to the 2023 Welsh Housing Quality Standards and developing new homes.

### **Skills gap**

When we speak to the construction industry, we are hearing that a lack of funding, certainty together with longer term financial options, is having an impact on incentivising the sector to upskill the workforce. There are also impacts from the low level of demand<sup>38</sup> which is mostly from the social housing sector which accounts for just a fifth of the total housing stock in Wales<sup>39</sup>. We know the skills gap is significant with research by CITB outlining that 12,000 additional workers are needed across the housing sector in Wales by 2028 primarily to deliver the improvements needed to reduce energy demand. This equates to an 11 per cent increase in the workforce<sup>40</sup> Without a workforce skilled in installing and maintaining

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<sup>36</sup> Homeless boy fears Santa will not find him at Christmas. <https://www.bbc.co.uk/news/uk-wales-67637352>

<sup>37</sup> Why bringing new sources of finance into the affordable housing sector has become ever more important. [https://www.savills.co.uk/research\\_articles/229130/346705-0](https://www.savills.co.uk/research_articles/229130/346705-0)

<sup>38</sup> Energy Systems Catapult. (2020). Towards an enduring policy framework to decarbonise buildings. Retrieved from: <https://es.catapult.org.uk/report/policyframework-to-decarbonisebuildings>

<sup>39</sup> UK Housing Review 2023. Table 30a Households by tenure in the United Kingdom. <https://www.ukhousingreview.org.uk/ukhr23/tables-figures/pdf/23-030.pdf>

<sup>40</sup> Building Skills for Net Zero in Wales. [https://www.citb.co.uk/media/bdrbdlmo/b06414\\_net\\_zero\\_report\\_wales\\_v7.pdf](https://www.citb.co.uk/media/bdrbdlmo/b06414_net_zero_report_wales_v7.pdf)



innovative technologies we run the risk of delays in development as these skills are vital to ensuring our new homes meet zero carbon requirements.

Local Authorities in Wales are now able to develop homes again helping to contribute to meeting the 20,000 new social homes target. However, whilst there is ambition to develop new homes many local authorities no longer have a development team especially in those areas where stock transfer has taken place. They also no longer have stock to borrow against so developing new homes may not be financially viable. If we want to increase the number of homes at pace and scale, we also need to invest in public sector development capacity<sup>41</sup>. This may also include the provision of low-cost finance through the Wales Development Bank in the first instance whilst local authorities who want to develop are able to meet their ambition. Once they have a large enough portfolio, they can then borrow against this property increasing the number of homes they are able to develop.

### **Stigma**

We regularly hear from members that there are often tensions around proposed new developments largely the result of stigma associated with social housing. This was highlighted in Tyfu Tai Cymru's research on public attitudes to social housing in Wales which found that there are still some negative attitudes to social housing in Wales but for those with direct experience of social housing attitudes are more positive<sup>42</sup>. Involving the residents who will live next to the development together with the wider community can help design a scheme that meets the needs of the locality, overcome stigma, and help build a cohesive community. Our Tyfu Tai Cymru report right place, right home, right size highlighted the need for consideration of people's choice when alleviating housing need. Housing need

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<sup>41</sup> Building the social homes, we need Solving the land and capacity challenges. [https://nationwidefoundation.org.uk/wp-content/uploads/2019/11/Building-the-social-homes-we-need\\_191120\\_150504.pdf](https://nationwidefoundation.org.uk/wp-content/uploads/2019/11/Building-the-social-homes-we-need_191120_150504.pdf)

<sup>42</sup> Public attitudes to social housing in Wales: Report for the Chartered Institute of Housing Cymru. [https://omghcontent.affino.com/AcuCustom/Sitename/DAM/097/CIH\\_Cymru\\_public\\_perceptions\\_report.pdf](https://omghcontent.affino.com/AcuCustom/Sitename/DAM/097/CIH_Cymru_public_perceptions_report.pdf)



should not just be about housing supply generally but about the supply of the right homes in the right place to ensure we can support thriving communities and enable choice and mobility as people's needs change<sup>43</sup>.

Our Tyfu Tai research into housing need and desirability included a recommendation to look at ways to eradicate stigma around existing and proposed new social housing developments. One way to do this was to ensure that community engagement is mandated as part of the social housing grant process. This will ensure that communities are involved from conception to completion of a development which may help reduce stigma towards social housing<sup>44</sup>. We have heard from our members that often when there is stigma or opposition to a proposed new development it disappears within a few weeks of the new tenants moving in. We hope that by collaborating with the community throughout the development it will alleviate or remove opposition to new social housing developments.

### ***The cost of land to develop***

The cost of land has increased significantly with some putting it at a fivefold increase since 1995. This increased price of land makes building social homes more expensive<sup>45</sup>. Though the increase in land prices may be the consequence of a lack of availability of land. Simple market economics dictates that the more in demand a product is, the more it costs. This increased cost of land not only affects financial viability assessments for registered social landlords impacting the mix of homes or even if a development can take place. It also affects 106 negotiations and the ability of local authorities to ensure that private developments also

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<sup>43</sup> Right place, right home, right size? Increasing housing mobility for social housing tenants in North Wales. <https://thinkhouse.org.uk/site/assets/files/2516/cih1121.pdf>

<sup>44</sup> Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

<sup>45</sup> Building the social homes we need. Solving the land and capacity challenges. [https://nationwidefoundation.org.uk/wp-content/uploads/2019/11/Building-the-social-homes-we-need\\_191120\\_150504.pdf](https://nationwidefoundation.org.uk/wp-content/uploads/2019/11/Building-the-social-homes-we-need_191120_150504.pdf)





provide affordable housing. Without land being at a price landlords can afford we run the risk of developments of social homes slowing down or not even starting.

### **How housing standards and decarbonisation affect the delivery of new social housing.**

We welcome the Welsh Government has commitment to provide funding through the optimised retrofit programme to help social housing landlords meet the Welsh Housing Quality Standards with £70m of funding allocated in 2023/24 and 2024/25 through the Optimised Retrofit Programme (ORP) together with an additional £22.5m for WHQS 2023 across 2023/24 and 2024/25. Whilst these monies are welcome, they fall well short of the total investment needed.

According to the Future Generations Commissioner's Homes Fit for the Future: The Retrofit Challenge (conducted by New Economics Foundation) there's a £2.7bn funding gap in the amount needed to retrofit social housing and a £3.9bn gap to retrofit homes in fuel poverty in Wales. It goes on to say that the total investment needed over the next decade to retrofit social housing stock in Wales is £5.52bn (£4.82bn to retrofit homes in fuel poverty) with around £1.7bn of that to come from Welsh Government and £3.6bn from Westminster<sup>46</sup>. A much higher level of investment than is currently being made available by Welsh Government.

We are hearing from some of our members that tough decisions are now having to be made about whether it is more financially viable to develop new homes or invest in their existing homes. The reasons cited for this is the ongoing economic pressures faced by organisations. Part of this is the increased cost of borrowing and the increased price of resources needed to retrofit or develop new homes. Our members are doing everything they can to ensure that they can develop new

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<sup>46</sup> Homes fit for the Future: The Retrofit Challenge. [https://www.futuregenerations.wales/resources\\_posts/homes-fit-for-the-future-the-retrofitchallenge/](https://www.futuregenerations.wales/resources_posts/homes-fit-for-the-future-the-retrofitchallenge/)



homes including looking at providing homes at market rent but ultimately funding levels are not sufficient to effectively meet all of Welsh Government ambitions.

This is echoed in research undertaken by Savills which outlined that many housing associations are having to make difficult choices in how to allocate their spending with 95 per cent of respondents stating that investment into existing homes and communities was more important than the development of new homes<sup>47</sup>. Whilst this research was focussed on English housing associations the financial pressures are the same across the UK and we are already hearing about some of the difficult decisions being made in Wales as registered social landlords try and balance the financial pressures of bringing existing homes up to the 2023 Welsh Housing Quality Standards and developing new homes.

We fully appreciate the financial pressures Welsh Government is under and welcome the levels of investment being made to develop new homes and improve the quality of our existing social homes. However, we need to look at new ways in which we can provide funding to ensure that everyone in Wales can access a safe, suitable, and affordable home. We believe the best way to do this is by making housing the foundational mission of Government by legislating for the right to adequate housing. This right will enable a whole system approach to housing in Wales accompanied by a housing strategy to outline how we can progressively realise the right to adequate housing. Implementation of this right will need investment, but cost benefit analysis has shown that the right to adequate housing would lead to significant savings that could be used to further invest in public services, coupled with increased economic activity. For every £1 spent on the right to adequate housing, there will be £2.30 in benefits. It will:

- Save £5.5bn in improved wellbeing
- Save £2bn from local council budgets
- Save £1bn for the NHS
- Save £1bn for the criminal justice system

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<sup>47</sup> Why bringing new sources of finance into the affordable housing sector has become ever more important.  
[https://www.savills.co.uk/research\\_articles/229130/346705-0](https://www.savills.co.uk/research_articles/229130/346705-0)



- Generate £1bn in additional economic activity

It will also ensure that everyone in Wales can access a home that is safe, suitable, and affordable through developing new homes and retrofitting our existing homes across all tenures in Wales.

### **The opportunities and risks in increasing government borrowing and institutional investment**

At face value increasing Government borrowing would seem like a good thing. It provides government with more flexibility to deliver policies and support the economy. Across the UK, the amount of government debt has increased but this means increased interest payments as well as increasing interest rates. The increasing cost of government debt has significant implications. If the cost of the debt rises government may need to borrow more money to meet the cost. This in turn can influence choices around spending in different areas in order to meet the cost of the debt<sup>48</sup>. In the UK we are now seeing elevated levels of public debt as borrowing increased to support the private sector through the pandemic, there has also been increased spending to help individuals manage the cost-of-living crisis and ensure energy costs remained affordable. The level of government debt is seen as affordable currently, yet we need to consider that high public debt will increase the need for future taxes and could erode the living standards of future generations<sup>49</sup>.

Yet even though there are risks to government borrowing to increase investment it is also seen as an important part of stimulating growth in the economy and boosting certain sectors. Though increased investment by government must be carefully balanced as not to increase interest rates which could further reduce private investment due to increased cost of borrowing. This risk can be reduced by using an invest to save model whereby the savings made are reinvested

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<sup>48</sup> Managing government borrowing. <https://www.nao.org.uk/wp-content/uploads/2023/07/managing-government-borrowing.pdf>

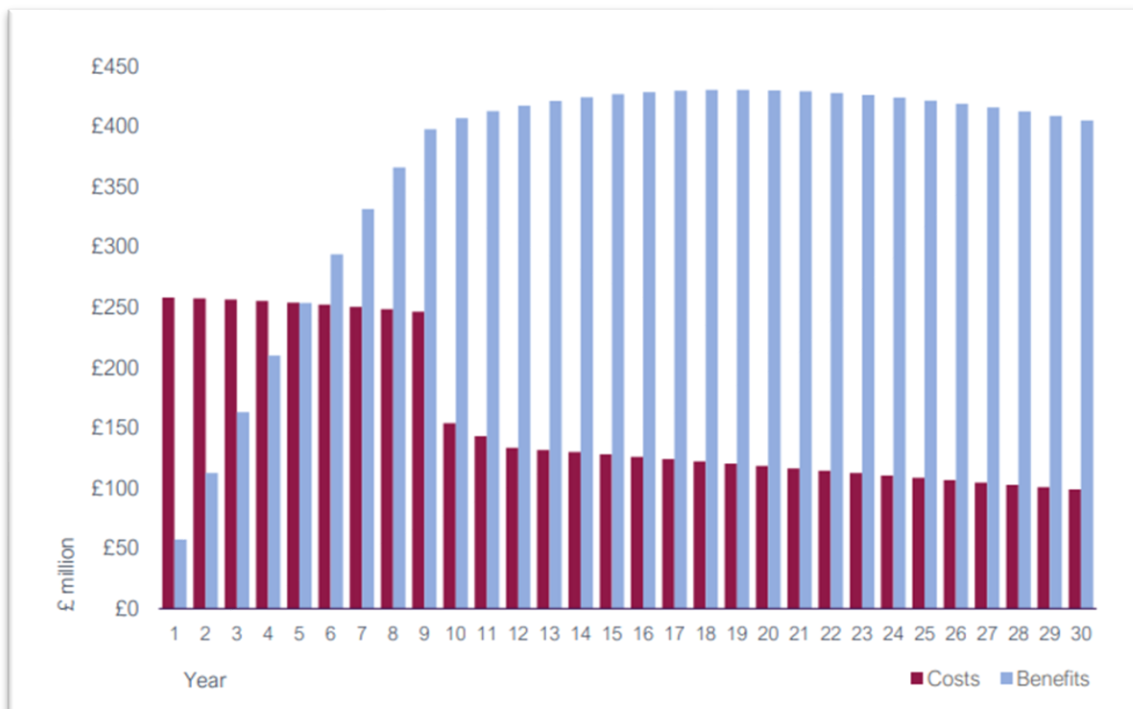
<sup>49</sup> Public debt, public wealth, and economic dynamics. [https://www.bennettinstitute.cam.ac.uk/wp-content/uploads/2020/12/Debt\\_Dynamics\\_working\\_paper.pdf](https://www.bennettinstitute.cam.ac.uk/wp-content/uploads/2020/12/Debt_Dynamics_working_paper.pdf)



reducing the need for further government borrowing to ensure the policy outcome is delivered.

One example of an invest to save model is the right to adequate housing. Whilst implementing this right will require additional government spending initially it will soon realise monetary benefits that can be reinvested to full realise the right to adequate housing. As shown in figure three, the benefits of the right start to outweigh the costs by year six of the programme.

**Figure three: Costs and benefits of the right to adequate housing over 30 years.**



Investing £5 billion in ending homelessness and improving housing adequacy can generate £11.5 billion in economic and social benefits over a 30-year period. In other words, spending £1 to provide adequate housing in Wales will generate £2.30 in benefits by:

- Saving £5.5bn in improved well-being.
- Saving £2bn from local council budgets.
- Saving £1bn for the NHS.
- Saving £1bn for the criminal justice system



- Generating £1bn in additional economic activity<sup>50</sup>

All these monies can then be invested back into the realisation of the right to adequate housing reducing the monies needed through government grants or through government borrowing as we move towards full implementation of the right.

The realisation of the right to adequate housing will of course need increased supply of housing in Wales. This supply will need to be cross tenure to ensure that everyone in Wales can access a home in the tenure of their choosing. Yet increasing housing supply will also stimulate growth in the economy as it will provide employment opportunities, will increase tax revenues, and will provide significant savings to local authorities who are seeing increased spends on providing temporary accommodation. Increased investment into the supply of housing in Wales will also provide certainty to development sector who have cited that a lack of funding certainty together with longer term financial options as having an impact on incentivising the sector to upskill the workforce<sup>51</sup>.

As the portfolio of social landlords and affordable home providers increases this will also increase their ability to obtain private finance as there are more assets that can be used as security for the loan. This will in turn enable further development of homes in Wales.

What is needed is increased level of investment by the Welsh Government. We are in the midst of a housing crisis yet our analysis of the 2023/24, budget expenditure lines shows that around 4.6 per cent of the total budget is being spent on housing which CIH Cymru does not believe reflects the seriousness of the housing crisis that we are currently navigating as a nation. There is a need for increased

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<sup>50</sup> The right to adequate housing in Wales: cost-benefit analysis. <https://www.taipawb.org/wp-content/uploads/2022/09/Alma-Economics-Back-the-Bill-Final-Phase-2-report.pdf>

<sup>51</sup> Energy Systems Catapult. (2020). Towards an enduring policy framework to decarbonise buildings. Retrieved from: <https://es.catapult.org.uk/report/policyframework-to-decarbonisebuildings>.



government investment together with the consideration of introducing a system of land value capture or a land value tax.

