

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

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Meeting Venue:

**Committee Room 2**

Meeting date: 22 May 2024

Meeting time: 09.30

For further information contact:

**Catherine Hunt**

Committee Clerk

0300 200 6565

[SeneddHousing@senedd.wales](mailto:SeneddHousing@senedd.wales)

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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 1**

(09.30 – 10.45)

Edward Shepherd, Senior Lecturer in Planning and Development

Ken Gibb, Director, UK Collaborative Centre for Housing Evidence

Toby Lloyd, Independent Consultant

Nicholas Falk, Executive Director, The Urbed Trust

**(Break 10.45 – 11.00)**

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

(11.00 – 12.00)

Darren Baxter, Principal Policy Adviser – Housing and Land, Joseph Rowntree Foundation

Wendy Dearden, Senior Policy & Research Officer, Bevan Foundation

Robin White, Head of Campaigns, Shelter Cymru

**4 Papers to note**



- 4.1 Letter from the Cabinet Secretary for Housing, Local Government and Planning in relation to diversity in local government
- 4.2 Letter from Carolyn Thomas MS in relation to the private rented sector
- 4.3 Letter from the Climate Change, Environment, and Infrastructure Committee in relation to the Welsh Housing Quality Standard
- 4.4 Letter from Cabinet Secretary for Housing, Local Government and Planning in relation to the Renters (Reform) Bill
- 4.5 Letter from the Welsh Cladiators in relation to building safety
- 4.6 Letter from the Finance Committee in relation to Welsh Government Draft Budget 2025–26
- 4.7 Letter to the Llywydd from the Legislation, Justice and Constitution Committee in relation to Supplementary Legislative Consent Memoranda (Memorandum No. 3 and Memorandum No. 4) on the Leasehold and Freehold Reform Bill.
- 4.8 Letter to the First Minister from the Legislation, Justice and Constitution Committee in relation to the international agreement between the UK and Denmark
- 5 Motion under Standing Order 17.42 to resolve to exclude the public from the remainder of the meeting  
(12.00)

**(Private)**

- 6 Social housing supply – Consideration of evidence**  
(12.00 – 12.15)
- 7 Local Government Finance (Wales) Bill – Stage 2 order of consideration**  
(12.15 – 12.20)
- 8 Supplementary Legislative Consent Memorandum (Memorandum No. 4) on the Leasehold and Freehold Reform Bill**  
(12.20 – 12.30)

Document is Restricted

## **Senedd Cymru**

### **Local Government and Housing Committee**

### **Consultation: Inquiry into Social Housing Supply**

**Written Evidence: April 2024**

Professor Kenneth Gibb

Director, UK Collaborative Centre for Housing Evidence (CaCHE)

Email: [Ken.Gibb@Glasgow.ac.uk](mailto:Ken.Gibb@Glasgow.ac.uk)

&

Dr Bob Smith

Knowledge Exchange Broker (Wales), CaCHE

Email: [Smithr2@cf.ac.uk](mailto:Smithr2@cf.ac.uk)

April 2024

#### **Introduction**

Thank you for the opportunity to submit written evidence to the Committee's Inquiry into Social Housing Supply.

The UK Collaborative Centre for Housing Evidence (CaCHE) was established in August 2017. It is a consortium of eight partners in higher education and non-academic institutions, led by the University of Glasgow and funded by the Economic and Social Research Council (ESRC) and the Arts and Humanities Research Council (AHRC). Our aim is to advance knowledge and understanding in the UK housing sector and promote evidence-based policy and practice. Details of what we do, our current research themes and our library of publications are all available on our website:

<https://housingevidence.ac.uk/>

In late 2018 CaCHE published a series of **Papers on Social Housing** in Scotland, Northern Ireland and Wales as well as papers on social housing governance and the funding of new social and affordable housing. In April 2021 CaCHE also published **Housing in Wales: Evidence for Government 2021-2026**. Drawing on CaCHE research this identified 12 key priorities under 6 themes, of which the first was the need for increased investment in the supply of additional affordable (and particularly social) housing. A sister paper on **Housing in Scotland** was published at the same time. All these papers are available from the CaCHE website. Current research on

possible responses to the current challenges facing the Scottish affordable housing supply programme (funded by the Joseph Rowntree Foundation) has been interwoven into this evidence where relevant (also see the annex to this evidence on background to the Scottish programme).

