

Agenda – Local Government and Housing Committee

Meeting Venue:

Committee Room 5

Meeting date: 3 July 2024

Meeting time: 09.30

For further information contact:

Catherine Hunt

Committee Clerk

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(Pre-meeting 09.15 – 09.30)

1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

2 Social housing supply – Evidence session 9

(09.30 – 10.20)

(Pages 1 – 37)

Sorcha Edwards, Secretary General, Housing Europe

(Break 10.20 – 10.30)

3 Social housing supply – Evidence session 10

(10.30 – 11.15)

(Pages 38 – 46)

Rebecca Kentfield, Faith in Affordable Housing Project Manager, Housing Justice Cymru

4 Papers to note

(Page 47)

4.1 Letter from the Cabinet Secretary for Housing, Local Government and Planning to the Climate Change, Environment and Infrastructure Committee in relation to the Welsh Housing Quality Standard

(Pages 48 – 50)



- 5 Motion under Standing Order 17.42(ix) to resolve to exclude the public from the remainder of the meeting and from the next Committee meeting on 18 July 2024**

(11.15)

(Private)

- 6 Social housing supply – Consideration of evidence**

(11.15 – 11.30)

Document is Restricted



Housing Justice Cymru response to Senedd's Local Government and Housing Committee inquiry into social housing supply.

We welcome this opportunity to submit written evidence to the Housing and Local Government Committee's inquiry into the supply of social housing.

Housing Justice Cymru (HJC) is a Christian Charity which addresses homelessness and housing need in Wales. We provide a range of services, covering all 22 local authority areas in Wales.

HJC will be submitting evidence gathered through the Faith in Affordable Housing project (FiAH), which aims to increase the supply of affordable homes by working with churches to identify church-owned land and buildings to sell to social housing providers. FiAH was developed in recognition of the shortage of affordable housing and the presenting opportunity of the increasing rate of church closures. [This short video outlines the work of the FiAH project: *Helping Housing Justice Cymru use Land for Good.*](#)

To date in Wales, working with churches and housing associations we have overseen the building of 105 homes (from 10 sites) and have a further 24 (on 2 sites) currently under construction, and a further 34 (across 2 sites) that will begin construction soon, with many more in the pipeline.

With church congregations in decline there is potential for FiAH to unlock sites for the provision thousands of new affordable homes. However, the process of FiAH, from site identification, to planning, land sale and construction of new homes, is complex and often lengthy. In the current climate many such buildings are closing, leading either to decay and dereliction, private development for unaffordable rents, or as second homes. This submission makes suggestions to overcome the barriers blocking the building of social homes at speed and scale.

We have just begun new housing research activities which directly relate to this inquiry. HJC are exploring many of the same areas of concern and look forward to updating the Committee and Senedd Members on our findings as we move forward.

In partnership with Bevan Foundation and Cwmpas, we are looking more closely at land supply. Our research will look at the potential of land held by different types of social and public owners for the development of affordable social and community-led housing and the barriers preventing this being done at scale.

This response will address the Terms of Reference for the inquiry as they are listed, you will find our recommendations at the end.

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.

The target of 20,000 low carbon social homes for rent in the 2021-26 Programme for Government is admirable and welcome, however the reality of social housebuilding today is rendering this goal unlikely. We have now entered year 4 of the 6-year timeframe, with conservative estimates indicating that there are still around 14,225 homes left to build to meet target. These current figures do not, however, account for discrepancies or nuance, and do not show that social homes have also been lost over this period either by demolition or through sales.

It is also relevant that the calculation of projected need for 20,000 social homes was made pre-pandemic¹, and since this time there has been a significant cost of living crisis, and homelessness has risen along with numbers of individuals and households accessing temporary accommodation.