This was initially proposed in the form of a Vacant Land Tax as one of proposals for new taxes when tax raising powers were devolved to Wales (see introduction). CIH Cymru would welcome a revaluation of the introduction of this tax as a way to increase investment into social and affordable housing in Wales to ensure we can provide safe, suitable, and affordable homes at pace and scale.

### **How effectively the planning system is supporting social housebuilding.**

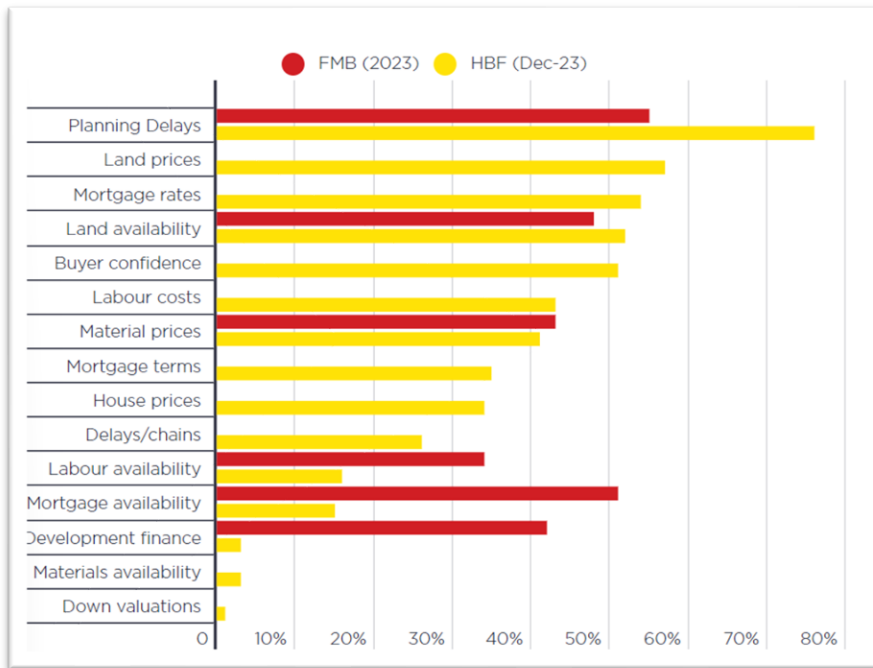
There is evidence that the planning system in Wales is not fully supporting social house building in Wales. Whilst s.106 agreements do provide additional affordable homes provision as part of new private development this provision is linked to the housing market which can reduce the number of affordable homes provided. There are also concerns around providing community infrastructure as part of the s.106 agreement. In addition, research by the home builders federation has found that Local Authorities in Wales are holding around £71 million in unspent developer contributions<sup>52</sup>.

There are also significant planning backlogs across Wales that is reducing the pipeline for development in Wales. The number of planning consents being granted over time has been declining with housebuilders now stating that planning delays are a key constraint for housebuilders as shown in figure four.

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<sup>52</sup> Section 106 Agreements and unspent developer contributions in England & Wales.  
[HBF\\_Unspent\\_Developer\\_Contributions\\_Report\\_2023.pdf](#)

**Figure four: Key constraints for development<sup>53</sup>.**



FMB: Federation of Master Builders. HBF= House Builders Federation.

***Effectiveness of s.106 agreements.***

Section.106 agreements are a key part of the delivery of affordable housing in Wales. They set out an expectation that when a private developer proposes a new housing development that a certain percentage must be made up of affordable housing. This percentage differs across local authority areas and occasionally within local authority areas depending on the housing need set out within the local authority’s local housing market assessment. The s.106 agreements can also set out a requirement to provide community infrastructure such as schools or health care. Yet as highlighted in our Tyfu Tai research, housing need and desirability, there are instances where the additional community infrastructure is never delivered, or it is only delivered after all the new homes are developed. Existing residents of communities wanted the agreements to clearly state that community

<sup>53</sup> CMA findings: why planning not land banking is a major barrier to housing delivery. <https://www.savills.co.uk/blog/article/357710/residential-property/cma-findings--why-planning-not-land-banking-is-a-major-barrier-to-housing-delivery.aspx>



infrastructure should be provided alongside new housing and local authorities should ensure the obligations are being met<sup>54</sup>.

The provision of community infrastructure is just one issue with s.106 agreements. Developers can also push for less affordable housing when they submit their financial viability assessments as part of their planning application. A negotiation will then start between the developer and the local authority around how much affordable housing should be provided according to their different financial viability assessments. The local authority will then decide the final composition of the s.106 agreement. It would be logical to assume that the local authority will seek to maximise the amount of affordable housing that is provided but this is often not what happens. Many local authorities lack the in-house capacity to effectively participate in negotiations on s106 compositions. There is also the fact that these negotiations take place behind closed doors with limited democratic accountability<sup>55</sup>. Yet even if the s.106 requirements are being met in a local authority area there are concerns that as overall development slows that this will impact the number of homes being provided through s.106 agreements<sup>56</sup>.

This brings us to the next issue with s.106 agreements. The financial viability assessments undertaken to establish how much affordable housing should be provided by a developer are linked to the housing market in the area. In order to secure high levels of affordable housing there needs to be strong demand for housing within the local area as high demand equals higher house prices meaning the developer can more easily offset the cost of developing affordable homes. This means the state of the housing market in an area will determine how much affordable homes supply is provided by developers<sup>29</sup>.

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<sup>54</sup> Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

<sup>55</sup> How private developers get out of building affordable housing. <https://neweconomics.org/2022/02/how-private-developers-get-out-of-building-affordable-housing>

<sup>56</sup> The perfect storm. [https://www.savills.co.uk/research\\_articles/229130/346705-0](https://www.savills.co.uk/research_articles/229130/346705-0)



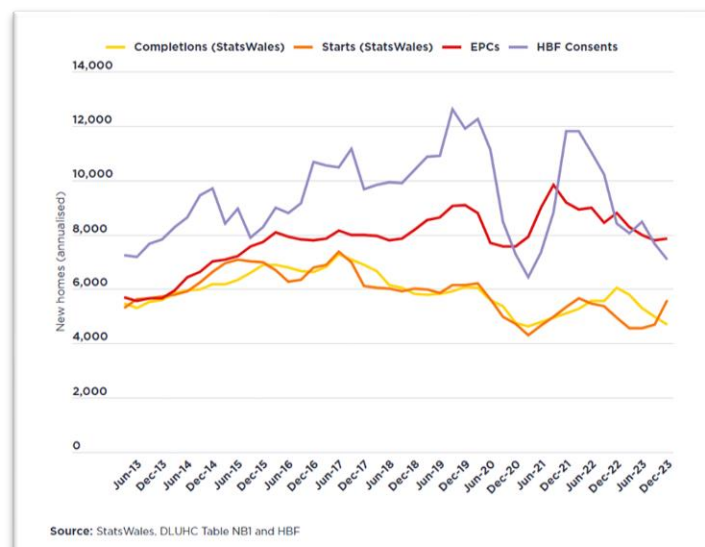


There is also a large amount of unspent s.106 contributions in Wales. There is currently £71,405,329 in s.106 contributions unspent in Wales<sup>57</sup>. These monies are not solely for providing affordable housing but also help contribute to increasing school places, improvements to highways and improvements to social infrastructure such as play areas. We need to ensure that there is a mechanism in place that ensures that these monies held by local authorities are spent to contribute to increasing affordable housing supply and ensuring that community infrastructure is provided as part of any new development.

### Planning backlogs

We are hearing from our members that delays around obtaining planning permission is delaying completion of new homes. In some case it is taking three years to get planning permission for a new development. Recent research by Savills outlines that planning consents have seen a significant and prolonged decline. There has been a reduction of 16 per cent in planning consents in the year to December 2023 and 42 per cent since 2022 as outlined in figure five.

**Figure five: Planning consents versus building starts<sup>58</sup>**



<sup>57</sup> Section 106 Agreements and unspent developer contributions in England & Wales. [HBF Unspent Developer Contributions Report 2023.pdf](https://www.hbf.org.uk/insights/industry-research/hbf-unspent-developer-contributions-report-2023.pdf)

<sup>58</sup> Welsh Housing Market and Supply Update. [https://www.savills.co.uk/research\\_articles/229130/358506-0](https://www.savills.co.uk/research_articles/229130/358506-0)



There are now concerns that the shrinking pipeline of new housing in Wales could threaten the future delivery of homes<sup>59</sup>. Another reason has been cited in research by the competition and markets authority which outlines that for housebuilders the planning system is the crucial determinant of the supply of land and how many homes they are able to develop<sup>60</sup>.

There are also concerns from housebuilders around the consistency of planning decision making which creates uncertainty about which planning applications will be granted. A number of costs are incurred by the developer before planning permission can be sought. Housebuilders may be reluctant to incur these costs if there is uncertainty around whether planning permission will be granted resulting in fewer developments being considered<sup>61</sup>. The shrinking pipeline of proposed developments will translate into lower completions across the housing sector<sup>62</sup>.

This has translated into

- Just 62 per cent of local planning areas in Wales achieving housing completions equivalent to 50 per cent or less of their local planned housing requirement. None achieved 100 per cent.
- The planning system in Wales is constraining housebuilding due to a lack of predictability, the length of time it takes for permission to be granted.
- Lower land values and increased groundwork costs are a particular issue in Wales<sup>63</sup>.

We are hearing from our members that part of the delay and subsequent backlog is due to the new phosphate regulations brought in by NRW. Whilst there has been progress made on this issue it will take some time to work through the planning backlog that this caused in some areas of Wales.

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<sup>59</sup> Welsh Housing Market and Supply Update. [https://www.savills.co.uk/research\\_articles/229130/358506-0](https://www.savills.co.uk/research_articles/229130/358506-0)

<sup>60</sup> Housebuilding market study. Final report.

[https://assets.publishing.service.gov.uk/media/65d8baed6efa83001ddcc5cd/Housebuilding\\_market\\_study\\_final\\_report.pdf](https://assets.publishing.service.gov.uk/media/65d8baed6efa83001ddcc5cd/Housebuilding_market_study_final_report.pdf)

<sup>61</sup> Housebuilding market study. Planning working paper.

[https://assets.publishing.service.gov.uk/media/65538e9f50475b0013c5b5b7/Planning\\_working\\_paper\\_-\\_Housebuilding\\_market\\_study.pdf](https://assets.publishing.service.gov.uk/media/65538e9f50475b0013c5b5b7/Planning_working_paper_-_Housebuilding_market_study.pdf)

<sup>62</sup> Welsh Housing Market and Supply Update - November 2023.

[https://www.savills.co.uk/research\\_articles/229130/354555-0](https://www.savills.co.uk/research_articles/229130/354555-0)

<sup>63</sup> Summary of CMA market study final report into housebuilding Wales summary.

[https://assets.publishing.service.gov.uk/media/65d8bb1454f1e70011165960/Wales\\_summary\\_.pdf](https://assets.publishing.service.gov.uk/media/65d8bb1454f1e70011165960/Wales_summary_.pdf)



Another cause of planning delay and backlogs is a lack of capacity within planning departments caused by a reduced number of planners being employed by local authorities. In Wales net expenditure on planning has halved in real terms between 2008 and 2021. A survey undertaken by the royal town planning institute (RTPI) showed that 25 per cent of planners have left the sector between 2013 and 2020. In addition, 82 per cent of local authority respondents had difficulties recruiting planners in the last two years. The key reason for this was not being able to offer a competitive salary, young graduates preferred to work for the private sector where higher wages are offered. Workloads have also increased with 60 per cent of respondents stating their workload had increased over the last two years. This increased workload was attributed to a lack of staff within the department<sup>64</sup>.

In England, the Department for Levelling Up, Housing and Communities has developed a new capacity and capability programme, to help local authorities to deliver an efficient planning service. The programme is extending and increasing the number of bursaries provided through the RTPI. This funding will enable 50 students to receive a £5,000 bursary for post graduate study to support their career in planning. This funding will cover half of the cost of the qualification. In addition, the department is providing a £24 million planning skills delivery fund to support local authorities. This funding is available over two years to tackle planning application backlogs and boost the capacity of local authority planning teams<sup>65</sup>. CIH Cymru would welcome additional monies for planning teams in Wales to recruit more planners, increasing the capacity of existing planning teams together with monies to assist in training future planners to further build resilience within local authority planning teams.

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<sup>64</sup> State of the profession 2023. The UK planning profession in numbers.

[https://www.rtpi.org.uk/research/2023/november/state-of-the-profession-2023/#\\_Toc149742862](https://www.rtpi.org.uk/research/2023/november/state-of-the-profession-2023/#_Toc149742862)

<sup>65</sup> Building planning capacity and capability. <https://www.gov.uk/guidance/building-planning-capacity-and-capability> .



Another suggestion to speed up the planning process for social housing providers is to reintroduce pattern books. This will give social landlords a range of pre-approved plans for developing new homes which could shorten the length of time it takes to obtain planning permission. Pattern books are already being developed as part of the pace and scale (now under the Unnos banner) project which CIH Cymru supports. Any pattern book developed would also need to include designs for adapted housing or ensure that all designs meet lifetime homes standards so they can be adapted quickly as the needs of the tenant changes.

It is vital that we address the backlogs in the planning system in Wales to ensure we have a pipeline of new homes as we work towards ensuring everyone in Wales can access a safe, affordable, and suitable home in an area of their choosing.

### ***Opposition to planning applications.***

The planning process in Wales includes consultation with the public over proposed developments. The RTPI report into the state of the planning profession outlined that many planners experience disinformation and online harassment in relation to new developments. The survey found that 58 per cent of planners felt that social media negatively affected their well-being as professionals due to the abuse they can sometimes receive on social media platforms<sup>66</sup>.

Another key part of planning applications is the local authority planning committee which is made up of local councillors and they can disagree with the recommendation of the planning officer if reasons are given. Whilst this process is designed to be politically neutral with representation from all parties, housebuilders and developers have cited the political influence over planning decisions as a key factor in planning decision delays. These delays can worsen

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<sup>66</sup> State of the profession 2023. The UK planning profession in numbers.  
[https://www.rtpi.org.uk/research/2023/november/state-of-the-profession-2023/#\\_Toc149742862](https://www.rtpi.org.uk/research/2023/november/state-of-the-profession-2023/#_Toc149742862)



around local election periods and on occasion there can be an increase in planning refusals.<sup>67</sup>.

As local councillors are key to the planning committee process, they may be influenced by public perception or opposition to a development site. They can also refuse to adopt a local development plan when faced with significant public opposition such as seen in Wrexham recently. We have also heard from our members that planning permission can be delayed due to local residents opposing a site often due to stigma to social housing and this takes time to navigate. We need to collaborate more closely with our communities when looking to develop new homes.

Our Tyfu Tai research into housing need and desirability sets out a recommendation that engagement with communities is made a mandatory part of the social housing grant process<sup>68</sup>. But the Tyfu Tai research suggests that we need to mandate, as part of planning policy in Wales, that communities need to be involved from conception to completion of new homes. There is also a need for public facing campaign highlighting the added values social housing provides to the wider society. This is something we highlighted as part of our five-point plan for housing in Wales<sup>69</sup>. It is vital that we collaborate with our communities when proposing new social homes developments ensuring they are involved from conception to completion as part of not just building houses but developing homes within communities as part of the wider placemaking agenda that CIH Cymru full supports.