## The Social Housing Sector in Context

Social housing in the UK has been transformed over the last half century. There has been a significant absolute and proportionate decline in the scale of the sector (where additions to the stock have been more than offset by disposals, particularly through the Right-To-Buy – RTB<sup>1</sup>). At the same time the profile of the sector, in terms of both tenants and landlords has changed, with not-for-profit housing associations (Registered Social landlords – RSLs) becoming the main providers of social housing. However, in many localities local councils remain important providers of social housing (11 out of 22 local councils in Wales still have a landlord function) and local authorities are building again, often using relatively new financial models and different types of delivery vehicles. Since devolution in 1999 housing policy in Wales has, in a number of respects, diverged from other parts of the UK (and particularly England) and specific policies and programmes have been pursued in respect of social and affordable housing, including the ending of RTB.

The latest published data from **statswales** suggests that in March 2022 there were 234,000 local authority and housing association (RSL) owned homes in Wales. This is 15.9% of the total housing stock, with almost 10% in housing association ownership. In March 2001, there were 242,900 social homes in Wales (19% of the Welsh housing stock, with almost 15% in local authority ownership). So over more than twenty years, whilst the total housing stock has increased by more than 15%, the Welsh social housing stock has declined both proportionately and absolutely.

In the light of these changes and the overall long-term decline in the social housing sector across the UK, numerous independent studies have argued for an increase in the delivery of additional social and affordable housing. Social housing is seen as the most affordable form of housing (a broader concept, including some forms of relatively low-cost home ownership), although there are overlaps between social and affordable housing. In this written evidence it is not possible to synthesise the wealth of recent research, but we would refer Committee to the report on Wales published 5 years ago, the **Independent Review of Affordable Housing Supply** (Welsh Government, 2019). We also note that the new First Minister in his recent leadership manifesto indicated his intention to establish a Task Group on this issue which we welcome.

The supply of social housing in Wales as elsewhere, is an important, and pressing issue. However, it is important that it is not viewed in isolation. It is a complex problem and one that we believe requires a whole system approach to understand the

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<sup>1</sup> The abolition of new build RTB in Scotland 7 years in advance of total abolition was critical to restarting council house building.

structures, relationships, and potential points of leverage, where policy and practice interventions can deliver effective change.

## **Social Housing Needs and Supply in Wales: Recent Trends**

We note that the Committee's terms of reference include examining the progress towards meeting the Welsh Government target of 20,000 low carbon homes for rent over the period 2021-2026 and the extent to which current and projected levels of social housebuilding are likely to meet housing need.

In terms of housing need, Welsh Government estimates published in August 2020, based on 2019 household projections, estimated that, under the central estimate the need for additional affordable housing, was a need for an additional 3,500 homes p.a. over the five years from 2019-20 to 2023-24. Other evidence has suggested slightly higher figures for Wales (e.g. Bramley, 2018). Of course, the estimated additional annual need may have increased since the last official assessment, given affordability in the market sector has probably worsened. There is also a wealth of data in Wales on aspects of housing need, for example homelessness data, information about households on local housing registers and evidence from Local Housing Market Assessments (LHMAs). We simply note that any housing supply targets should be informed by the collection and analysis of robust data to inform up-to-date estimates of housing need.

The latest Welsh Government Affordable Housing Provision statistics (published November 2023) indicate that 3,212 additional affordable homes were provided across Wales in 2022-23. This is a marked increase on 2021-22. Over the two-year period this is a total of 5,775 additional affordable homes, against the 20,000 target. However, overall, the number of additional affordable homes delivered over the last two years has not returned to the levels pre Covid-19.

The 2022-23 figures include 2,252 additional homes provided by housing associations (70% - including a relatively small provision of shared ownership), 20% by local authorities, and the remainder by other (private sector) providers. The majority was social rented housing, with a relatively minor provision of housing let at intermediate rents.

The evidence from the most recent analysis of affordable housing provision in Wales has shown a growth in the scale of delivery over the last decade and the number of additional affordable homes provided in 2022-23 was the second highest in the last 15 years (the number of affordable homes delivered in 2020-21 was a little higher).