In addition, Wales has the most rapidly ageing population of any UK nation, with the largest proportion of people in the UK aged over 70, and 26% of the population expected to be 65+ by 2033. This demographic is also increasingly applying for Universal Credit², and is more likely to be divorced and less likely to be widowed, indicating an expected increase in single households that will put pressure on both social and private rental sectors, and that current affordable housing projections are not accounting for.

Further, the definition of the 20,000 affordable homes was always inclusive of homes purchased through shared equity schemes³ (such as Help to Buy), despite home ownership and these schemes being unattainable to most of the population for whom rented social housing is intended. Overall progress towards the 20,000 goal is not on track and the projected need for 20,000 affordable homes by 2026 is likely below actual need.

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

Through the FiAH project, HJC work closely with RSLs across Wales bringing sites forward with the intention of increasing supply, and have observed the following challenges (in no particular order):

Damp & mould – RSLs are now facing understandable pressure to ensure that their existing housing stock are free of all damp and mould, this is directing financial and human resource away from new development.

¹ Statistics Wales, 2019.

² Care & Repair Cymru, 2023

³ Future Generations Commissioner for Wales, 2020.

Phosphates – the ability to build has halted in many areas across Wales due to the presence of phosphates. When new rules about phosphates came in, Community Housing Cymru⁴ reported that seven housing associations, which were due to deliver 1,000+ affordable homes were unable to progress as a result. To avoid pollution through construction, RSLs now must implement expensive processes. Available funding has not been adjusted or increased to recognise these new demands.

Competing priorities – RSLs are currently looking to retrofit their existing housing stock to EPC B and C or above, while also building new stock to the same standard, costing time and money.

Cost of labour – in the cost-of-living crisis, labour costs have increased, making builds more expensive overall and thus reducing RSLs ability to build at pace and scale.

Cost of materials - these have also increased, making builds more expensive overall and thus reducing RSLs ability to build at pace and scale. One housing expert informed HJC that where it used to cost £1800 per sqm to build, it now costs £3000.

Inflation –this has impacted everything. One example, in terms of borrowing costs, is that long-term loans that were at 2% interest are now 6.5% interest.

Staffing – Development staff are in high demand and competitive salaries mean a high turnover within RSLs, delaying site start-ups.

Smaller sites – these add to the overall delivery of affordable homes but there is a lack of incentive to build. They face the same costs in terms of resourcing as larger edge of settlement sites and due to economies of scale RSLs prioritise these. However, small sites offered through the FiAH project add to the overall target and are often at the heart of a community, meeting Wellbeing of Future Generation (Wales) Act 2015 goals of being near transport links, schools, and other community provision.

Standard Viability Model (SVM) - when pursuing Social Housing Grant on a site RSLs need to demonstrate viability and value for money. The Welsh Government SVM released in July 2023 considers the level of grant required for a scheme to break even. Whilst it is paramount to ensure that public funds are used efficiently, some smaller sites can be difficult to ensure viability, and this is reducing the number of schemes FiAH can bring forward. Viability needs to be seen in bigger picture terms, to include sustainable reuse of a site and its contribution to the cultural wealth of a local area.

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

HJC believe that standards set out in the Development Quality Requirements (DQR) and Welsh Housing Quality Standard (WHQS) are vital in ensuring the best conditions for people living in

⁴ CHC, 2023 <https://chcymru.org.uk/news-and-blog/wales-housing-development-barriers#:~:text=Seven%20housing%20associations%2C%20which%20were,in%20fewer%20people%20being%20housed.>

affordable housing, however they can limit what it is possible to develop and slow down pace of development. To achieve unit numbers at the statutory standards, RSLs can only feasibly consider larger parcels of land, of which there are few in Wales and even fewer that fall into LDP settlement boundaries. This is because the standards often render smaller sites non-viable, due to the high costs that would be incurred for the resulting lower number of units.