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<sup>67</sup> House builders' federation, analysis of the GB planning system. [https://assets.publishing.service.gov.uk/media/65f16dadff11701fff615958/Home\\_Builders\\_Federation\\_-\\_working\\_paper.pdf](https://assets.publishing.service.gov.uk/media/65f16dadff11701fff615958/Home_Builders_Federation_-_working_paper.pdf)

<sup>68</sup> Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

<sup>69</sup> CIH Cymru: A five-point plan for housing. <https://www.cih.org/publications/cih-cymru-a-five-point-plan-for-housing-in-wales>

## How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase



Chartered  
Institute of  
Housing  
Cymru

Many developers will seek to ensure that they have a pipeline of sites that are ready to be developed. This is either short-term land where planning permission is granted or long-term where planning permission is not yet granted. This is also known as land banking and this practice is seen across housing development. Yet this practice can in part be driven by issues within the current planning system. As previously stated, there are significant backlogs in the planning system as some housebuilders will hold landbanks to ensure that they have land with or likely to have planning permission, so they have sites to develop when needed. Yet concerns have also been raised about this practice as it can reduce the amount of available land and it can result in only a few developers developing in an area or exclude social housing developers from accessing land<sup>70</sup>. It also compounds house-price inflation.

In 2019, the independent review into affordable housing supply recommended that the Welsh Government should establish an arms-length body to function as a hub for public sector land management and professional services. This body should work alongside national and local government to provide capacity and resources to accelerate development of public land assets and to support greater consistency and efficiency in managing those assets. This was accompanied by a recommendation for Welsh Government to mandate the mapping of all public land and require owners to publish the development potential for the land they own<sup>71</sup>. The Labour Plaid Cymru cooperation agreement set out a commitment to set up a “national construction” company Unnos. This would support councils and social landlords improve the supply of social and affordable housing<sup>72</sup>.

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<sup>70</sup> Housebuilding market study Local concentration and land banks working paper.

[https://assets.publishing.service.gov.uk/media/65548ec2c684c4000db64d6b/A\\_Local\\_concentration\\_and\\_land\\_banks\\_working\\_paper.pdf](https://assets.publishing.service.gov.uk/media/65548ec2c684c4000db64d6b/A_Local_concentration_and_land_banks_working_paper.pdf)

<sup>71</sup> Independent Review of Affordable Housing Supply. [https://www.gov.wales/sites/default/files/publications/2019-04/independent-review-of-affordable-housing-supply-report\\_0.pdf](https://www.gov.wales/sites/default/files/publications/2019-04/independent-review-of-affordable-housing-supply-report_0.pdf)

<sup>72</sup> The Co-operation Agreement 2021. <https://www.gov.wales/sites/default/files/publications/2021-11/cooperation-agreement-2021.pdf>



We need to make Unnos what it needs to be in order to bring together all the component parts required to deliver new social and affordable housing at pace and scale. The innovators, the land, the planning capacity, the contractors, the social landlords, the supply chains, together under one banner, in one facilitation space to deliver. Unnos needs to become that agency for change, which pulls all those component parts together in order to scale up what we already know how to do well. The question for Government I believe, is how much central control over that process do they need or want to retain? Is the reality that we need an arms-length agency to deliver? This idea reflects what was recommended in the affordable housing review<sup>68</sup> which, in our view, also provided a partial blueprint for Unnos. The question is how radical does Welsh Government, in partnership with the housing sector, want to be in ensuring we can use all the levers at our disposal to deliver additional social and affordable homes at pace and scale?

### **The potential for increasing income from land value capture mechanisms to invest in social housing.**

Between 1945 and 1951 the UK Government oversaw the development of nearly a million new homes being built. During this period, housing was seen as a foundational mission for Government. Funding for building social homes at this pace and scale came from a direct development approach, a type of land value capture, where land was compulsory purchased at or near existing use value in order to build social homes<sup>73</sup>. As part of UK New town developments in the 1950's and 1960's, cooperatives were able, using long-term fixed rate public loans, to purchase land at or close to their existing use values to develop them for housing.

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<sup>73</sup> Principles of land value capture. <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/76605.htm>



This enabled the reduction of the land cost component, for example, on houses in Milton Keynes<sup>74</sup>. A report by the housing communities and local government select committee on land value capture outlined that as the value of land arising from granting of planning permission and of new infrastructure was largely created by public action then a proportion of this uplift should be made available to government in new infrastructure and public services.<sup>75</sup>

The awarding of planning permission substantially increases the value of agricultural land - from an average of £22,520 per hectare to £6.2 million per hectare<sup>76</sup> Whilst this figure is based on average residential values of new builds across England, it gives us an idea of the size of the current “planning gain” that is accrued almost entirely to the landowner and/or developer. There is a strong case to be made that as the state (or the public realm) plays a significant role in facilitating that “planning gain “(including the investment of a significant amount of public funds) should instead be shared fairly and efficiently with the state, providing local authorities with the funds to build more social housing, as well as associated amenities and infrastructure.

In some ways this is already partly considered through the existing s.106 agreements that enable local authorities to negotiate with developers to secure contributions to mitigate the impact of development. This may be through provision of affordable housing or improvements to community infrastructure. Yet these planning obligations must relate directly to the proposed development and cannot help with financing wider community infrastructure needs<sup>77</sup>.

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<sup>74</sup> Land Value Capture: Potential and Limits. <https://www.asocialdemocraticfuture.org/land-value-capture-potential-and-limits/>

<sup>75</sup> House of Commons Housing, Communities and Local Government Committee Land Value Capture Tenth Report of Session 2017-19. <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/766.pdf>

<sup>76</sup> Home Truths: The UK's chronic housing shortage - how it happened, why it matters and the way to solve it. Liam Halligan. Pg.241

<sup>77</sup> Land Value Capture. [https://www.landcommission.gov.scot/downloads/5dd6a24c0c1d6\\_Land-Focus-Land-Value-Capture-May-2018.pdf](https://www.landcommission.gov.scot/downloads/5dd6a24c0c1d6_Land-Focus-Land-Value-Capture-May-2018.pdf)





The use of a type of land value capture was proposed through a Vacant Land Tax as one of the new taxes in Wales following devolution through the introduction of a local land value tax where the uplift in value of land could be captured and invested into local communities<sup>78</sup>. This tax if introduced could be the key to unlocking development and ensuring that we can maximise the amount of finance available to develop at pace in scale here in Wales. We need to be building more homes to ensure everyone in Wales can access a safe, suitable, and affordable home. Land value capture or land value tax is one lever to increase the level of investment needed to meet the ambition of a home for all.

### **The Welsh construction sector's capacity to build new low-carbon social homes, the potential for acquisitions of existing homes and remodelling of existing buildings.**

This point covers several key themes. As such we have split our response into the following themes: the skills needed, tackling empty properties, acquisition of existing homes and remodelling of existing buildings.

#### ***Skills needed to build new low-carbon social homes.***

When we speak to the industry, we are hearing that this lack of clarity around financial options is having an impact on incentivising the sector to upskill the workforce fuelled by the uncertainty in funding streams resulting in low demand from the wider private housing sector<sup>79</sup>. Research by CITB shows that the skills gap is significant with 12,000 additional workers needed across the housing sector in Wales by 2028 primarily to deliver the improvements needed to reduce energy demand. This equates to an 11 per cent increase in the workforce<sup>80</sup>.

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<sup>78</sup> Reforming Local Government Finance in Wales: Summary of Findings.

<https://www.gov.wales/sites/default/files/publications/2021-02/summary-of-findings.pdf>

<sup>79</sup> Energy Systems Catapult. (2020). Towards an enduring policy framework to decarbonise buildings. Retrieved from: <https://es.catapult.org.uk/report/policyframework-to-decarbonisebuildings/>

<sup>80</sup> Building Skills for Net Zero in Wales. [https://www.citb.co.uk/media/bdrbdlmo/b06414\\_net\\_zero\\_report\\_wales\\_v7.pdf](https://www.citb.co.uk/media/bdrbdlmo/b06414_net_zero_report_wales_v7.pdf)



We are currently working with Welsh Government on a development academy to provide the skills and knowledge to local authority development teams to increase their capacity for development. It is also hoped that this work will form part of the vital work of sustaining local authority development careers. Yet this will need investment to ensure that we have the skills to build the homes we need now and in the future.

### ***Tackling empty properties***

There is more work that could be done around the funds available through the Houses into Homes Loans funded by Welsh Government. These loans have been a useful tool in assisting owners in bringing empty homes into use. However, for long term properties the £25,000 loan is not sufficient especially considering rising cost of materials. Also, it is often not the lack of funds to do the work that prevents an empty home being brought back into use such as unforeseen legal issues to an emotional connection to the property. Whilst these loans have helped bring empty homes back into use often it is in the private sector.

Another scheme looking at bringing empty homes back into use and providing affordable homes is the leasing scheme Wales. This scheme is available to property owners who wish to lease their property to the local authority. Where it is needed a grant is available to bring the property up to and agreed standard. Leases are for five to twenty years and properties are to be rented out at the relevant local housing allowance. Sixteen local authorities are currently signed up to the scheme<sup>81</sup>.

The private sector leasing scheme funded by Welsh Government is going well in some areas with more landlords coming forward to take part. Yet in other areas landlords are more reluctant to sign up to the scheme due to the difference between the guaranteed rent and their mortgage costs.

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<sup>81</sup> Leasing Scheme Wales: guidance. <https://www.gov.wales/leasing-scheme-wales-guidance#:~:text=Property%20owners%20will%20benefit%20from,EPC%20rating%20to%20level%20C>.



Whilst there is scope to further expand the scheme in some parts of Wales there is a need to look at the level of guaranteed rent in order to increase the number of landlords signing up to the scheme. This scheme is a valuable part of the solution to increase the supply of adequate affordable housing for families and individuals to move onto reducing lengths of stay in temporary accommodation.

***Acquisition of existing homes and remodelling of existing buildings.***

An RSL or local authority can already purchase existing homes through the social housing grant, and this can be used to provide social rent, supported housing or to provide homelessness accommodation. These properties can be long term empty properties or properties being sold on the open market. We are hearing from our members that in some areas social housing grant is used to purchase properties that were once owned by a social landlord and then being retrofitted to meet WHQS before being rented out as additional social homes in their area. Any existing property bought using social housing grant has to be brought up to Welsh Development Quality Requirements and WHQS.

Alternatively, a property can be purchased using the Transitional Accommodation Capital Programme Grant. If the property does not meet WHQS it can be used for up to ten years before it needs to be sold. Whilst we appreciate there is a need for more suitable temporary accommodation would it not be more equitable to ensure that any empty property purchased with public money meets the same standard. If our aim is to make homelessness rare, brief, and non-repeated then it makes more sense that any property purchased to provide affordable housing meets the same standard no matter how it is funded.



## How local communities can be effectively engaged in social housing developments in their areas.

One consequence of not effectively engaging with communities when new developments are proposed is stigma or opposition to a development. Though often this is just fear of the unknown with any opposition no longer an issue once people move in. Even though this is the case stigma is a very real issue when considering new developments in an area. Tyfu Tai Cymru's research into housing need and desirability recommended that we need to look at ways we can eradicate stigma including:

- Registered Social Landlords and local authorities should work collaboratively to raise awareness of different housing tenures and their role in our housing market.
- A myth busting education programme is needed which focuses on "who" in the community could be in housing need and the importance of social housing provision to form part of a national campaign to end the stigma around social housing.
- Ensure consistent language is used around social housing when interacting with communities where new social homes are to be developed.
- Use different communication methods as part of a jargon busting process around the language used when looking at developing new homes.
- Develop a commonly used terminology guide as part of standardising the language used around social homes and development.
- Improve the community understanding of what Social Housing is and the positive impact it can have on the community<sup>82</sup>.

Whilst these are key to ensuring we eradicate stigma the way we design our homes also matters so that they blend in with the existing homes within a community<sup>83</sup>.

Our Tyfu Tai research also recommended mandating that community engagement becomes part of the social housing grant process. This would include taking the good practice example of Cwmpas and its community led housing development. This brings people together to decide the type of homes and communities they

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<sup>82</sup> Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

<sup>83</sup> It's not okay August 2020 A guide to tackling stigma in social housing. <https://www.cih.org/publications/its-not-okay-a-guide-to-tackling-stigma-in-social-housing>



would like to live in. Recognising that communities play an essential role alongside councils, developers, and investors to develop affordable homes that meet local community needs<sup>84</sup>.

An assessment of community needs should also consider existing community infrastructure as often opposition to a new development stems from concerns that extra people living in an areas could impact school places, transport systems or timely access to a G.P. Where is it is necessary to provide new community infrastructure tenants and residents involved in the Tyfu Tai research into housing need and desirability highlighted the fact that it needed to be in place at the same time as the new homes. It was no good providing the new homes and then six months later the additional community infrastructure. People also wanted community spaces to be provided so that community events could take place as part of developing a community not just some buildings.

It is vital that as we develop new homes exiting communities are involved from conception to completion so that the homes built not only meet housing need but also help integrate people into existing communities that are supported and cohesive. This will also help remove opposition and stigma resulting in spaces where individuals want to live, work and play.

## Conclusion

As outlined in our response there is a very real housing crisis in Wales. In order to tackle this, we need to increase housing supply. But how much extra housing supply is needed? Welsh Government currently has a target of developing 20,000 new low carbon social homes this Senedd term. Set at a time when homelessness levels were lower and there was a higher level of housing affordability in the wider housing market. This has now changed, and we now have rising homelessness

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<sup>84</sup> Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>



and an increasingly unaffordable housing market. So, there is a need to recalculate the number of affordable homes that are needed in Wales to meet the increased demand. However, we are clear that this is not just social housing. This is social housing plus homes at intermediate rent or low-cost home ownership. One such way to do this is to mirror the work of Tirion homes who develop housing schemes that provide market sale homes, low-cost home ownership intermediate rent and social rent homes as part of one development to not only meet the wider housing needs but to help build community cohesion.

We have also outlined some of the challenges faced by social landlords to increasing supply together with some of the wider structures impacting the ability for increased development of much needed homes. However, many of these issues are faced by the whole housing sector. As such there is a need for there to be a whole housing system approach to developing new homes at pace and scale.

CIH Cymru believes that housing must become a foundation mission of Government in Wales if we are to achieve our shared ambition of providing a suitable, secure, and affordable home for everyone which will improve health outcomes, reduce poverty, and increase economic activity throughout Wales. Despite this, our analysis of the 2023/24, budget expenditure lines shows that around 4.6 per cent of the total budget is being spent on housing which CIH Cymru does not believe reflects the seriousness of the housing crisis that we are currently navigating as a nation.

One way that we can increase the level of investment into the provision of affordable housing is to look at the introduction of land value capture or a land value tax. This was initially proposed as one of the proposals for new taxes when tax raising powers were devolved to Wales. CIH Cymru would welcome a revaluation of the introduction of this tax as a way to increase investment into social and affordable housing in Wales to ensure we can provide safe, suitable, and affordable homes at pace and scale.



In addition to there being a need for more monies to help navigate the housing crisis we also need a whole system strategic approach to overcome the challenges in the current system and make the best advantage of opportunities a change in approach can provide. CIH Cymru believes that the mechanism for this strategic whole system approach is legislating for the right to adequate housing together with a housing strategy that outlines how we are to work together to progressively realise this right. Enshrining the right to adequate housing can only benefit Wales and help deliver an equitable Wales. A Wales where everyone can access a safe, suitable, and affordable home.

## About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we conduct to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: [www.cih.org](http://www.cih.org).