Statswales also publish data on annual new housing starts and completions on a quarterly/annual basis, disaggregated by tenure. Looking at the two years 2021-22 to 2022-23 over 80% of more than 11,000 new dwellings completed were through private enterprise, with housing associations completing less than 2,000 new dwellings and local authorities under 300 new dwellings.

New build is only part of the provision of additional affordable/social housing, with acquisitions and conversions also contributing. Welsh Government have introduced the Transitional Accommodation Capital Programme (TACP), providing grant funding to housing associations and local authorities for the acquisition/development of existing properties (including non-residential properties). This offers opportunities for increasing and speeding up delivery of additional social housing. Whilst it will be critical to ensure acquisitions/conversions do not compromise on quality, this sort of programme offers opportunities to increase social/affordable supply more quickly. However, currently, overall rates of additional social housing provision in Wales since 2021 suggest that it will be very challenging to meet the 20,000 target by 2026.

## **Challenges Faced by Social Landlords in Increasing Housing Supply**

In this section, we highlight some of the challenges we see facing social landlords in Wales, which we develop a little more fully in subsequent sections of this paper<sup>2</sup>. We believe these challenges include:

- Securing the necessary levels of investment (public and private) for increasing the provision of social housing in Wales. Scotland has recently announced a short life Housing Investment Task Force to look at a range of ways of supplementing investment for social and affordable housing.
- The capacity of the sector (and the wider construction industry) to develop, manage and deliver an expanded social housing programme.
- The competing priorities facing social housing organisations, within and beyond government housing programmes, between investing in additional provision and investing in the existing social housing stock. This includes tackling the decarbonisation of the existing social housing stock.
- Land and planning constraints.

## **Securing the Levels of Investment needed in Social Housing.**

Earlier, we highlighted some of the evidence of the need for social housing in Wales and highlighted the 20,000 additional social homes target for 2021-2026, and the progress made in the first two years.

The Welsh Government's budget for 2024-25 has allocated £370m for social housing grant to support additional provision through housing associations, as well as an additional £14.4m to local authorities through the Local Government settlement. There are also commitments to decarbonisation (including £70m for 2024-25 for the Optimised Retrofit Programme) and £18m this year for the WHQS2 programme. These are welcome levels of public investment in challenging economic times. However, there are questions as to the extent to which overall levels of investment (public and private) are sufficient to deliver the required levels of social housing, whether levels of public investment provide both housing quality and the best value

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<sup>2</sup> Due to word length limits, this list is not comprehensive. Space constraints mean we do not talk about RAAC or go in to much detail about the potential for innovative private investment and other innovative financing ideas to support affordable housing supply.



for money, and the extent to which public subsidies are being stretched to maximise output of additional social housing. We would point out that over the last 2-3 years inflation has significantly impacted upon the costs of housing development. Although the annual rate of inflation is now falling, over the last few years social landlords have been faced with significant increases in material and energy costs, labour costs and the costs of borrowing. The Welsh Government social rent and service charge standard (previously rent policy) gives Ministers the power to determine the annual uplift in social sector rents when CPI is outside of the 1%-3% range. However, annual uplifts have been below inflation levels, increasing the pressure on the budgets of social landlords.

We noted above that data from **statswales** shows housing associations (RSLs) delivered 70% of the additional homes provided in 2022-23, 87% of which were newly built. The number of additional homes delivered by associations in 2022-23 was 11% more than in 2021-22, but 22% fewer units than in 2020-21. Local authorities delivered 20% of the additional affordable homes in 2022-23, the majority of which were in just 5 local authorities: Cardiff, Carmarthenshire, Swansea, Powys and the Isle of Anglesey. Other Welsh authorities provided relatively small numbers of additional council homes, either through newbuild or acquisition (or a combination of the two).

The ability of social landlords to deliver additional social and affordable housing will, of course, be shaped by the availability of public subsidies. Statswales data for 2022-23 indicate that over 72% of additional affordable housing delivered received capital grant funding. This was higher than in the previous three financial years (only 61.6% of those homes delivered in 2019-2 were capital grant funded).