The standards also mean that demolition often becomes favourable over retrofitting of existing buildings. However, the repair and re-use of existing churches is usually less carbon intensive than new build on greenfield sites, in terms of the materials and processes used in construction. Lifecycle carbon emissions can be addressed and there are opportunities to reduce a building's overall carbon footprint whilst preserving its historic significance. Research from Historic England's *The Heritage Counts* report published in 2021 shows that demolishing a historic building and replacing it with a new one can result in greater emissions due to the associated embodied carbon.

A project partner from the Baptist Church who has gone through the process of selling a church hall to an RSL for affordable housing commented that the process to meet standards and decarbonisation goals was time consuming and expensive, and that in contrast, there are no regulations holding large private developers to account to meet net zero targets.

Another RSL project partner stated that: "Decarbonising the social housing stock is imperative, but housing associations require support from the Welsh Government to achieve ambitious targets while maintaining viability (...) We would support an uplift in SHG to meet net zero standards."

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

There are organisations that are more expert in this topic that will no doubt provide more sufficient evidence than we are able, we therefore do not wish to comment at length. However, the availability of Social Housing Grant in Wales is vital to the continuation of social house building.

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

The process of FiAH, from site identification, to planning, land sale and construction of new homes is complex and often lengthy. This can deter church partners from engaging in it when compared with a straightforward open market sale. This is even more relevant as congregation numbers continue to decline, and denominations face the need to sell more assets over a short period of time.

The opportunities for social housebuilding on church land are many, across the spectrum of scale from village and town centre sites to edge of settlements. FiAH act with the church landowner to identify the potential of a site and then with an RSL partner to build out the scheme. HJC understand that the Local Planning Authority (LPA) must balance aspiration on a site with the demands of land use policy and viability, but the process is convoluted and lengthy.

Pre-application requirements for a social housing scheme require costly fees for surveys such as ecology and sustainable drainage. For the options appraisal of the demolition of a church building or part of a church site, the LPA often require a full planning application so they can fully understand the impact of a new social housing development. This takes time and money.

Some sites will be required to have a Sustainable Drainage System (SuDS) to manage on-site surface water, to be approved by a Suds Approving Body (SAB) which often works across LPA boundaries. This adds to the planning application timeframe.

A project partner from a faith-based organisation stated that they found the planning process ineffective and inefficient in their experience.

Some church or religious buildings in Wales have listed, or locally listed status, but have come to the end of their working worship life. When churches look to dispose of these in a charitable manner in keeping with Christian values, they come up against myriad planning challenges and costs. The alternative to not repurposing these building for a use such as affordable housing, is to lose these important heritage buildings to disrepair.

Planning Policy Wales explains how the planning system must consider Welsh Government's objectives to protect, conserve, promote and enhance the historic environment as a resource for the general well-being of present and future generations. It also sets out the planning policies for the sustainable management of historic assets. Indeed, listed churches in Wales add to our sense of community, cultural identity, and shared history. In Wales 30,000 buildings and structures are listed. 2,000 are places of worship, with more than a third of these listed Grade I and II*.

The balance between building conservation and viable re-use of churches is becoming increasingly important. However, LPAs give considerable weight to the preservation of listed buildings which is a requirement under the Planning (Listed Buildings and Conservation Areas) Act 1990. This elevates the preservation of a listed church above that of a general planning consideration of providing new homes.

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

Every year an increasing number of church buildings in Wales are closing due to declining and ageing congregations. Similarly, many churches are seeking to reconfigure their facilities to provide sustainable places of worship and multi-purpose buildings for wider community activity. Many of these buildings and associated land can be part of the solution to affordable housing supply, whilst sustaining worship and protecting heritage.

In Wales churches and religious organisations own 3,290 hectares of land, inclusive of at least 4,364 known places of worship and religious buildings. Not all of these will be closing or available for sale, and nor would all the land necessarily be suitable for development, however

at a very conservative estimate this portfolio of land and property could provide anything from 5,000-10,000 units of housing.