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April 2024



Chartered  
Institute of  
Housing  
Cymru



# Agenda Item 3

**This is the WLGA's submission to the Senedd Cymru Local Government and Housing Committee's inquiry into "Social housing supply".**

## **Welsh Local Government Association - The Voice of Welsh Councils**

We are The Welsh Local Government Association (WLGA); a politically led cross party organisation that seeks to give local government a strong voice at a national level. We represent the interests of local government and promote local democracy in Wales.

The 22 councils in Wales are our members and the 3 fire and rescue authorities and 3 national park authorities are associate members.

## **We believe that the ideas that change people's lives, happen locally.**

Communities are at their best when they feel connected to their council through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows communities to thrive.

**Our ultimate goal** is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

## **We'll achieve our vision by**

- Promoting the role and prominence of councillors and council leaders
- Ensuring maximum local discretion in legislation or statutory guidance
- Championing and securing long-term and sustainable funding for councils
- Promoting sector-led improvement
- Encouraging a vibrant local democracy, promoting greater diversity
- Supporting councils to effectively manage their workforce

This is the WLGA's submission to the Senedd Cymru Local Government and Housing Committee's inquiry into "**Social housing supply**". The response is framed around the inquiry's terms of reference.

- 1. Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need**

Councils with housing stock are playing an increasingly important role directly developing a growing number of these much-needed new homes, and all Councils continue to work with their Registered Social Landlord (RSL) partners to ensure that new homes meet strategic housing needs. Increasing numbers of Council homes are being delivered, supported by the end of Right to Buy, and the ending of Housing Revenue Account Subsidy System in 2015. For further information see - [Exiting from the Housing Revenue Account Subsidy System - WLGA](#)

WLGA hold no evidence of the extent to which 20,000 additional homes will meet housing need. However, at a local level, Local Housing Market Assessments can provide a picture of housing need, identify annual delivery targets, and allow comparison with the final delivery of additional homes.

## **2. The challenges faced by social landlords in increasing supply**

The Welsh Government budget contains significant capital funding to support the development new social rented homes by Councils and RSLs, with £1Bn in total across the previous, current and next financial year covered by the budget.

However, even with record levels of investment support and borrowing by Councils and RSLs, there are many growing challenges to developing enough new homes including the availability of land, phosphate restrictions, rising costs of materials and associated build-costs, constraints on the supply of materials, contractor availability, shortages in necessary key skills, capacity within some Council functions, capacity within utility companies, etc.

Local Authorities receive Social Housing Grant in arrears. This differs from the funding regime for RSLs, which allows them to claim grant up front. This has a financial impact on the viability of schemes for local authorities.

## **3. How housing standards and decarbonisation affect the delivery of new social housing**

The current Welsh Development Quality Requirements provide a framework for ensuring a uniform quality of design of new social housing and represent a lighter touch when compared with the more prescriptive previous versions. They do however contain challenging requirements in relation to energy performance and the choice of fuel source which, whilst delivering low-carbon energy-efficient homes, can cost more to implement in new builds and this will have an impact upon the scale of delivery unless fully reflected in the level of financial support available to Community Landlords.

There is a potential trade-off between the quantity of social housing and the quality. Increasing standards can improve quality but can also add to costs and thereby reduce the quantity that can be built from a set amount of funding. However, this is not necessarily always the case. Ensuring low carbon heating is installed from the outset as part of a new build design may not involve a significant increase in cost and potentially avoids expensive

retrofit at some point in the future. For example installing gas boilers and associated pipework and radiators may currently be slightly cheaper upfront. However, at some point the pipework and radiators may need to be changed, with disruption for tenants if heat pump technology ultimately replaces the gas boilers. That cost and inconvenience can be avoided by installing low carbon heating from the outset. Likewise, installing solar panels on new build (where suitable) will increase upfront costs but will also reduce lifetime costs. Higher electricity bills that can be experienced with heat pump operation can be offset by generation of solar energy and possible use of battery storage. Upfront capital costs would need to be repaid, but over their life the panels could be part of a better overall outcome. Greater certainty over the resourcing of the future grid would have a positive impact on the development of social homes, by ensuring appropriate investment in appropriate technologies, etc.

There is increasing interest in heat network and networked ASHP and GSHP solutions for domestic heating, especially where these serve a group of social housing units managed by a council or RSL. These networks raise a range of issues around regulation that Ofgem is currently investigating (e.g. should regulation be in relation to price? temperatures achieved/provided? a mix of both?) and liabilities (e.g. in the case of system faults; issues over who has the contractual relation with the heat provider – property owner or tenant?). Residents' concerns will need to be addressed too (e.g. fears over price increases once 'locked in' to a heat network provider; who to contact if there is a problem). Provided these can be overcome, they could offer efficient solutions that are not necessarily more expensive.

Training will be vital though so that installers are available in sufficient numbers and familiar with the technology. They (or landlords) need to be able to explain to tenants how to use the equipment to optimum effect (although increasing automation and smart systems are helping here and should reduce the dependence on tenants' understanding/actions over time).

Increased demand around decarbonisation for existing Council and RSL stock may result in a challenge on investment between existing stock and new build developments. WHQS23 will require a huge investment in stock which in turn means the labour market must resource this as well as new build

#### **4. The opportunities and risks in increasing government borrowing and institutional investment**

There is no evidence of any current appetite for Councils borrowing from anywhere else other than the Public Works Loan Board to support social housing development.

## **5. How effectively the planning system is supporting social housebuilding**

All local planning authorities have had at least an initial Local Development Plan in place, with many authorities now progressing replacement LDPs. This has provided an effective framework for the planning and delivery of social housing. However, there are a number of issues within the planning system that may mean that it is perceived as being less supportive than it could be (e.g. lack of capacity to process applications, complexity in the planning system, delays in the consultation and approval process). The quality and completeness of submitted applications can also be a significant determinant of effective progress through the planning system.

## **6. How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase**

No comment

## **7. The potential for increasing income from land value capture mechanisms to invest in social housing**

No comment

## **8. The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings**

Lack of availability of contractors is an issue identified by many local authorities across Wales. In the Welsh Government Construction Forum on 15 April 2024 a number of issues affecting the capacity in the construction sector were discussed, including:

- The complexity of the procurement process, it is too transactional, especially for SMEs and many practices (such as the use of Sell 2 Wales) are inconsistent.
- There is a skills crisis in the industry, and also issues around retention rates.
- Visibility of the pipeline/workload is poor.
- Escalating construction costs, often actual costs far exceed those planned and budgeted for.
- Needs to be more consideration for private sector housing, all the narrative seems to be around the delivery of social, affordable housing.

A key issue here is for the industry to have certainty. The UKG recently decided to delay the gas boiler ban in new builds from 2025 to 2035. So by 2035, gas boiler installations are expected to be phased out completely for new housing. As that date approaches the industry will have to gear up and train installers. However, by delaying, there is a risk that new builds will continue to install gas boilers for a considerably longer period as they typically have a life of 10-15 years. In social housing there is the opportunity to choose to fit only low carbon heating but the wider industry may not have the necessary capacity if it delays gearing up more generally until closer to the ban.

Acquisition of existing homes, often former RTB properties, has been a very welcome and useful flexibility for Councils and RSLs, supported by the Welsh Government's Transitional Accommodation Capital Programme (TACP), as well as the mainstream Social Housing Grant (SHG) Programme. TACP has also supported the remodelling of existing buildings in a number of areas. The continuation of these approaches, and the related funding programmes, would be welcomed by Councils.

**9. How local communities can be effectively engaged in social housing developments in their areas.**

In 2022, the Senedd inquiry into Community Assets made a series of recommendations to help maximise opportunities for greater community empowerment. Revisiting the recommendations would help to understand if/how they are being implemented and what additional work needs to be undertaken to improve engagement: [Community Assets \(senedd.wales\)](https://www.senedd.wales)

A good starting point for some of this will be at the Senedd's Cross Party Group for Co-operatives and Mutuals on 1 May, which is looking at co-operative and community-led housing models and how they can be a key housing solution in Wales. Attendees will hear from the project manager at Cwmpas' Communities Creating Homes project, Dr Tom Archer from Sheffield Hallam University who has researched this model in the UK extensively, and from groups who have developed community-led housing projects in Wales.

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Welsh Local Government Association

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## Swansea Council response to Senedd Inquiry into Affordable Housing Supply

April 2024

### Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need

The Swansea Local Development Plan (LDP) Annual Monitoring Reports have tracked affordable housebuilding since the LDP was adopted in 2019/20 and the annual build by tenure of affordable housing in Swansea is shown below.

Year	Number built all AH	Number built Intermediate	Number built Social rent
2019/20	199	51	148
2020/21	209	29	180
2021/22	149	36	113
2022/23	206	35	171

Source: LDP AMRs

### The challenges faced by social landlords in increasing supply

Developers in general across Wales are experiencing significant issues in delivering housing sites. The Swansea LDP Annual Monitoring Reports have reported there have been highly exceptional circumstances that have influenced the above outcome over the last 2-3 years. In particular, at times within this period dwelling completions have been affected by the COVID-19 crisis impacting on site operations (closure of sites and social distancing). There have also been labour supply issues, inflation and rising costs of materials and extended lead in times due to supply chain problems (including steel shortages; and impacts from Brexit with 60% of materials in the construction sector imported from the EU according to a report from the Chartered Institute of Housing, with the figure being even higher for softwood)<sup>1</sup>.

Further factors which have affected housebuilding are the impact of national changes in sustainable drainage requirements; and increased ecology requirements in terms of delivering net biodiversity enhancement which have all had to be incorporated into the masterplanning process on sites and impacted on viability and in some cases delayed deliverability.

Highways and SUDS approval processes, which are separate from the planning system, add further significant hurdles for developments to get through post planning consent, causing delays and in some cases schemes needing to be altered (see

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<sup>1</sup> Survey of Small and Medium Enterprise housebuilders in the UK (HBF January 2022 press release); and Four of the biggest factors impacting Welsh housing development (August 2023 Community Housing Cymru)

Welsh Government's post-implementation review of Schedule 3 of the Flood and Water Management Act).

Phosphate related challenges have impacted development in parts of Wales, though not Swansea currently.

Sites are taking longer than expected to get on site as a result of these issues.

In terms of Council housing development, the main challenge has been availability and suitability of land. Swansea's approach has been to focus development on existing HRA land holdings. There are a number of reasons for this including our aim to provide regeneration opportunities on existing estates by utilising these plots which would be unattractive or unviable for private developers and RSLs. However, these sites have high levels of abnormal costs associated with them, which is driving up development costs. The WG's Land and Building Development Fund has been a very useful source of funding to bring down development costs on difficult sites and make schemes more affordable to deliver.

Local Authorities receive Social Housing Grant in arrears. This differs from the funding regime for RSLs, which allows them to claim grant up front. This has a financial impact on the viability of schemes for local authorities.

### **How housing standards and decarbonisation affect the delivery of new social housing**

Over the past 5 years, Welsh Government has developed ambitious strategic policies to increase the supply of social housing at the same time as extending the requirements of the Welsh Housing Quality Standard to decarbonise 231,000 existing social properties in Wales. Whilst Swansea Council strongly supports the aim to decarbonise homes in order to achieve carbon reduction targets, the HRA Business Plan does not have sufficient financial resource to meet the Government's twin policy objectives of increased supply and decarbonisation of existing stock whilst maintaining WHQS compliance.

When the draft WHQS2023 was issued for consultation in May 2022, social housing providers and their representative bodies advised Welsh Government that decarbonisation of existing stock was unaffordable and unachievable by its target date of 2033. Feedback highlighted adopted regulations would need to be underpinned with direct long term grant subsidy to make the programme financially feasible.

Whilst achieving higher standards are easier to achieve for new build properties, this does come with significant cost increases. Whilst the Innovative Housing Programme provided grant funding to enable inclusion of whole scale renewable systems, Council's & RSLs are now looking to reduce specifications to minimum requirements to reduce costs and improve scheme viability.

## How effectively the planning system is supporting social housebuilding

National planning policy, Planning Policy Wales (PPW), states that a community's need for affordable housing is a material planning consideration which must be taken into account in formulating development plan policies and determining relevant planning applications. The Council has evidence-based market and affordable housing policies in its Local Development Plan (LDP) in-line with Planning Policy Wales and Future Wales (FW), the National Development Plan. FW also requires planning authorities to explore all opportunities to increase the supply of affordable housing.

The Swansea LDP has a target for affordable housing provision, expressed as numbers of homes, based on the expected contributions from the policy approaches identified in the development plan, which are:

- i. Evidence based area targets for on-site provision of affordable housing to be delivered as part of residential proposals where appropriate and viable;
- ii. Allocating six Local Needs Housing Exception Sites, which will deliver local needs affordable housing as a majority proportion of homes on such sites, supported by a minority element of market housing to meet local need; and
- iii. A policy framework for determining 100% affordable housing exception sites

It should be noted that the Swansea LDP led subsequent national policy in allocating majority affordable housing sites in the plan, which has since been encouraged in FW. These sites have been successful in delivering affordable homes with two of the six sites fully completed (delivering 67 affordable units), one well under construction (to deliver 16 AH units), and two at pre planning application stage.

The LDP provides a clear policy framework for the determination of edge of settlement sites proposed solely for the delivery of affordable housing as an exception to the normally strict controls on development proposals outside of the settlement boundary. This new framework has supported the delivery of planning consent for 3 affordable housing exception sites since the LDP was adopted. The LPA has taken the approach of requiring social rented tenures on these sites to ensure the units themselves remain affordable in perpetuity.

The LDP Annual Monitoring Reports have tracked planning consents that deliver elements of affordable housing since 2019/20 and the annual number of units granted consent is shown below. Significant numbers of affordable homes have been consented.

Year	Number of AH units granted planning consent
2019/20	840
2020/21	273
2021/22	254
2022/23	149

Source: LDP AMRs



The number of affordable units secured through planning permissions in each year varies as it is reflective of the nature of the schemes that have been approved during that 12 month period (in terms of scale and whether they are private developer led or Council/RSL schemes), while the tenure split in terms of the type of affordable (social rent v intermediate) is reflective of several factors such as the housing need at the local level and scheme viability.

For example, in 2022-23 the applications which secured affordable housing were all non-strategic scale sites, and the sites consented at the larger end of this scale were private developer led sites where only a proportion of the site will be affordable homes (in-line with LDP affordable housing policy). Therefore the figures were relatively lower in this year compared to previous. While significant collaborative work continued between the Council and site developers in progressing large Strategic Development Area (SDA) sites in 2022-23, no planning consents were granted on SDAs in this 12 month period. SDAs provide housing on a much larger scale and consequently the proportion of affordable units secured on them is much larger in quantity. In contrast to 2022-23, consents granted on SDAs secured a large number of affordable units in the previous year (SD B Garden Village) and in the year before (SD C Land at Parc Mawr, Penllergaer) on these single sites.

The LPA continues to work closely with site promoters for example on part of SD H Land north of Waunarlwydd at Fairwood Terrace, Gowerton; and SD A Land South of Glanffrwd Road, Pontarddulais to progress towards the determination of those planning applications in 2024; and to progress other allocations to planning applications such as on and SD E Land north of Clasemont Road, Morriston, in addition to non-strategic scale sites, with the aim of increasing the number of affordable homes secured during future years.

### **The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings.**

Swansea Council new build schemes to date have been constructed by our in-house Building Service Teams so we have limited experience of the capacity and appetite of the construction sector in delivering social housing schemes. However, we have a number of schemes in development which will provide the opportunity to test the market.