We are aware that the 2019 Independent Review of Affordable Housing Supply (Welsh Government, 2019) proposed a new flexible grant funding regime which would test the contribution of private finance and alternative finance models, in order to stretch grant resources and maximise output and demonstrate value for money. Whilst we understand a revised grant system has been introduced, we are not aware of any evaluation which has been undertaken to test how this is working in the current environment.

## **Issues of Capacity**

The social housing sector in Wales is relatively small. There are only 30-35 regulated housing associations in Wales (and we are aware of a number of potential mergers which may reduce this number). This includes 11 Large Scale Voluntary Transfers (LSVTs), some of which are in the early years of developing new housing programmes. Others are relatively small organisations. There are only 11 Welsh local authorities which retain ownership of social housing, and again many of these are in the early stages of returning to a housing development role. The delivery of additional social housing is likely to be dependent upon a relatively small number of developing social landlords, and in some instances, there will need for increased collaboration, partnership working and innovation both for development and funding.

The issue of increasing housing supply is also dependent upon the capacity and skills of the construction industry. It has been estimated that around one in twenty jobs in Wales are in this sector and construction (and housing) make valuable contributions to economic development in Wales, through multiplier effects of investment as well as the benefits of preventative spending. However, there will always be issues of competition between housing development and non-housing forms of development, and housing (perhaps particularly social housing) may not always be the most attractive option for the development industry.

It is also worth highlighting the potential contribution which scaling up the contribution of off-site manufacturing and Modern Methods of Construction (MMC). These issues were considered in the Independent Review of Affordable Housing Supply (Welsh Government, 2019) and CaCHE has published its own research on MMC (Serin and Payne, 2023). That research concluded that the wider adoption of MMC required a broader investigation of the whole housing development process. We are interested to note proposals in Wales for the creation of an arms-length not-for-profit company (Unnos), which would not only support MMC, but also the development of Welsh supply chains, assist local construction SMEs and play a strategic role in land assembly. Such an initiative could build upon work already being done by individual social landlords in Wales and also give significant stimulus to future social housing supply.

Finally, we highlight the issues of skills, training, and professional development. Does Wales have the necessary skilled workforce - in housing (particularly housing development), in construction and in land use planning, both now and into the future? If not, what actions are being taken to address the skills deficits?

## **Competing Priorities**

One of the major challenges faced by social landlords (and the housing sector more generally) is the competing priorities between investing in the existing social housing stock and providing the new homes which are needed. There are a number of different aspects to the policy agenda for remediating or improving the existing social housing stock. These include:

- Welsh Housing Quality Standard (WHQS) 2023
- The residential decarbonisation agenda.
- Fire safety measures.

Welsh Government published its WHQS 2023 standards in October last year. When WHQS was first introduced (2002) there were serious levels of disrepair in the Welsh housing stock. Whilst the original deadline for achieving WHQS was not met, by March 2022 (and allowing for “acceptable fails”) almost all of the Welsh social housing stock was WHQS compliant.

WHQS 2023 builds upon the original standard (and retains many of the individual elements) but as well as continuing the ongoing improvement of the stock, also aims to accelerate the decarbonisation of the Welsh social housing stock and support

efforts to reach net zero. The timetable for achieving WHQS 2023 is 31<sup>st</sup> March 2034.

We have noted above that monies have been allocated in the Welsh Government budget for 2024-25 for investment in WHQS 2023<sup>3</sup>. It will be critical that there is continued long term funding to support the delivery of the programme.

In a number of ways, the social housing sector has been in the vanguard of policies and innovative solutions to address the decarbonisation agenda in Wales (perhaps reflecting that until recently the housing agenda has been within the portfolio of the Minister for Climate Change). However, we recognise the potential competing priorities, particularly given the timescales for achieving WHQS 2023 and the targets for decarbonisation and reaching net zero, as well as the potential risks of inadequate or short-term funding leading to poor decisions.

## **Land and Planning Constraints**

There are a number of critical issues under this heading, and we are only able to touch upon a small number of these.

We note that the **Independent Review of Affordable Housing Supply** recommended the establishment of an arms-length body to act as a focus for land assembly and management to help accelerate housing development. Whilst we understand there is now a land division with the Housing and Regeneration Directorate of Welsh Government, and that since political devolution such arms-length bodies have been out of fashion, there may be a case for this. We referred above (under issues of capacity) to the suggestion of a publicly owned company, accountable to Welsh Government, which as well as supporting residential development and construction, could play a strategic role in land assembly in Wales.