If church attendance continues to fall at the current rates, then the property portfolios of churches will change significantly over the next decade, which will lead to a substantial change of land use across Wales. Factoring in that churches and church buildings tend to be in village and town centres, and that other community and high street buildings that may be next door to churches; post offices, pubs, banks, halls, working men's clubs, are closing at rapid rates across Wales, there is an urgent need for a strategic appraisal of the potential of these buildings and the land they sit on, Wales-wide. A mapping and strategic plan of the future of these buildings, accompanied by easing of planning processes, and an uplift in SHG for refurbishment of buildings, could greatly increase the stock of affordable social housing in the centre of communities.

FiAH has worked with Knight Frank, a leading UK real estate agency, to develop a mapping tool that provides data on all church-owned land and assets in Wales. It also maps characteristics such as environmental risk from flooding and phosphates and can be overlaid with Housing Needs Assessment data. The mapping tool is helping us to work with church landowners who are seeking to rationalise, repurpose or reimagine their estates, and identify sites where there is a potential for delivery.

FiAH and churches across Wales can work together with other big estate owners such as Local Authorities, Welsh Government, Health Boards and the Crown Estate, to use institutional weight to influence strategic land use planning practice and to deliver affordable homes across communities. The mapping tool can assist in this strategic approach – this is a visual display which can be interrogated at scale to look at landholdings in a community. It provides a transparent overview of sites across Wales.

The concept of placemaking is highlighted as a key element to deliver on the aspirations of the Future Generations (Wales) Act 2015 and the Placemaking Wales Charter (2020). FiAH embodies the placemaking policy agenda. Churches and church land are often at heart of a community and can support the regeneration of towns and villages. The opportunity for affordable housing sites in communities also converges with the aims of the Active Travel (Wales) Act 2013, linking active travel and public transport to housing development and the Placemaking and Covid 19 Recovery Plan (2020) which outlines the importance of well located, secure and affordable homes on people's health and wellbeing.

An RSL partner stated that: "We support exploring innovative approaches including more support for added social value into the charitable disposal notice and certificate processes and more guidance to the charity sector as a whole on disposals to RSLs."

A faith-based organisation partner stated that: "(we need to) work with all parties to have a Wales wide plan."

The FiAH mapping tool can assist with site assembly when looking at a range of land in various ownerships, and also as part of any compulsory purchase process.

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

There are organisations that are more expert in this topic that will no doubt provide more sufficient evidence than we are able, we therefore do not wish to comment at length. We recognise that land value capture mechanisms may be effective ways to secure pots of funding for investment into social housing. These would need to be clearly ringfenced and regulated to ensure the efficient use of monies for social house building, and in addition, any contract of sale would need to clearly stipulate that the profits from any alteration of land use were to go to the Local Authority, not the vendor.

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.

Capacity to build new low carbon social homes is dependent on appropriate land being made available, and funds and resources being made available, or existing funds and resources being increased to acknowledge complexity of low carbon builds. This answer has been expanded upon for ToR 3 above.

Acquiring existing homes to retrofit into low-carbon social homes is achievable but will require flexibility around DQR and WHQS. Wales has the highest number of pre-1919 buildings in the UK, equating to around 2/3s of total building stock⁵, and this must be considered in acquisition and remodel for decarbonisation goals.

One of our RSL partners on the FiAH project commented that;

“These projects often require more specialised skills and resources compared to new build developments. More design and technical survey work at the early stage. This leads to additional capital at risk and can often cross the threshold of an organisation's risk appetite. We would advocate for feasibility grants on church-owned land and assets. These could be deducted from capital grant approvals if they proceed.”

Another RSL partner highlighted the types of costs that get passed onto tenants:

“the nature of these projects (already) has an expected higher level of abnormal costs associated with them such as demolition of derelict buildings, with this case there is (...additional work/maintenance), these costs would be passed on to the tenants, which is very difficult to justify”

When a property has listed building status, the above issues are exacerbated, and some potential FiAH sites have been aborted when listing and heritage constraints have been too costly for RSLs.