Swansea Council has been active in utilising existing buildings to increase our stock – largely focussed on property that is within the Council's ownership. Examples include: former Social Services respite units, decommissioned housing offices and a former Education Centre. Whilst this approach has provided relatively low numbers typically ranging between 2-10 units, they have been delivered at relatively low cost and provided new units in a significantly shorter time period than a new build development. Swansea Council also has an active programme to buy back former Council properties bought under the former Right to Buy legislation, which is

enabling us to add additional housing stock at a much quicker pace than new build developments. We intend to continue with this mixed strategy (new build developments, property conversion and acquisitions) in order to address housing need in Swansea.

We are engaged with the Welsh Government's Net Zero Design Project, along with a number of other social landlords in Wales, working with Stride Treglown Architects to develop a national pattern book of low carbon house designs for use across the sector. We believe that the outcomes of this work will provide valuable information regarding the cost of developing to low carbon standards, which should inform the social housing sector's and the Welsh Government's understanding of the costs attached to achieving these build standards. One of the aims of this project is to engage with the construction sector and suppliers to help stimulate the market. The intention is that if there is a standard approach to house design used by a significant proportion of the social housing sector then this will improve the supply chain across Wales.

**How local communities can be effectively engaged in social housing developments in their areas.**

Effective pre application consultation (PAC) in the planning system provides the opportunity for developers to involve surrounding communities, though the earlier the engagement can happen the better in the formulation of designs and making of places.

**How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase.** No comment

**The opportunities and risks in increasing government borrowing and institutional investment.** No comment.

**Senedd Cymru Local Government and Housing Committee**  
**Inquiry into Supply of Social Homes**  
**April 2024**

Thank you for the opportunity to provide a written statement to contribute to the Inquiry into Supply of Social Housing. Please find below the written response from Conwy County Borough Council (CCBC).

**1. Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need**

In Conwy the Social Housing Grant (SHG) and Transitional Accommodation Capital Programme (TACP) grants programmes have delivered 203 affordable homes of which 134 were social homes for rent during the current Senedd term (2021). There have been challenges to delivery as a result of the pressures experienced by contractors (see response to question 2 below) but there is now a significant pipeline for delivery of social homes in the county. Availability of grant will be key to delivery of additional homes at pace.

For any new build social housing requirement, the emerging Replacement LDP is progressing an affordable housing policy framework to meet need and maximise affordable housing delivery. This policy framework will support both RSLs and private developers.

A significant level of housing need has been identified by the Local Housing Market Assessment and calculations are currently being run through the model to identify the annual requirement. However, it should be noted that the need identified in the Local Housing Market Assessment is not a new build target, and is the number of households in affordable housing need. The need to deliver market housing to avoid general affordability housing issues is not always recognised, neither is the role of market housing in delivering social need through the private rental sector and Local Housing Allowance. Work to increase the levels of private rentals could have a positive impact on social

registers through increasing rent affordability and also providing an alternative to households eligible for social housing.

## **2. The challenges faced by social landlords in increasing supply**

The social housing sector have faced considerable challenges in increasing supply. There have been issues with contractors going into administration leading to lengthy delays on schemes.

There have been increased costs from new requirements such as EPC A and renewables. Issues with shortage of skills and increased labour and material costs resulting in higher development costs.

Private developers contribute towards new affordable housing provision through the planning process. RSLs have reported to CCBC that the ground rent charged on new dwellings by the majority of house builders are too high for most social tenants to be able to afford. The RSL must cover the cost in this instance. The cost is covered by the tenant for intermediate rent and low cost home ownership properties.

RSLs operating in CCBC will not take on a leasehold property. We have recently sought provision from a development of flats, but no RSL was willing to take these properties on due to the unpredictable nature of costs. There is a high need for small units in Conwy, which tend to be flats.

CCBC RLDP is working with RSLs to obtain evidence to ensure that the new policies will enable delivery of affordable housing and remove as many challenges as possible.

## **3. How housing standards and decarbonisation affect the delivery of new social housing**

CCBC have recently updated evidence base on development viability for private developments to inform the RLDP. There are increased costs involved for social units that are not there for open market. This has a knock on effect on what can be provided on sites overall. It may be possible to provide further provision with lower cost standards, however, this is likely to impact on other

priorities such as accessibility, longer term needs, affordability of energy bills and zero carbon needs.

Increasing housing standards and decarbonisation requirements for market housing would level this playing field, but the increased build costs is likely to negatively impact on the viability and affordable housing requirements assumed in the RLDP.

New standards for social housing such as the installation of sprinklers and achieving EPC A has increased construction costs considerably. This coupled with the fact that some technology is still unproven and also lack of skilled labour has caused delays in development schemes and as a result increased overall costs.

Increased demand around decarbonisation for existing RSL stock may result in a challenge on investment between existing stock and new build developments. WHQS23 will require a huge investment in stock which in turn means the labour market must resource this as well as new build.

#### **4. How effectively the planning system is supporting social housebuilding**

CCBC is currently preparing the Deposit stage of the Replacement LDP. RSLs have had opportunity to share their views on affordable housing and other policies in the LDP, which affect housebuilding. This will continue throughout the process. We have held meetings with RSLs, including a workshop where in-depth discussion was had around the barriers to delivering affordable housing, and how the RLDP could help.

The new RLDP will include a new Framework of affordable housing policies, which seek to maximise delivery, and support housebuilding through the planning system as much as possible. Areas covered include:

- a. Provision of 50% sites
- b. 100% exception sites – no site threshold will be set, and they will be allowed (subject to set criteria) in all rural areas, and areas outside of

settlement boundaries. The current plan only allows for them in rural areas.

- c. Review of planning obligations and justification of whether RSLs need to provide for new school places for example.

The adopted LDP allocated land that was Council and WG owned to enable these sites to come forward through the planning process more smoothly. In reality, deliverability has remained an issue, with most of these sites undeveloped. This is due to issues that largely fall outside of the planning process.

There is a close working relationship between the Strategic Planning Policy Service and Housing Strategy to ensure that evidence base is robust and up to date. This helps to provide a consistent approach for planning applications. There have been sites in the past where SHG was allocated to them, but they did not comply with planning policy. Early steer is now given from planning policy and/or Development Management to avoid this occurring again.

Strategic Planning Policy and Development Management are part of an Affordable Housing and Homelessness Programme set up by CCBC to prioritise the delivery of public owned sites for affordable housing. This has recently been expanded to include other RSL sites. This early engagement is considered positive, so that any potential planning issues are addressed early on, and schemes can progress more quickly through the planning application process.

However, there are difficulties in the ability of some local planning authorities to be able to determine applications and enquiries quickly. Resources are needed to ensure effective service provision to help with the delivery of affordable housing. Planning fees haven't increased in line with inflation for many years meaning extra pressures and slower delivery times. There are challenges with recruitment and retention of key officers.

## **5. How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase**

The RLDP will be promoting higher levels of affordable housing delivery on public owned land.

Surplus council owned assets identified and progressed via our Disposal & Acquisition Policy have and continue to be shared with housing colleagues to be considered for affordable/social housing. Where such opportunities exist and are to be progressed, these assets then form part of a Project under the Housing & Homelessness Programme Board for delivery with RSL partners.

At present, due to existing opportunities within the CCBC asset base, there has been limited need to explore acquiring 3<sup>rd</sup> party interests via CPO.

Notwithstanding the above, capacity and capability to progress a CPO would need to be procured, and the financial resource to progress and acquire would need to be secured.

## **6. The potential for increasing income from land value capture mechanisms to invest in social housing**

Land values from disposing of CCBC lands which are not appropriate for social housing could be prioritised for social housing investment on other more appropriate sites however this will need to be balanced against other council pressures.

## **7. The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings**

The RLDP must demonstrate deliverability of the strategy and dwelling numbers. Lack of capacity in the construction industry can affect this. Private developers operating in CCBC have confirmed that they have capacity to deliver the 240 dwellings per year set in the Conwy RLDP.

TACP has provided a great opportunity to deliver additional social homes at pace. However, existing buildings are difficult to convert and meet WDQR and required energy standards. There are town centre sites in Conwy which could provide conversion to social units, but this isn't possible due to the

standards required. In addition the parking requirements through planning make town centre focus challenging. We have been aware of examples where RSLs have been unable to bring ex-council properties back into use as social homes because they cannot meet required space or energy efficiency standards.

Better use of existing stock will be required in future to meet the level of households in need. In order to make the best use of the opportunity for acquisitions through TACP to contribute to the overall target a more flexible approach to some aspects of WDQR and energy requirements would overcome the barriers above.

#### **8. How local communities can be effectively engaged in social housing developments in their areas.**

There are various stages of consultation in the RLDP Regulations. There is often misunderstanding in local communities regarding what is an 'affordable home' which we are addressing through close working on consultations on key plans such as the Replacement Local Development Plan and the Local Housing Strategy. Whilst in many cases there is general understanding that there is a significant housing need there may be resistance due to other local pressures.

The planning application process is also a good way for local communities to comment on applications in their area. In addition to this, for major development RSL's need to carry out a pre-application consultation with local ward members and the community this is an opportunity for RSLs and developers to embrace this consultation process and engage with the community.



### **Senedd Committee on Social Housing Supply 2024**

#### **Written Evidence, April 2024**

**David Ward, CEO, Tirion Homes,**

### **1.0 Tirion Background**

1.1 Tirion is a not-for-profit Community Benefit Society formed by Welsh Government and Principality Building Society in 2012. Tirion was created to provide a vehicle to deliver large regeneration projects with a focus on affordable housing and using Institutional investment negating the need for Social Housing Grant. Tirion will complete:

- The Mill in Cardiff this summer which provides 845 mixed tenure homes 448 of which will be affordable including 124 Social Rent properties;
- Royal Victoria Court in Newport in Q1 2025 for 536 mixed tenure homes 268 of which will be affordable; and
- Parc Eirin in Tonyrefail in 2026 (phases 1-3 already complete) providing 215 mixed tenure homes, 134 of which will be affordable and include net-zero energy infrastructure.

1.2 Tirion projects are being delivered in collaboration with WG, PBS, M&G Investments Ltd. and RSLs to deliver the best outcomes possible in line with WG policy. Crucially WG has provided loan finance and a guarantee to enable the projects to proceed. The projects will:

- provide mixed tenure housing including social rent;
- be completed without Social Housing Grant;
- offer secure contract tenancies;
- adhere to WG space and performance standards; and
- draw down long-term finance from M&G Investments Ltd which will be used to pay back WG loans.

1.3 The 50-year debt finance from M&G obligates Tirion to deliver the highest standards of tenancy management and planned/reactive maintenance. On retirement of the debt the properties will revert to Tirion, or other partners, to guarantee their affordability status in perpetuity.

### **2.0 Housing Market Context**

2.1 Lack of supply across all tenures has seen both house prices and private rents increase to an extent where affordability is a key issue for a growing proportion of the population particularly where wage growth is not matching property cost increases. This is exacerbating need across all affordable tenures.

- 2.2 Increases in interest rates over the last 18 months has affected affordability in the first time buyer market and whilst rates have stabilised it is clear we will operate in a higher interest rate environment for the foreseeable future probably returning to historic norms of 3-5%. The IMF has recently forecast that interest rates in the UK will remain at around 4% until 2029. This is pushing more people into a restricted and somewhat overheated rental market which in turn will inevitably increase pressure for more affordable housing. Whilst house prices have decreased in Wales by 3.6% from their peak in late 2022 they are projected to rise by 21.4% over the next 5 years (Savills) meaning an increasing number of people will be forced to consider renting as their only option.
- 2.3 Historically rental costs in Wales have been well below the 30% affordability threshold (household income spent on rents). However, since the Pandemic new let rents have risen by 36% (Savills). In 2023 new lets rose by 9.5% and all lets by 7% (Zoopla). This is illustrated at The Mill in Cardiff where our discounted market rents were set at 80% of open market in 2020. Despite CPI plus 1% increases in the intervening years some units now have rents just above 60% of the open market demonstrating how quickly rents are rising above inflation. It is clear that private rents are becoming unaffordable for the majority seeking to rent in popular markets such as Cardiff and Newport.
- 2.4 The interrelationship between all housing sectors is complex. For example, lack of supply of intermediate rent is creating pressure for social rent as those who cannot afford private rent shift directly to social rent waiting lists instead of accessing intermediate rental properties within their affordability spectrum. It is clear that if housing need is to be addressed then WG, RSLs, LAs, Tirion, housebuilders, contractors and private investors need to collaborate to maximise the delivery capacity of the entire housing sector across all tenures.

### **3.0 Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need**

- 3.1 5775 units were delivered in the first two years of the WG programme but this included refurbished and properties purchased directly by RSLs from the private sector. Research (Savills) shows that an average of 3600 homes were required from 2019 and this target was only met in 2021 (including all tenures with 2443 being social rent). 2023 was the second best year for delivery but was still 5% short of target. Projections (Savills) for 2024 suggest delivery will fall back further. The trend of RSLs purchasing completed private sector homes with grant improves tenure balance but does not address overall supply.
- 3.2 Intermediate rent typically accounts for less than 10% of affordable homes being delivered which represents a huge opportunity, not least for securing institutional investment. The lack of supply of intermediate rent creates unnecessary pressure for social rent by creating a significant gap between the private rental market and the social rented sector.
- 3.3 The impact of inflation, tightening credit markets, slowdown in private housebuilding and lack of capacity in the construction sector means there is little prospect of the 20,000 target being achieved. This is exacerbated by huge pressure on Local Authorities to provide temporary accommodation for homeless individuals and families. Even if the 20,000 target is met it will not be sufficient to meet growing need and the historical backlog in affordable homes delivery.
- 3.4 Savill's research suggests that if the 3600 annual requirement is projected back to 2011 then there is a likely backlog requirement for an additional 12-14,000 affordable homes. If this is the case then at least 5,000 new affordable homes need to be delivered per annum for the next 10 years. Taking current Acceptable Cost Guidance and the traditional intervention rate of 58% then this would require a Social Housing Grant Programme of around £750m per annum to deliver this level of social rented stock. Even if this level of Welsh Government support was available, a combination of the factors that have hindered progress towards the 20,000 target, combined with the challenges discussed below, means the Welsh Housing Sector does not currently have the ability to deliver against this level of need.

3.5 There is an argument that the 5,000 per annum target is conservative as it does not take full account of the impact of the temporary accommodation crisis facing many Local Authorities.

#### 4.0 The challenges faced by social landlords in increasing supply

4.1 Many delivery challenges are shared by the entire housing sector. These include:

**Cost inflation** – the construction sector has seen unprecedented cost inflation as a result of a combination of factors including Brexit, the Pandemic and conflict in Ukraine all of which impacted supply chain and labour costs. This is illustrated by inflation of our Parc Eirin Scheme where costs rose 25% between December 2021 and April 2023, severely impacting the viability of the project.

**Development / Construction Capacity** – There is a lack of availability of resources and skills not just in the Welsh construction sector (which has suffered some notable corporate failures in recent years) but also within organisations promoting projects where project/construction management skills are scarce. Given the size of the Welsh construction sector it is inevitable that construction companies from outside Wales will need to be engaged alongside ongoing support for growing the sector in Wales. Deployment of Modern Methods of Construction (MMC) could assist in capacity but will largely be dependent on the provision of a secure pipeline of orders for the sector. Again there have been several notable UK Corporate failures in the MMC sector in recent years.

**Utilities** – Securing servicing / adoption agreements with utility providers is a time consuming and expensive process. Furthermore the move towards net-zero relies extensively on National Grid capacity to deal with all-electric solutions for heating and hot water. This capacity is often unavailable without significant reinforcement which may not be affordable and, at best, adds delay / impacts viability. Engagement with energy providers is critical in ensuring capacity is available to support housing growth areas and investment programmes are targeted to areas of highest demand.