A second issue is around land value capture. Land values are an important aspect of housing delivery. Whilst it is critical that land values are sufficient to outweigh development costs and provide a return for landowners and developers, there may also be a case for enhanced land values to be shared with the wider community. Land values vary significantly across Wales, with some of the most valuable in areas like Cardiff, Newport, Monmouthshire, and the Vale of Glamorgan (as well as some tourist/holiday hotspots). Research for Welsh Government (2020) has provided an estimate of the total value of residential land in Wales (£113.4 billion) and an initial assessment of the viability of a local land value tax.

We have referred above to concerns around the capacity of the planning system in Wales and we want to turn our attention now to look at the delivery of additional affordable housing through planning obligations. Evidence from **statswales** shows that in 2022-23 30% of all additional affordable housing across Wales was delivered through planning obligations. In proportionate terms this was up slightly on the previous three years. Over the last four years just under 4,500 additional homes have been delivered under this mechanism. However, we note the commentary from

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<sup>3</sup> The capital budget in Scotland for housing has fallen by around a third over the last two fiscal statements (2023-24 and 2024-25).

statswales that the delivery is consistently lower than the number granted planning permission.

We also note with concern evidence from the Home Builders' Federation (HBF, 2023) of the levels of unused s106 contributions across England and Wales. Specifically in relation to Wales (and based on returns from 14 local authorities) they highlight over £71million in unspent contributions; an average of £5.1 million per Welsh authority. Whilst not all of this would be for additional affordable housing, their evidence does suggest there is capacity to increase investment in the affordable housing supply in some Welsh local authorities, using developer contributions.

## **Encouraging the Involvement of Local Communities in the Development Process**

We applaud the concern for the engagement of local communities in the development process, which we assume could be through the Local Development Plan process and (for existing social housing tenants) through appropriate mechanisms put in place by their landlords.

In terms of the tenant voice, we argued in our Housing in Wales: Evidence for Government 2021-26 paper that Welsh Government should do more to facilitate tenant engagement both locally and at a national level. Notwithstanding the valuable work of TPAS Cymru, more needs to be done to ensure the voices of tenants and residents are heard in shaping housing policy and practice in Wales. Relatedly, we would also highlight the need to encourage more positive attitudes towards social housing. Research for CIH Cymru (Scully, 2020) showed significant public recognition of the need for social housing in Wales, but also showed some distinctly negative perceptions of the tenure.

## **References**

### **CaCHE Papers on Social Housing**

Frey, J. (2018) **Social Housing in Northern Ireland: Challenges and policy options.**

Gibb, K. (2018) **Funding new social and affordable housing: ideas, evidence and options.**

Marsh, A. (2018) **Social housing governance.**

Serin, B., Gibb, K. and Kintrea, K. (2018) **Social housing in Scotland.**

Smith, B. (2018) **Social housing in Wales.**

### **Other CaCHE References**

James, G. and Gibb, K. (2021) **Housing in Scotland: Evidence for Government 2021-2026.**

Serin, B. and Payne, S (2023) **The potential role of Modern Methods of Construction in addressing systemic supply issues.**

Smith, B. and Mackie, P. (2021) **Housing in Wales: Evidence for Government 2021-2026.**

#### **Other References**

Bramley, G. (2018) **Housing supply requirements across Great Britain**, London, Crisis and National Housing Federation.

Home Builders Federation (2023) **Section 106 Agreements and unspent developer contributions in England and Wales.** London, HBF.

Scully, R. (2020) **Public attitudes to social housing in Wales**, Cardiff, Chartered Institute of Housing Cymru.

Welsh Government (2019) **Independent Review of Affordable Housing Supply: Final Report**, Cardiff, Welsh Government.

Welsh Government (2020) **Local land value tax: technical assessment**, Cardiff, Welsh Government.

## **Annex Scottish Affordable Housing Supply Programme: Outcomes, Performance and Current Challenges**

The Affordable Housing Supply Programme (AHSP) has delivered new social and affordable housing in Scotland since 2011 and is now in its third Parliamentary programme. However, after two sets of targets were achieved, the current one, stretching over the current parliamentary term and the next one, is now in serious difficulties. Here we briefly set out the programme, its achievement, current problems and what might be done, and also asks what lessons might be learned relevant to Wales.