One of our RSL partners on the FiAH project commented that;

⁵ Architectural Heritage Fund, 2023.

“When a church is listed or located within conservation areas – it is not often possible to recover additional costs through increased density.”

In terms of listed church assets and conservation areas HJC and our RSL partners would welcome a flexible and proactive approach from CADW and the LPA when identifying appropriate sites for repurpose. The constraints imposed by heritage regulations can result in reduced development potential and increased project costs, leading to diminished financial viability for RSLs.

An RSL partner further commented that:

“To address these challenges and promote the redevelopment of redundant church land for affordable housing purposes, we recommend exploring alternative funding mechanisms, such as higher grant levels, to offset the increased costs associated with refurbishment and renovation projects.

An increase in grant funding would enhance the financial viability of such projects, enabling housing associations to undertake more ambitious redevelopment schemes while ensuring equitable returns for landowners.”

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

Organisations such as Cwmpas are working in Wales to effectively engage more communities in housing. Community-led housing is thriving in Scotland and England, but in Wales where there is no legislation supporting the community right to buy, there is less community ownership of land and buildings.

Rural Housing Enablers previously conducted local housing needs assessments; however, loss of funding has meant that valuable local insight is being lost in communities.

Churches are community assets, and many congregations support re-purpose for social housing or mixed use. However, time pressures, planning delays, and high costs may mean that church owners may choose to sell on the open market to a private developer or second homeowners, for a guaranteed fast and straightforward sale.

A partner from a faith-based organisation noted that mixed use schemes encourage greater community cohesion, and that local authorities have cut funding for preventative activities that are effective in preventing homelessness, such as youth services and community spaces. They added that providing better funding opportunities to the third sector may lead to greater community engagement in social housing development.

Recommendations

HJC call for a strategic, top-down mapping and appraisal exercise of building and land use and ownership in Wales, accompanied by a plan for predicted building closures with a focus on community buildings, such as churches, in town, city and village centres.

This must be accompanied by easing of planning processes, and an uplift in SHG for refurbishment of buildings.

Standard Viability Model – The current model favours larger sites, however, to meet social housing need, placemaking agenda and Wellbeing of Future Gen Act, small infill sites in town/village/city centres must be considered. Viability needs to be seen in bigger picture terms, to include sustainable reuse of a site and its contribution to the cultural wealth of a local area.

With increased financial pressures on RSLs from damp and mould, phosphates, cost of living and inflation, retrofitting existing stock and building to WHQS and DQR, a re-evaluation of available funds is required.

HJC and our RSL partners would welcome a flexible and proactive approach from CADW and the LPA when identifying appropriate sites for repurpose.

Agenda Item 4

Local Government and Housing Committee

3 July 2024 – papers to note cover sheet

Paper no.	Issue	From	Action point
Paper 2	Decarbonisation of housing	Cabinet Secretary for Housing, Local Government and Planning to Climate Change, Environment and Infrastructure Committee	To note



Llywodraeth Cymru
Welsh Government

Llyr Gruffydd MS
Member of the Senedd for North Wales
Chair, Climate Change, Environment and Infrastructure Committee
Ty Hywel
Cardiff Bay
Cardiff
CF99 1SN

10 June 2024

Dear Llyr

Thank you for your letter of 8 May noting the correspondence the Committee had received from Councillor Joanna Protheroe in relation to the impact of the WHQS23 of local authorities' ability to reach net zero by 2030.

Please find below the clarification you have requested.

1. Can you clarify whether and, if so when, the Welsh Government has committed to a target for all social housing to reach EPC A by 2030? If a 2030 target was set, and has since been revised, can you explain the reasons for this?

The Welsh Government has never set a target for all social housing to reach EPC A by 2030. The previous standard was for all social housing to reach an EPC D (SAP 65), which has been achieved. WHQS23 replaced the previous standard as of 1 April 2024. The new target is for all social housing to reach an EPC A (SAP 92) in future and brings the existing social homes standard in line with the new build social housing standard, published in July 2021.