**Development Constraints that impact viability** – Most of Wales operates in marginal markets and development constraints often make projects unviable. Good examples are the impact on net-developable areas of SUDs regulations and phosphate mitigation requirements for schemes in rural locations. Recognition of these factors in national infrastructure investment programmes and the planning process will be increasingly important if we are not to leave communities behind where viability is the key inhibitor to development.

**Statutory approvals** – Planning remains a major impediment to delivery and, in particular, the pace of delivery (see below). In addition highways and drainage agreements/adoption are also a major factor that exacerbates delay. Inflexibility of statutory providers often adds unnecessary costs to development.

4.2 Challenges more specific to Social Landlords include;

**Viability** – the tightening credit market and higher interest rates has impacted the viability of new projects and increased the reliance on grant. In addition, RSLs must comply with their debt funders financial covenants which have become more onerous thereby reducing financial capacity. RSLs have significant restrictions on their Balance Sheet exposure which makes it much more difficult for them to deliver major regeneration projects. Indeed this is one of the main reasons WG and PBS created Tirion in the first place. Financial constraints are not going to loosen any time soon which means it is imperative that new sources of finance are secured to accelerate delivery.

**WG Standards** have undoubtedly guaranteed new homes quality where SHG is used. However, associated increased costs have largely been borne by the SHG programme meaning less homes are being provided per £ spend of SHG. One recent example is a scheme for 48 1bed apartments for

social rent which has attracted around £10m of SHG. This emphasises the need to secure more institutional investment so that SHG can target schemes and communities most in need;

**Transition to net zero** is a significant cost challenge. Part L compliance adds between £7k and £12k costs per unit and reaching net-zero performance adds a further £8-£12k. In most markets in Wales these costs cannot be borne as a construction cost whilst maintaining viability. In the short-medium term other ways of financing these works need to be found, primarily working with infrastructure investors (see 5.8 below);

4.3 Tirion is primarily involved in the delivery of large scale regeneration projects with a focus on affordable housing. Challenges for delivering regeneration projects include;

**Finance** –Regeneration projects, by their very nature, often require significant upfront investment in site preparation, design and planning. Projects also carry significant construction cost risk due to their length of delivery. As a result the track record of delivering major regeneration projects in Wales has been poor given the widespread availability of large brownfield sites in the post industrialisation era (Tirion schemes being a notable exception). There is a clear role for WG and the public sector in facilitating the delivery of regeneration projects particularly given the appetite of financial institutions to provide long term investment (see below).

**Public sector appetite for risk** – The reluctance of the public sector to take reasonable risks to facilitate the delivery of major projects is a key inhibitor to delivery (again the Tirion model is a notable exception). Risk is often assessed as an absolute factor rather than a balance between risk impact, likelihood, benefits and disbenefits. A change in attitude to risk will be critical in securing additional private sector/ institutional investment.

**Skills and expertise** – the relatively poor track record of delivery of major regeneration projects in Wales also means there is a shortage of specialist skills and expertise required to deliver these complex multi-faceted projects.

Tirion is well placed to provide expertise and resource to deliver large scale regeneration projects with a focus on affordable housing being the only organisation operating in Wales currently delivering such projects at The Mill, Parc Eirin and Royal Victoria Court in Newport.

## 5.0 The opportunities and risks in increasing government borrowing and institutional investment

5.1 WG and Local Authorities are facing severe budgetary constraints, restricting their ability to offer more and continuing grant assistance across the sector. RSLs are strictly regulated and all but the largest organisations struggle to raise enough capital for major projects due to balance sheet restrictions and a significant tightening in the credit markets.

5.2 Published data shows 75% of affordable units are being delivered using grant with low cost home ownership making up a further 10%. 5000 new homes with an average SHG requirement of £150k per unit would require £750m SHG per annum. 75% of the 5000 would require a minimum of £600m SHG per annum. There is a question whether 5000 new homes is enough and whether, in the current market, £150k SHG per unit will suffice. This suggests the actual requirement could be over £1bn per annum.

5.3 In the face of this stark reality the only option for securing sufficient finance to deliver the level of affordable homes needed is to tap into the significant appetite of Institutional Investors for affordable housing. The good news is that appetite is strong and Tirion has had strong interest from a variety of investors in addition to M&G Investments Ltd who are providing finance to Tirion for The Mill, Royal Victoria Court and Parc Eirin. It is our belief that successful engagement with the Capital Markets would minimise any need for additional Government borrowing.

5.4 Ideally, WG could attract a range of investors targeting different sectors of the market e.g. suburban housing, new communities, city centre living etc. Key conditions for attracting institutional investment will include;

- Public Sector commitment most typically the provision of land;
- Scale provided by major regeneration projects - investors typically seek a minimum investment of £100m with £300m+ preferred;
- Committed pipeline of sites to ensure investment can be scaled up;
- Untapped capacity in a segment of the market e.g. intermediate rent;
- Third parties providing/underwriting construction finance – this can be a combination of public and private sector as used in the Tirion model; and
- Experienced delivery organisation with proven track record such as Tirion.

5.5 A good comparable of what can be achieved if the right conditions are put in place is, L&G's £1bn investment programme into central Cardiff. Given the scale of housing need in Wales there is no reason to believe this could not be replicated by one or more investors in the housing sector. In order to achieve this WG needs to develop a range of tools that bring forward major schemes quickly to demonstrate commitment and Wales ability to satisfy investors' appetite. These might include:

- Efficient and transparent procurement;
- CPO to assemble sites;
- Clear pipeline of projects with indicative delivery programmes;
- Identification of organisations (including Tirion) with delivery track record;
- Formation of collaborative partnerships to manage delivery of major sites;
- Planning performance agreements with relevant local authorities;
- Early engagement with utility providers to ensure capacity;
- Loan finance (including FTC) for advance site preparation works;
- Construction cost guarantees;
- Medium term rental guarantees.

5.6 The risks and potential mitigants associated with these tools are:

- Abortive CPO costs if scheme does not proceed means sites need to be carefully selected;
- More than one investor needs to be engaged not just to bring scale be in case one investor pulls out of a funding agreement. Long term risk very low as income generating homes in high demand will be relatively straightforward to refinance;
- Lack of organisations with track record. There will be a need to form strong partnerships where stakeholders can benefit from experienced partners such as Tirion;
- Loan finance will be at risk but debt can be re-structured over a longer term based on rental income if institutional finance is not secured;
- Construction cost guarantees – Risk likely to be restricted to 30% of costs (typical LtV). Risk can be further mitigated through rigorous contract management by an experienced organisation such as Tirion. Consideration should be given to partnering with contractor/developers where construction cost risk can be mitigated / balanced by sales risks/values;
- Medium term rental guarantees (5-10 years) could help accelerate institutional investment. Risk should be low due to high demand for properties and can be further mitigated through the use of liquidity reserves financed through the transaction to deal with void risks.

5.7 The above risks need to be assessed in the context of the likely reduction in the availability of SHG, but also an understanding that a failure to address the housing crisis will result in enormous economic and social costs to Wales in the long-term. Maximising institutional investment in affordable housing in Wales will be low risk with high outcomes. It will not only help reduce potential borrowing to a minimum, it will also enable SHG to be targeted to communities most in

need whilst incentivising efficiency and innovation. To successfully facilitate delivery, WG and the Public Sector in Wales will need to develop a more sophisticated approach to risk assessment that considers; macro as well as micro risks; the likelihood of risk materialising; the balance of risk rather than as an absolute/theoretical risk; the balance between risk and benefits; and the implications of the risk materialising and how these could be mitigated.

5.8 One overlooked opportunity to secure institutional investment in social housing is in the area of net-zero energy performance. There are an increasing number of companies/investors offering to provide infrastructure at a reduced or zero cost to developments based on long term models where energy and maintenance savings are used to finance capital costs on a 25-40 year basis. In some models Companies make additional income by acting as the Energy Services Company for the development. Many of these companies are backed by major institutions who recognise the commercial and social value of investing in net-zero infrastructure. These models are mostly predicated on delivering large-scale developments and could be critical in the early adoption of net-zero on major regeneration projects.

## **6.0 How effectively the planning system is supporting social housebuilding**

6.1 Planning Policy across Wales supports the provision of high proportions of affordable housing. However, the primary tool used for determining the actual provision is a viability assessment agreed as part of the S106 process. This tends to deliver much lower proportions of affordable housing than policy would normally dictate due to developers demonstrating impact on viability. Where LPAs insist on a minimum provision, the actual delivery of affordable housing is suppressed as schemes do not proceed on viability grounds.

6.2 The primary issue for major applications is the length of determination which can sometimes take 3-4 years or more until consent is finalised. This impacts on viability and deters developers, including RSLs, from pursuing major schemes. This could also be a significant deterrent to Institutional investors.

6.3 Planning performance agreements could be used to help deliver consents more quickly. Alternatively, planning policy could recognise the value of affordable housing and net-zero energy performance by enshrining presumptions in favour of consent where 50% affordable housing and net-zero energy performance is being delivered on brownfield sites.

## **7.0 How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase**

7.1 The formation of the WG Land Division charged with project development, financing and governance aspects of major projects has been a major step forward. However, it remains the case that Wales has a large number of stalled regeneration sites that show no prospect of delivery in the short-medium term. These sites require a collaborative approach and Tirion's expertise and track record complements existing skills and resources in WG, RSLs and Local authorities. WG should utilise Tirion's skills in developing strategies for delivering large regeneration projects.

7.2 Tirion is an advocate of delivery on a site by site basis within an indicative portfolio likely to be attractive to Institutional investors. This simplifies the governance and legal structures and enables projects to proceed more quickly and in parallel with other projects in the portfolio. Once a strategy has been developed the partners (WG, Tirion, RSL, LA) should look to procure potential contractor/developer partners and specialist service providers (e.g. Energy Service Companies) with the objective of delivering against policy objectives in the most efficient manner possible whilst maintaining control of the land. Flexibility is key as major projects evolve over time as new priorities and funding opportunities emerge. Private housebuilders would be procured as part of the process but control would remain with the partnership.

- 7.3 As far as major regeneration projects is concerned land availability is not the immediate problem but rather the delivery of projects, many of which are already in public ownership. CPO should be targeted at acquisitions which can add value to major projects by rationalising land, completing land assembly where there is already a major public sector holding and/or improving the performance/viability of projects. CPO should also be considered where major public sector investment improves development opportunities, e.g. South Wales Metro, to ensure the public sector maximises the benefits of its investment.
- 7.4 Where there are major stalled schemes in private ownership, public partners (including Tirion) should negotiate partnerships to unlock sites. This might include waiving some affordable housing requirement, on the basis it can be privately funded via an investor, in return for the developer providing up front capital for enabling infrastructure.
- 7.5 A key issue will be procurement. The current default procurement method is for the public sector to enter into some form of Development Agreement with a private developer following a competitive process with obligations to deliver policy compliant objectives. The problem with this approach is that major regeneration projects can take 10 years or more to deliver and by their very nature evolve over time. Development Agreements become increasingly difficult to enforce and control over time and the outcomes become less certain. Tirion believe a much better approach is for control of projects to remain with partnerships between the public and third sectors(Tirion) with elements of the project being competitively procured at the appropriate times. This would be an evolution of the Tirion model with WG, RSLs and LAs taking key roles in the Governance and delivery of major projects.

## **8.0 The potential for increasing income from land value capture mechanisms to invest in social housing**

- 8.1 There are insufficient values in the vast majority of Wales to make land value capture an effective mechanism for investment in social housing. Where potential land value increases can be expected due to public investment e.g. South Wales Metro, then land purchase / CPO should be used to control delivery of development aligned with WG objectives. A common theme in the Tirion approach is that the control of land is fundamental to delivering preferred outcomes.

## **9.0 The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings**

- 9.1 As discussed above the capacity of the construction sector in Wales is a major issue and reflects the marginality of the Wales market. It is inevitable that construction companies from outside Wales will need to be engaged alongside ongoing support for growing the sector in Wales if we are to meet our objectives. Reinforcing and investing in the skills base of the labour market will continue to be very important particularly in net-zero energy services.
- 9.2 The key to building new low carbon homes is securing private investment that removes the development cost from projects (see 5.8). This is much easier to do where there is a long-term owner/manager in place, such as Tirion, as we can take a view on the value of the investment over a 25-50 year lifecycle and fund the infrastructure via a standing charge / payback provision with the investor. Tirion is obligated to maintain properties for a minimum 50 year period through its agreement with M&G Investments Ltd.
- 9.3 The acquisition of vacant homes has a potential role to play. However, the reasons for the vacancy must be fully understood. Where there are large numbers of vacancies in a single location we must be careful not to repeat historic mistakes and many locations will require long-term social and economic regeneration support in addition to housing improvements.

9.4 Remodelling has a potential role to play but can be very expensive and further complicated by lease structures and planning policy. However, Tirion is an advocate of developing a strategy for redundant commercial buildings in our cities potentially working with specialist developers and the institutional funds to provide mixed tenure housing and community facilities in our major conurbations.

#### **10.0 How local communities can be effectively engaged in social housing developments in their areas.**

10.1 Tirion has a successful dedicated community engagement strategy at The Mill delivered with our partners Cadwyn. Success has been built on a multi-tenure approach bringing all sections of the community together through effective communication, events and support. The key is providing sufficient resource to implement the strategy both during the construction period and in the long-term.

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Castell Group are an SME social house builder based in Swansea currently delivering residential development schemes for Registered Social Landlords and Local Authorities across South Wales. A key goal of the company is to increase the supply of social housing, and by working closely with RSLs, we feel as though we are well positioned to comment on the key issues that affect social housing supply in Wales.

The planning system in Wales faces a number of challenges and issues that significantly impact the delivery of social housing.

- The system has become increasingly complex with different departments within Local Authority having their own aims and objectives which do not necessarily correlate to the delivery of planning permissions which in turn would deliver social housing. A significant number of costly surveys and reports are required to progress with a planning application, however, despite carrying out these works, this does not necessarily mean that a planning application will be received favourably by a Local Authority. Pre-application advice can be sought, however we have found that this can not be relied upon through the planning process, as different planning officers may have different views, with planning policy being implemented subjectively. There is a host of 'grey areas' which can make a planning application seem more like a guessing game rather than being able to feel confident when a planning application is submitted.
- We deliver a number of schemes on Brownfield sites, however there is no presumption in favour of social housing. Re-developing brownfield sites for social housing should be looked upon favourably in planning, however these sites face the usual hurdles, if not more, considering the opposition from local communities when we seek to develop sites.
- NIMBYs – As mentioned above, opposition on social housing sites are common with a stigma attached to the residents who will benefit from living in social housing. Even when planning applications are put forward for 100% affordable housing, there are objections to these sites from local communities, councillors and beyond. Therein lies a deeper issue that despite the pressing need, a small minority would rather object to a site, and it is difficult to obtain support from the silent majority who are in desperate need of housing
- Not enough weight is given in planning to address the housing crisis in Wales
- The plan led system in Wales and the lack of emerging LDPs and the lack of small allocations. In Bridgend there were no allocations under 100 homes, and therefore only lend themselves to PLC delivering the sites on the open market and providing S106 plots, which they will try and reduce where possible to ensure they maintain their profit margin.
- The timescales in obtaining planning consent are also prohibiting the delivery of social housing, with it on average taking our company 21 months from submitting a pre-app to being able to start on site following the discharge of planning conditions
- There are currently circa 90,000 on the waiting list needing a home in Wales, which shows the target above is nowhere near ambitious enough to help the number of families requiring somewhere to call home.
- Remove PAC for sites above 10 / increase the threshold to 50
- Streamline S106 for smaller sites with agreed template including Mortgagee in Possession clauses
- Highways & SAB adoption policies need to be clearer

- Ecology biodiversity calculations need to be clear so developers can work out if sites can comply without chancing it at planning
- Increase the planning application fee and ring fence the money to increase resource in departments
- Give planning officers more authority to make decisions if consultees do not respond as this is where the significant amount of delays occur
- Reduce the amount of pre commencement conditions that are still being imposed
- Planning committee have personal influence in our opinion and it's a risk
- Introduce more permitted development rights for existing buildings
- Seek frequent feedback from the private sector as to what's working or not

There are a number of challenges facing social landlords with several outlined below:

- Lack of contractors to deliver social housing schemes
- Skills shortages within the construction sector
- New, unknown technologies being installed into properties with little regard given to the long term maintenance and management of these technologies
- Individuals within the Local Authority determine whether social housing grant support can be provided to sites, however there does not seem to be a basis for whether there will be support. In RCT for example there are several thousand waiting for a 1 bed dwelling, however, support may not be given to a development of a 1 bed apartments in a sustainable area
- Lack of land supply – plan led system and delay in the delivery of plans has meant that there are a lack of opportunities in the area of highest need and demand.