The AHSP began 2011 after the election of a majority SNP government as a five-year plan to supply 30,000 social and affordable homes (60% general needs social housing, plus affordable mid-market rent (grant-funded) and low-cost home ownership). Social housing was characterised by comparatively deep grants to housing associations and councils as well as substantial but less generous grants to mid-market rent providers (usually housing associations), topped up by internal resources, private loans and in the case of councils through PWLB loans. The second programme, 2016-21, slightly extended by Covid-19, delivered 50,000 units with now 70% social housing and a slight affordable shift away from owning to renting.

The national targets were informed by affordable needs studies (Powell et al, 2015; Dunning et al, 2020). An Audit Scotland (2020) review of the programme indicated that it successfully met its targets but was not well connected to local need and meeting local outcomes, in part because of the top-down allocation of funds and the slightly opaque way resources were converted into specific projects on the ground. Nonetheless per head, Scotland was building most social housing in the UK for almost all of this period (Gibb, 2021).

As a result of the long-term housing strategy produced at the end of 2020, Housing to 2040, Scotland then embarked on a two-term programme to deliver 110,000 unios by 2031-32, still with 70% of the programme devoted to social general needs housing provided by associations and councils. Throughout this current Parliament and the previous, the Scottish Government allocated £3.5 billion (nominal) to each 5-year period as its contribution to the programme's funding.

However, in a worsening context of a temporary accommodation crisis, rising homelessness and affordability difficulties, with four local authorities declaring a hosing emergency<sup>4</sup>, the programme is running into major difficulties with forward indicators of approvals and starts now falling well behind the required 10,000 per annum figures. This is for several reasons:

- Rising developments costs outstripping increases in benchmark grant levels
- Increasing borrowing costs and rising inflation for material and labour within the construction sector

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<sup>4</sup> Argyll & Bute, Edinburgh, Glasgow and Fife

- For financial years 2023-4 and 2024-5, significant budget cuts to the housing capital programme – cumulatively by more than a third
- Housing providers are in some cases withdrawing from development, and in addition face competing claims on their rental income eg stock investment and retrofit for net zero,

CaCHE is involved in research for Joseph Rowntree Foundation seeking to support the programme and offer immediate, medium term and longer terms ways to enhance affordable and social housing supply<sup>5</sup>. We recently gave evidence to the Scottish Parliament Local government committee (February 27, 2024) and suggested the following:

First, combining this evidence with our own analysis of the AHSP process and the place of the supply programme in terms of budget priorities, we conclude that there needs to be a number of important review processes to inform revising how need is measured, resources are allocated and housing fits into budget priorities, in order to improve actual outcomes on the ground. These include but are not limited to: a new study of social provider financial capacity, a new national affordable need study, but one connected to much clearer local outcomes and bottom up or localised housing needs and demand assessment; greater discretion to allow underspends to be carried over to the next financial year; and, a transparent reviews of benchmark grant levels, the distribution of funds to local authorities and an updating of the funding specific to Glasgow and Edinburgh.

In addition to these process-focused evidencing reforms, there is clearly pressing need for change. Below we illustrate some of the early ideas, with the focus is on how to get as much from the existing programme that meets need by providing more homes, and distinguishing immediate or short run ideas, from medium and longer term proposals (more radical or systemic in outlook, such as altering the devolved fiscal framework to allow more borrowing by the Scottish Parliament specific for social housing as repayable via rents social infrastructure):

- Political choices to switch grant funding into social housing from affordable and to raise grant per unit – to secure units rather than the target.
- Develop a state-backed guarantee low-cost lending model for affordable rent (and also for acquisitions from the PRS for Temporary Accommodation?).
- Encourage reforms to provide more low-cost land into the system and facilitate larger site collaborations e.g. Inter public sector land prices reduced where it is for social housing.
- Institutional reform ideas include e.g. a national housing and land agency, supporting a pipeline of larger sites, including new master-planned partnership-based settlements and new towns.
- A flavour of our more radical long term thinking would include land market interventions and tax reform.<sup>6</sup>

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<sup>5</sup> We anticipate this will be published in May or June 2024.