During the consultation process, the original proposal was for all social housing to achieve EPC A (SAP 92) by 2033. However, this was met by strong opposition due to concerns around practicality, cost, supply chains and skills, and the finalised standard took account of the strong feeling from across the housing sector. A summary of the consultation response can be found here:

<https://www.gov.wales/sites/default/files/consultations/2023-01/summary-responses.pdf>

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

The standard requires all social landlords to fully understand their homes and the steps required to meet EPC A. This evidence must be gathered by undertaking a whole stock assessment and producing individual targeted energy pathways (TEP) for each home by 31 March 2027. These individual TEPs will include the programme of improvements that will be required to ensure home reaches EPC A (SAP 92) in future. These requirements are informed by the early lessons learnt from the Optimised Retrofit Programme (ORP).

2. Can you clarify by when you expect all social homes to achieve EPC A?

Timescales will be informed by the outputs from the whole stock assessment and individual targeted energy pathways (TEP) which social landlords must produce for each home by 31 March 2027. These individual TEPs will include the programme of improvements that will be required to make that home reach EPC A (SAP 92) in future. It is only once these actions have been undertaken, will we be able to clarify when all social homes will achieve EPC A (SAP 92).

Given the need to drive investment and monitor progress towards our long-term target we have introduced an interim target for all social homes to have achieved an EPC C (SAP 75) by the 31 March 2030.

Neither the standard nor the requirement for social landlords to produce TEPs preclude any social landlord from early achievement of EPC A or similar across its housing stock.

All new build social homes being funded under Social Housing Grant are already achieving the energy performance certification of EPC A (SAP 92 or higher) or similar, such as the Passivhaus standard.

3. What assessment has been made of the impact of the standard for energy efficiency on the ability of local authorities with housing stock to meet the Welsh Government's ambition for a net zero public sector by 2030?

The standard requires all social landlords, including local authorities with housing stock to achieve EPC A (SAP 92). However, EPC A (SAP 92) does not automatically equate to a net zero carbon home. Homes that currently achieve EPC A are likely to become net zero operationally in future as electricity supply continues to decarbonise.

The Innovative Housing Programme (2017-21) has been providing valuable insight into tenants' behaviours in low and zero carbon homes and has proved that homes can be designed and built to achieve net zero carbon operationally.

However, the tenant's uses the home, specifically their energy use, has a significant impact on whether that home achieves net zero operationally. In a recent example at a new build development in North Wales which was built to EPC A, two identical homes heating bills were £50 per month and £300 per month. Based on the monitoring sensors installed in both homes, the social landlords could attribute the variation to the tenant's behaviours. After the social landlord engaged with the tenant and with assistance from other tenants in the same development, the tenant was able to greatly reduce their energy consumption, their bills and the carbon emissions from the home.

Energy use by residents in council rented housing and social housing is out of scope of the reporting against the ambition of being a net zero public sector by 2030. The Welsh Public Sector Net Zero Carbon Reporting Guide is available here: [Welsh Public Sector Net Zero Carbon Reporting Guide \(gov.wales\)](#)

In relation to the error noted in the introductory chapter of the WHQS23, a correction has been made to the published document. I hope the above information provides the necessary clarification the committee required.

I am copying this letter to John Griffiths MS, Chair of the Local Government and Housing Committee and to Councillor Joanna Protheroe, Chair of the Vale of Glamorgan Council's Corporate Performance and Resource Scrutiny Committee.

Yours sincerely

A handwritten signature in blue ink that reads "Julie James". The signature is written in a cursive style with a large initial 'J'.

Julie James AS/MS

Ysgrifennydd y Cabinet dros Lywodraeth Leol, Tai a Chynllunio
Cabinet Secretary for Housing, Local Government and Planning