**RTPI Cymru**  
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19 April 2024

**e-mail response sent to:** [SeneddHousing@senedd.wales](mailto:SeneddHousing@senedd.wales)

Dear Sir/Madam,

**Response to: Social Housing Supply Inquiry**

The Royal Town Planning Institute (RTPI) is the largest professional institute for planners in Europe, representing over 27,000 spatial planners. RTPI Cymru represents the RTPI in Wales, with 1,300 members. The Institute seeks to advance the science and art of planning, working for the long-term common good and well-being of current and future generations. The RTPI develops and shapes policy affecting the built environment, works to raise professional standards and supports members through continuous education, training and development.

Thank you for the opportunity to respond to the above Inquiry. The land-use planning system plays a crucial role in delivering housing alongside many interlinked issues which should not be considered in isolation. Our response will focus on the role of the planning system in supporting the delivery of social housing. However, we aim to emphasise the close links between the provision of social housing, planning and other sectors such as health and transport and the need for an adequately resourced and committed partnership approach to housing supply and delivery.

We note that language has recently changed in relation to the term social housing, for example planning policies have generally tended to refer to 'market' housing and, separately, to 'affordable' housing. For clarification, in this response we use the term 'social housing' meaning the same as 'affordable' housing, namely homes for social rent, intermediate rent and low-cost home ownership, via Registered Social Landlords and as defined by Welsh Government Technical Advice Note 2 *Affordable Housing*. The tenure of such housing is secured via Section 106 planning agreements.

The United Nations Human Settlements Programme (UN-Habitat) [Our Strategy | UN-Habitat \(unhabitat.org\)](#) is mandated by the UN General Assembly to promote socially and environmentally sustainable towns and cities. As part of this, the programme sets out that “*Everyone has a fundamental human right to housing, which ensures access to a safe, secure, habitable, and affordable home*”. The programme recognises the strength in partnership working and the need for all sectors to work together with a shared vision. We therefore urge that the provision of adequate homes, including social housing, is not considered in isolation but is considered holistically and decisions are based on joined up, robust evidence.

RTPI Cymru is a member of the Placemaking Wales Partnership which represents organisations and professions working across the built and natural environment sectors. The Placemaking Wales Charter has been developed by the Partnership. It sets out principles for placemaking in Wales which guide us to think about ‘whole places’ rather than just single developments or land use in isolation. All housing developments, even proposals for single houses, have a part to play in placemaking.

While discussion around housing provision is often focused on the detail of housing supply, it is important to equally recognise that high quality homes, safe living environments and access to opportunities for work, exercise, recreation and healthcare are also essential to achieve sustainable development. Well-planned places, particularly those with access to green infrastructure and that enable community cohesion, are important for supporting the mental and physical health of residents. The provision of social housing must go hand-in-hand with inclusive, affordable, reliable, frequent and integrated public transport. RTPI Cymru has long called for a more integrated approach to transport and land use planning in line with the findings of the RTPI Net Zero Carbon Research - [RTPI | Net Zero Transport: the role of spatial planning and place-based solutions](#). New work on Regional Transport Plans and Strategic Development Plans makes crucial progress in this regard. It is vital that we work to better integrate an inclusive and affordable sustainable public transport system if we are to enable more sustainable places, encourage modal shift, and achieve decarbonisation, net zero targets and climate action goals. There are links in this respect to the Well-being of Future Generations (Wales) Act (2015).

To encourage the delivery of housing in areas of need, partnership working is required amongst all stakeholders, including public and private sectors, financial sector, statutory agencies and Government, working together to bring forward developments.

Measuring outcomes, along with spatial targets for different parts of Wales is an integral part of the long-term delivery of social housing. The [RTPI's Measuring What Matters Research \(2020\)](#) considers how the outcomes of planning decisions can be measured, which goes beyond simple metrics like the number of homes delivered to encourage analysis in terms of placemaking aspirations and social, economic and environmental value, in order to track and improve the real impact of planning in Wales. This could support better recognition of the quality of homes, rather than focusing solely on numbers.

## **How effectively the planning system is supporting social housebuilding**

The role of planning is to enable the right development in the right places and to plan for the long term to meet policy aspirations including tackling homelessness and providing opportunities for younger people to remain in areas where they are outpriced, tackling the challenges of an ageing (and increasingly state-dependent) population. RTPI Cymru argues that a well-resourced Plan-led system is essential to support the provision of adequate housing, including social housing.

To meet housing need, politicians need to support Local Development Plans (LDPs) that identify where homes, including social homes, are needed and are best located taking into account connectivity and supporting infrastructure such as jobs, school places and active travel links; enforce quality standards; and support community cohesion and growth to sustain communities.

Linked to the clarification of the term 'social housing', above, we have noted, in recent years, the language used by Welsh Government Ministers and officials has shifted from referring to 'affordable homes' to referring to 'social housing'. This has been accompanied by changes to the rules surrounding Social Housing Grant (SHG). The combined effect has been to focus on social homes for rent and end grant and policy support for low cost home ownership (LCHO). LCHO properties form an important contribution to meet housing need, suitable for people who cannot afford a full mortgage and deposit but can afford to part-own a home at typically 50% - 80%. It is important to provide a mix of tenures to create socially sustainable communities and opportunities for all. It is also important to ensure that social housing is genuinely affordable (in particular when considering the 'shared ownership' model whereby occupants part-own a property but must also pay rent on the part they do not own, in contrast to the 'shared equity' model in which the part retained by the RSL is occupied rent-free).

Decisions on housing growth levels and associated policies in Development Plans should be based on evidenced housing need and policy aspiration, not solely past trends. For social housing, the evidence from emerging Local Housing Market Assessments suggests that in many areas, the greatest need is for one-bedroom social rented properties. Careful consideration needs to be given to the social sustainability of large-scale provision of one type of accommodation, both in terms of social cohesion and longer-term need (e.g. accommodating future household growth).

The level of growth allowed for by Strategic and Local Development Plans must be allowed to take account of policy aspiration rather than simply follow past trends. Examples of policy aspiration in many parts of Wales are affordable housing delivery and demographic change. Wales has an ageing population and many younger people cannot afford homes or find work in their home community, so leave. This results in a shrinking working-age population, making Wales less attractive to investors, resulting in fewer job opportunities. Adequate housing, that provides a mix of different sizes and tenure, with various options for the occupier/owner and taking into account the wider issues of placemaking could support a shift in this respect. This should include planning policy controls over the mix of market housing.

The majority of social housing in Wales is currently provided via S106 planning contribution agreements, secured as an on-site percentage of homes delivered by volume housebuilders as part of a larger development. The percentage is set by local planning policy but is often subject to negotiation based on development viability evidence. This approach is allowed for by Planning Policy Wales. An increasing proportion of affordable homes are being provided by Registered Social Landlords (RSLs) using Welsh Government grants, or via S106 agreements albeit RSLs have a much lower profit requirement than volume housebuilders (often c.6% profit margin for an RSL compared to c.20% for a volume housebuilder). Affordable housing exception site policies (which allow social housing to be built on land that would not otherwise get planning permission) currently contribute a very low levels of social housing delivery. To achieve the Welsh Government's ambitions and delivery on housing need, the contribution of all housing developers must be valued and maximised.

The planning system, if used effectively, can be a significant part of the solution to social, economic and environmental challenges, however, resourcing is a key challenge for the sector. The RTPI has long called for the proper resourcing of planning services. It is widely recognised that Local Planning Authorities, along with the wider public sector, are struggling to meet expectations and unlock the value planning has to offer. The evidence shows that Local Planning Authority planning budgets are 45.6% lower than they were in 2008-9. It is widely recognised that planning application fees do not cover the full costs of delivering the Development Management (planning applications and enforcement) functions. Our members and colleagues in the development industry have indicated that they would be willing to pay higher planning application fees provided they are invested in measures that result in an improved planning service, such as additional resources. It is essential that the strain the public sector is currently under is recognised in developing legislation, policy and target setting, so that achieving those targets and ambitions is realistic. Sufficient resourcing of public bodies and investment in key skills and specialisms for the longer term are all important aspects of meeting targets.

A well-resourced, Plan-led, positive planning service can deliver Council and Welsh Government objectives, which, if properly encouraged and effectively organised can bring together objectives across services and sectors. Council Senior Leadership Teams provide leadership, vision and priority-setting by shaping the strategic direction and spending decisions of Local Authorities. The implications of these decisions on new investment, infrastructure, development activity, local services and policy delivery are significant. The RTPI considers that the role of the Chief Planning Officer should have a more prominent and strategic position within Local Authorities to positively influence the outcomes of planning and support good growth and a balanced recovery, aligned with the [new legislative provision in Scotland](#). Planners have an important, proactive role as drivers of change, but collaborative working is needed across sectors, business and communities, with resources and funding in place to support this.

## **Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need**

Although debate often focuses on the planning system, discussion and research have shown, obstacles in delivery can be found in many areas, such as the markets for buying and selling land, and for buying and selling houses, and in terms of social housing in procurement practices. The provision of infrastructure is another example, “*delivering infrastructure is often harder to do if you have a spray of smaller sites than if you have one big one. On the large sites there have been some very impressive deliveries of infrastructure, which have come as a consequence of economies of scale.*”

<https://www.theplanner.co.uk/news/report-small-builders-call-for-urgent-stimuli-to-survive>

Infrastructure challenges also disproportionately affect more rural areas of the UK, such as large parts of Wales without mains sewers or utilities.

Adjustments to the way in which Social Housing Grant can be used would assist affordable housing delivery on allocated sites, matching funding with need and a Plan-led system.

### **The challenges faced by social landlords in increasing supply**

Achieving the essential supply of new homes is reliant on up-to-date, deliverable adopted LDPs. All housebuilders, including RSLs, state that the biggest constraint on their activities is land supply. It is therefore important that progress continues to be made on LDPs.

### **How housing standards and decarbonisation affect the delivery of new social housing**

Wales has clear standards that define what is required to constitute an ‘affordable home’ and has stuck firmly to this: this approach provides clarity for all stakeholders and ensures a quality outcome rather than solely a numerical output. This approach should remain.

However, size standards and retrofit standards pose particular problems for the conversion of existing buildings. Re-use of vacant upper floors in town centres offers an opportunity to bring vitality and footfall to town centres as well as providing much needed affordable homes in highly sustainable locations. Greater flexibility is required to achieve the shared housing and regeneration benefits.

Some forward-thinking Local Planning Authorities are considering LDPs policies requiring new homes to be net zero carbon. While this is admirable, there is a risk that 25 Local Planning Authorities devise slightly different policy-wording, which would have the effect of housebuilders needing different construction methods and designs in different parts of Wales. That is unsustainable as a business model for the construction industry, in particular for modern Methods of Construction which require large degrees of standardisation to enable prefabrication. This is an area in which the Welsh Government should show leadership, and produce a single policy for the whole of Wales, or alternatively achieve net zero via Building Regulations.

Notwithstanding the above, it must be recognised that net zero homes will cost more to build. Unless there is a long-term interest retained, the reduced living costs for future occupiers will not benefit the developer to off-set increased build-costs. Coupled with this, increased infrastructure demands add additional costs to developments and must either be met by the developer via S106 planning contributions, if viable, or via the public purse.

### **How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase**

A well-resourced, Plan-led system, supported by partnership working and mechanisms including compulsory purchase can support the strategic management of land for social housebuilding, for example bringing forward stalled, allocated sites.

We are aware of the Welsh Government loan funding announced in May 2018 aimed at supporting small and medium sized builders to unlock stalled sites across Wales. *“Research in 2015 suggested there were potentially 7,600 homes on nearly 400 sites across Wales, where progression has been halted for a wide range of reasons, from pre development works and economic viability, to challenges in securing affordable funding. These are known as stalled sites, most of which are suitable for the SME sector to develop. Stalled sites could be unlocked through investment and support at an early stage, such as groundwork, infrastructure improvement or simply assisting with cash flow.”* [Up to £160m to unlock stalled sites for SME house builders | GOV.WALES A detailed review of the outcomes of this initiative, including the impact on social housebuilding, would provide useful evidence. Unless these stalled sites come forward or are compulsorily purchased, they risk de-allocation in future Local Development Plans.](#)

It would be useful if a register of all publicly owned land in Wales were compiled, to enable it to then be sifted for suitability for development. It is important that sites allocated in Development Plans are included because they are in the best location, not simply because they are in public ownership. The current Plan-making process relies on land-owners promoting their land for inclusion in LDPs, which does not always provide the optimal sites for allocation.

Completing a LDP requires brave, long-term decisions to be made by elected members.

### **The potential for increasing income from land value capture mechanisms to invest in social housing**

The skill set around understanding viability within LPAs and other stakeholders could be improved, but this requires open dialogue and partnership working between all stakeholders. Many LPAs in Wales already proactively engage with SMEs, running initiatives such as [Builders Breakfasts](#) and most have useful Supplementary Planning Guidance, for example [Rhondda Cynon Taf](#).



## **The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings**

A full review of the existing retrofitting process in relation to existing homes would provide useful evidence on social housing delivery.

A skills shortage within the construction industry and access to finance were found to be significant issues for SMEs looking to engage in house building, highlighted in [Federation of Master Builders \(FMBs\) House Builders' Survey 2018](#).

Planning can also support various mechanisms and initiatives in this regard, including bringing back into use empty homes. Shelter Cymru note that "studies have shown that the average cost of returning empty homes to a habitable state is between £6,000 and £12,000 per property. Around 2,000 empty homes could be brought back into use for £20m." [Empty homes - Shelter Cymru](#)

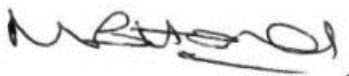
However, we have become aware that the availability of internal residential space in market housing is becoming an issue for some urban local planning authorities, in particular. Decreased living space can have implications on wellbeing, quality of life and mental health. Other social issues include lack of private space within dwellings, storage space and, increasingly important, reduced ability to work from home. There needs to be balanced consideration and open dialogue between all parties regarding the need to provide housing of an acceptable standard against viability.

### **How local communities can be effectively engaged in social housing developments in their areas.**

Local communities can engage via LDPs and pre-application consultation processes. If Local Authorities have local lettings policies for affordable homes, and new development delivers policy-compliant affordable housing levels, local communities might be more likely to accept new mixed tenure development. This needs to be accompanied by investment by others in support services, infrastructure and amenities.