<sup>6</sup> See also Gibb, K 2024 commentary in the Herald:

<https://www.heraldscotland.com/politics/viewpoint/24217163.housing-challenges-must-tackled-election/>

Meanwhile, the Government has set up a delivery board for Housing to 2040 and accelerated its mid-term review, including examining the AHSP, and it has recently launched a housing investment task force.

What does this all imply for the Welsh Senedd contemplating a long-term supply programme? First, design a robust and resilient programme that can ride out significant external shocks. This will require cross-party and sector wide commitment to the programme based on unambiguous evidence about unmet need. Second, provide adequate public funding that can work in different market contexts and allow providers choice given the competing demands on their rental income. Third, design specific interventions and structures that facilitate the programme's delivery mindful of the wider housing system and the interplay between different tenures, submarkets and wider reserved matters like social security and UK borrowing conditions.

### **Annex References**

Audit Scotland (2020) *Affordable Housing: The Scottish Government's Affordable Housing Supply Target*. Accounts commission and Audit Scotland: Edinburgh.

Dunning, R, Ferrari, E, Hoolachan, J, Keskin, B, Moore, T, O'Brien, P and Powell, R (2020) *Affordable Housing Need in Scotland post 2021*. CIH/SFHA Shelter.

Gibb, K (2021) 'Divergent approaches to affordable housing supply in a devolved policy system: Scotland and England after 2010', *International Journal of Urban Sciences*, 25:sup1, 218-240

Powell, R., Dunning, R., Ferrari, E., & McKee, K. (2015). *Affordable housing needs in Scotland – final report*. Shelter/Scottish Federation of Housing Associations/Chartered Institute of Housing.

Scottish Government (2021) *Housing to 2040 Route Map*. Scottish Government: Edinburgh <https://www.gov.scot/publications/housing-2040-2/pages/5/>





## **Senedd Cymru Local Government and Housing Committee Inquiry into Social Housing Supply: Response to Call for Evidence**

### **Introduction**

This is a response to the Senedd Cymru Local Government and Housing Committee's ('the Committee') call for evidence in relation to its inquiry into social housing supply. It has been prepared by Dr Edward Shepherd, Senior Lecturer in Planning and Development at the School of Geography and Planning, Cardiff University.

Dr Shepherd holds a PhD in Land Economy from the University of Cambridge and has 11 years of experience conducting research on planning, land value taxation, land value capture, the politics of housing supply and the housebuilding industry.<sup>1</sup> He is currently leading a three-year Economic and Social Research Council-funded project on the politics of land value capture policy in England (grant reference ES/W001675/1).

### **Terms of Reference**

Given the author's background and expertise, this document will address the below issues from the Committee's Terms of Reference with a particular emphasis on the first item:

1. The potential for increasing income from land value capture mechanisms to invest in social housing.
2. How effectively the planning system is supporting social housebuilding.

### **Definitions**

#### *Social housing*

Although social housing is not defined in the Terms of Reference, for the purposes of this consultation response it shall be taken to mean homes for social rent, intermediate homes for rent and shared ownership. To be more consistent with terminology used in planning practice, these tenures will here be collectively referred to as 'affordable housing'.

However, the Glossary to the Welsh Government's *Technical Advice Note 2: Planning and Affordable Housing*<sup>2</sup> also includes equity sharing schemes within the definition of affordable housing, although this tenure does not form part of the government's current commitment to deliver 20,000 low carbon homes for rent in the social sector for the current government term.

#### *Land value capture*

Land value capture can be defined as any mechanism that enables the state to collect a proportion of land value, either via a recurring tax or event-based instruments. Therefore, at its broadest, land value capture tools could include

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<sup>1</sup> A list of Edward Shepherd's publications is here: <https://profiles.cardiff.ac.uk/staff/shepherde6>

<sup>2</sup> <https://www.gov.wales/technical-advice-note-tan-2-planning-and-affordable-housing>

property taxes currently charged in Wales, including council tax, non-domestic rates, Land Transaction Tax, as well as capital gains tax and inheritance tax on property.