If you require further assistance, please contact RTPI Cymru on 020 7929 8197 or e-mail Mark Hand at [walespolicy@rtpi.org.uk](mailto:walespolicy@rtpi.org.uk)

Yours faithfully,



Mark Hand MRTPI  
**Director**

## HBF response: Local Government and Housing Committee inquiry into social housing supply

The Home Builders Federation (HBF) is the principal trade association for the home building industry in England and Wales. HBF's membership of more than 400 companies builds most of the market sale homes completed in England and Wales, and encompasses both private developers and Registered Providers. The majority of HBF's members are small or medium-sized companies (SMEs). Of particular relevance to this consultation is that members deliver around 30% of the affordable homes in Wales.

- ***Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need.***

A requirement for a percentage of affordable housing delivery is contained within Local Authority Local Development Plan (LDP) policies. The percentage required varies between Local Authorities and different areas, with the percentage requirement agreed through the LDP system and calculated using a single model which is used across all of the Local Authorities in Wales (currently the Andrew Burrows model). The Welsh Government requires Local Planning Authorities (LPAs) to complete a Local Housing Market Assessment (LHMA) every five years, and this document is used to help calculate the affordable requirement contained within the LDP.

### *Section 106 agreements*

Welsh Government statistics show that, overall, around 30% of the affordable homes delivered in Wales are delivered through Section 106 agreements.

Table 1: [\*Additional affordable housing delivered through planning obligations \(number delivered\)\*](#)

Planning obligations	2019-20	2020-21	2021-22	2022-23
All Wales	727	920	714	1,024
(%) of all additional affordable housing	24.7	25.5	26.7	30.4

As can be seen from the table above, the proportion of affordable housing delivered through S106 agreements has risen steadily over recent years, rising from around 25% in 2019-20 to 30% in 2022-23. HBF believes this figure will continue to rise as Local Development Plans (LDPs) are reviewed and adopted, with a move towards higher percentage requirements for affordable housing being encouraged by National Policy. For instance, Monmouth Council is currently progressing the LDP through review with a requirement for new housing allocations to provide 50% of affordable homes. Therefore, progress in delivering new affordable housing is in part being met due to Section 106 Agreements and the contribution of the private sector.

In most cases, the affordable homes delivered through S106 agreements are delivered on site and then the units are transferred to a Registered Social Landlord to manage. However, in some cases, on-site provision is not possible or appropriate and most LPA's LDP Policies allow for what is referred to as an



'off-site contribution' to be made in lieu of on-site provision. This is then available for LPA to use to provide affordable housing in another way or on a different site.

However, HBF would like to highlight the following Welsh Government figures which indicate that developer contributions not being fully utilised, with not all funds being spent:

Table 2: [Financial contributions towards affordable housing via planning obligations by local authority and amount](#)

Held at start of year	Received during year	Spent during year	Year end total
21,481,764	6,640,181	1,081,890	27,040,055

HBF research has also found that local authorities in Wales have, on average, £5.1 million in unspent Section 106 contributions. This is often unspent due to a lack of capacity within local authorities, with delays and administrative errors that affect the planning system also affecting the delivery of associated infrastructure and affordable housing.

The research is based on a sample of 14 Welsh councils who provided data following a Freedom of Information (FOI) survey exercise, and showed that Pembrokeshire County Council holds the most in unspent affordable housing contributions (£4.4m) as of July 2023. A total of £13,662,010.74 in Section 106 funds specifically allocated to affordable housing was still unspent across the 14 LPAs. This is higher than would be expected and suggests some delays in the delivery of affordable housing are due to a lack of capacity or willingness to spend Section 106 funds in a timely manner.

### *Housing need*

With regards to whether current and projected levels of supply are likely to meet housing need, the recent Competition and Markets Authority (CMA) market study into the housebuilding sector noted that the affordable housing ambition in Wales "may still be insufficient to meet overall housing need". This finding reaffirms the need to drive up the overall supply of private sector housing in order to meet and exceed affordable housing targets. In other words, it must be recognised that a general rise in the overall supply of market housing would in turn lead to a rise in the supply of new affordable housing - as the opportunities for using the Section 106 mechanism are maximised.

- ***The challenges faced by social landlords in increasing supply.***

Although the HBF are not in a position to answer this question directly, we note that any developer of new homes faces many of the same challenges regardless of tenure: a lack of up-to-date Local Development Plans, which allow a Plan led system to operate effectively; delays in the planning system due to the lack of resources in planning as well as a wide range of link professions; a shortage of viable land; and an ever-changing policy framework in which home builders to operate. Many of these issues were also identified in the recent Competition and Markets Authority (CMA) market study report which is referenced elsewhere in our response.

- ***How housing standards and decarbonisation affect the delivery of new social housing.***

The current Welsh Government Housing Standards Welsh Development Quality Requirements 2021 (WDQR) 'Creating Beautiful Homes and Places' requires the affordable homes delivered through S106 agreements to be built to a different space standard to the other private dwellings on the site. These



homes cost more to build and take up more room on site, reducing the viability of sites and the number of homes delivered. It also makes it harder to fully integrate the new affordable homes into the wider development, which goes against placemaking principles.

Furthermore, it must be noted that new homes in Wales delivered by the private sector, including affordable homes, already meet high energy efficiency standards. For the homes logged in the year to December 2022 in Wales, 85% of new builds were rated A or B for energy efficiency, while just 3% of existing dwellings reached the same standards. In contrast, 56% of existing dwellings were rated D or lower, as compared to approximately 4% of new builds. Therefore, those affordable homes delivered by the private sector play an important role in delivering the Welsh Government's climate goals.

- ***The opportunities and risks in increasing government borrowing and institutional investment.***

N/A.

- ***How effectively the planning system is supporting social housebuilding.***

The current planning system in Wales doesn't differentiate between social housebuilding and the building of any other tenure of homes. This means that many - if not all - of the same issues are faced by housebuilders regardless of tenure. The HBF does not believe that it would be appropriate to amend the planning system to 'support' social housebuilding only. HBF suggest that if changes are made to the planning system, they should be designed to speed up the delivery of all tenures of new homes.

As the [Wales Summary of CMA Market Study final report into housebuilding](#) notes, there are several issues with the planning system more generally. The report states that:

*'We have seen evidence of three key concerns with the planning system which we consider are limiting its ability to support the level of housebuilding that policymakers believe is needed:*

*(a) Lack of predictability;*

*(b) Length, cost, and complexity of the planning process;*

*(c) Insufficient clarity, consistency and strength of LPA targets, objectives, and incentives to meet housing needs.*

*We therefore conclude that the nature and operation of the planning system is a key driver of the under-delivery of new housing.'*

One issue with the process is that there has been a significant decline in net planning expenditure in Wales, which has fallen by 50% since 2009-09, and as a result, the average time taken to determine planning applications is now above Welsh Government targets. The lack of LPA capacity, staff and resources should be prioritised to reduce the likelihood of delays and administrative errors in the planning process, and we welcome the new First Minister's recognition that under-resourcing within LPAs is a significant issue.

Furthermore, the CMA highlighted the need for streamlining of the planning process and this is rightly expressed as a measure which, if successfully implemented, could reduce the risk and delay inherent in the system today. Unfortunately, Welsh Government policy has often moved in a diametrically opposite direction, and the CMA's report noted that the policy approach in Wales in certain areas - such as with



regard to sustainable drainage requirements - has a particular impact on the cost and length of the planning process.

While such policy changes are mostly well-intentioned and are not opposed by the industry, they do inevitably increase the complexity of the planning process and in some cases threaten the viability of schemes. It is vital that further solutions are considered to streamline the planning system and thereby unlock new housing of all tenures, including affordable housing.

Finally, we would like to note that the affordable homes delivered through S106 agreements do not benefit from any Welsh Government grant funding so the impact of selling the new homes to a Register Social Landlord at a price well below market value is taken by the developer.

- ***How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase.***

Although HBF would support a method by which public land could come to the market quicker, we believe that any opportunity should be open to all house builders. Although this might result in less affordable homes being delivered the ones delivered by the private sector will not require government funding. Public sector land opportunities should also take account of SMEs' needs to help support this important part of the sector.

- ***The potential for increasing income from land value capture mechanisms to invest in social housing.***

This is effectively already achieved through the S106 process. The S106 legislation refers to the fact that it is a mechanism that can be used to allow developers to deal with the impact of their development, a good example of this is a lack of capacity in local schools can result in a requirement to pay for extensions to the school or in larger developments new schools being provided. However, new housing development does not create any new need for affordable housing or put extra strain on the existing provision. Further Government grant cannot be used to deliver S106 homes so the significantly reduced transfer value as set by ACGs is effectively a tax on the developers.

- ***The Welsh construction sector's capacity to build new low-carbon social homes; the potential for acquisitions of existing homes and remodelling of existing buildings.***

N/A.

- ***How local communities can be effectively engaged in social housing developments in their areas.***

The HBF notes that applications for social housing often receive objections from existing residents with a wide range of concerns raised. As a housing scheme, it should go through the same processes as any other application which allows the public to engage pre-application through the PAC process and through public consultation once the application is submitted. HBF don't consider that affordable housing needs to be considered in any different way to private housing, with the existing planning process being sufficiently open to engagement by local communities.



# Agenda Item 5

Local Government and Housing Committee

5 June 2024 – papers to note cover sheet

<b>Paper no.</b>	<b>Issue</b>	<b>From</b>	<b>Action point</b>
Paper 10	Private rented sector	National Residential Landlords Association	To note

Cabinet Secretary for Housing, Local Government and Planning  
Welsh Government  
5<sup>th</sup> Floor  
Tŷ Hywel  
Cardiff Bay  
CF99 1NA

Sent via email to: [Julie.James@gov.wales](mailto:Julie.James@gov.wales)

17 May 2024

Dear Cabinet Secretary,

I watched your session with the Local Government and Housing Committee on 24 April with interest and wanted to follow-up on a number of points you raised.

I was encouraged that you acknowledged the need for more private rented homes and welcome efforts to support landlords into the sector. We continue to be concerned that the demand for private rented housing in Wales it is outstripping available supply, as noted by RICS among others. To that end, we will be responding to the Welsh Government's consultation on land transaction tax (LTT) relief and will be outlining the need for reform to enhance the provision of decent private rented homes.

The NRLA wants the private rented sector to work for all and agrees that homelessness represents a far greater human and financial toll than intervention to support a tenancy. In enabling local authorities to provide guarantors for households where needed, the Welsh Government is rightly providing direct assistance to prospective tenants and helping to reduce the increasing financial risk faced by private landlords. But importantly, it is signalling that it recognises the critical role the private rented sector plays in the housing market.

Nevertheless, in your evidence, you referred to data suggesting that "eviction numbers have dropped very substantially" as a result of the Renting Homes (Wales) Act "bedding in". Certainly, the number of accelerated claims for possession has decreased markedly since Q1 2023, which correlates with the period in which most Section 173 notice periods increased from two to six months. However, the decrease in accelerated claims is not mirrored in the number of fault-based (private landlord) claims, which remains higher than historic averages. Of course, we will continue to monitor the data, but we fear the fall in accelerated claims will not be sustained and that, as notices begin to expire, more will re-enter the courts.

You also commented that anecdotal evidence of landlords exiting the sector is "not borne out by our stats". We recognise the improvements in data sharing by Rent Smart Wales. However, the latest available data for April 2024 suggests that, outside of Cardiff, Swansea and Blaenau Gwent, an average of 302 private rented homes has been lost from each local authority since June 2021.

In some local authorities, the number of properties available to rent are down by as much as 7%, while Neath Port Talbot has lost just under 8% since June 2021. This should sound the alarm that the sector is not operating at optimal health, and we urge the Welsh Government to take steps to mitigate further losses.

I enclose a briefing outlining our proposals and look forward to meeting next week, when I hope we can discuss these issues and others in more detail.



Ben Beadle  
Chief Executive

Copy to: John Griffiths MS, Chair Local Government and Housing Committee  
Local Government and Housing Committee Clerk  
James Hooker, Head of Private Sector Housing Policy, Welsh Government





**Attending from the NRLA:**

- Ben Beadle – Chief Executive
- Eleanor Bateman - Senior Public Affairs Officer

**AGENDA**

**1. State of the PRS in Wales**

- [Research by PwC](#) for the NRLA and Paragon Bank has found that:
  - 14,000 jobs in Wales are reliant on, or supported by, the private rented sector, including tradespeople such as electricians, plumbers and builders.
  - Small and medium sized landlords in Wales contributed £1.6 billion to the economy a year.
- Polling for the NRLA conducted by the research consultancy Pegasus Insight has found that in the first quarter of the year 82% of landlords in Wales said the demand for private rented housing was ‘strong’. Despite this, the same polling revealed that thirteen times as many landlords plan to divest as invest – 38% plan to reduce their portfolio this year, versus just 3% who plan to increase their investment.
- [Data from RICS](#) continues to point to the demand for private rented housing in Wales outstripping supply.
- [Rent Smart Wales data](#) shows that, outside of Cardiff, Swansea and Blaenau Gwent, 5,744 private rented homes have been lost from the sector since June 2021: an average of 302 per local authority.

**2. White Paper on Fair Rents and Adequate Housing**

- We welcome the Cabinet Secretary’s recent comments that the rent controls policy in Scotland “*hasn’t really worked.*”
- [Research](#) has pointed to £3.2bn of investment in new homes in Scotland having been put “*on hold*” and “*at risk*” in large part because of the rent caps introduced.
- We agree with the [International Monetary Fund](#) which warned in December that: “*increasing supply has proven to be a far more effective way of providing affordable rents than implementing rent controls.*”
- Renters in Wales should instead have the same rights as those in England to challenge, at a tribunal, proposed rent increases that are above market rents.

**3. Consultation on Land Transaction Tax**

- We welcome the recent consultation on the Land Transaction Tax.
- The mismatch between the supply of, and demand for, private rented housing in Wales is driving up rents, reducing choice for tenants, and limiting tenants’ ability to hold rogue and criminal landlords to account given the lack of alternative accommodation to move into.

- Ending the 4% Land Transaction Tax Levy on the purchase of homes to rent out long term would support the provision of new long-term homes to rent for local households who need them, rather than short-term holiday lets. This could be linked to landlords providing properties for the Leasing Scheme Wales.
- Paul Johnson, Director of the Institute for Fiscal Studies, has [warned](#) that: *“The more harshly that landlords are taxed, the higher rents will be.”*

#### **4. Strategy for the PRS**

- We welcome the Government’s commitment to develop a housing strategy.
- The NRLA plans to convene stakeholders to establish ideas as they relate to the PRS to feed into the Government’s thinking.
- Linked to this, we would welcome an update about what stage consideration of an annual Welsh housing survey is now at.

#### **5. Tenant rights to keep pets**

- We note that in his manifesto for the leadership of the Welsh Labour Party, the First Minister pledged to look at strengthening the rights of renters *“so they can make their house a home – including by ending unreasonable ‘no pet’ clauses”*.
- We agree that for many tenants, pets provide invaluable companionship. However, any move to improve renters’ rights in this regard needs to be matched by enabling landlords to require pet owners to have the necessary insurance to cover the heightened risk of damage to a property.
- Likewise, the details of such a policy would need to be considered carefully. For example:
  - In a shared house, whose rights would prevail if one tenant wanted a pet and another did not?
  - What happens if a property is unsuitable for a certain type of pet? For example, a large dog in a small flat without a garden.
  - What would happen if a freeholder has rejected a request for pets to be allowed in a property rather than a landlord as the leaseholder?