While there may be potential to more effectively tax property wealth in Wales to fund public services and infrastructure (including affordable housing)<sup>3</sup>, for the purposes of this consultation response land value capture shall be assumed to predominately refer to a more limited set of event-based tools that are embedded within the planning system.

Such tools target the land value uplift that is crystallised by the grant of planning permission for a more valuable use. Depending on the value of the land in its existing use and the nature of the proposed development, the uplift can be very significant. There are two such mechanisms currently in use in Wales: planning obligations (otherwise known as Section 106 agreements) and the Community Infrastructure Levy.

Planning obligations are used by local planning authorities in Wales to seek to secure a proportion of affordable housing from developers and landowners via policy-based negotiation. Contributions can either be in cash or in kind (although the latter tends to be preferred). Where new affordable housing is provided directly by a private developer, these are usually sold to a Registered Social Landlord (at a discount compared with market homes) who will then own and manage the homes. Planning obligations are also used to secure contributions intended to mitigate site-specific impacts of development and thereby render development proposals acceptable in planning terms.

The Community Infrastructure Levy (CIL) was introduced in 2010 and is used to secure contributions from new development for the provision of infrastructure. According to research by Planning Resource magazine, as at April 2023 only Rhondda Cynon Taf, Merthyr Tydfil and Caerphilly had adopted CIL, with a further six councils having started the process towards adoption.<sup>4</sup> Although optional to introduce, once adopted, CIL is non-negotiable.

Although generally thought of as being a means for local authorities to secure contributions from private (for profit) developers and landowners, CIL and planning obligations are also used in relation to Registered Social Landlords (RSLs) and local authorities should they engage in development. Indeed, RSLs in Wales are increasingly seeking to deliver their own developments, which can include a proportion of market housing to improve viability (Williams et al., n.d.).

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<sup>3</sup> The Welsh Government has signalled it is interested in the potential for local land value taxation to replace council tax and non-domestic rates, and this was the subject of a technical assessment published in 2020 (ap Gwilym et al., 2020).

<sup>4</sup> <https://www.planningresource.co.uk/article/1212817/mapped-community-infrastructure-levy-updated-12042023>

## Summary of Available Statistical Data on the Supply of Affordable Housing in Wales

Appendix A sets out some of the key available data regarding the supply of affordable housing in Wales. These data suggest that:

- Registered Social Landlords (RSLs) provide the vast majority of additional affordable housing each year (80%-90% per year between 2018 – 2022, with a drop to 70% in 2023).
- ‘Other providers’ (including private developers) have accounted for by far the smallest proportion of new affordable homes at 2%-3% per year between 2018 and 2022 (with an increase to 9% in 2023).
- Most of the new affordable housing delivered by RSLs is for social rent. This provides an indication of the overall trend given RSLs deliver most additional affordable housing.
- Planning obligations have accounted for between 23-30% of new affordable housing over the last five years (reaching closer to 35% prior to this). These data include planning obligations entered into by RSLs and local authorities (rather than solely by private developers).
- The number of affordable homes delivered by ‘other providers’ (including private developers via planning obligations) as a proportion of new dwellings completed by private enterprise has consistently been around 2%-3% in the period 2015-2022, although rose to 7% in 2022-23. Although there are problems with these data (see Appendix A for details) and they should be interpreted in conjunction with data on financial contributions towards affordable housing, they do suggest that private developers may be consistently providing a proportion of affordable housing on their schemes that are below policy requirements.<sup>5</sup>
- The number of affordable homes *granted consent* via planning obligations is consistently higher than the number of affordable homes *delivered* via planning obligations. This suggests potential viability issues impacting schemes following planning permission. It also indicates the importance of maintaining an adequate supply of planning permissions.
- Local authorities are finding it difficult to spend funds paid to them for the provision of affordable housing in the form of financial contributions via planning obligations. This has resulted in a growing total of such funds reaching around £27 million in 2022-23. This could be because of difficulties

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<sup>5</sup> Note that these data do not take account of other financial contributions via planning obligations or CIL that may be made by private developers in addition to those specifically for affordable housing.

in sourcing suitable development sites and/or existing homes for tenure conversion and lack of expertise in development.

- Although local authorities appear to be finding it challenging to spend financial contributions, they are increasingly making land available for the provision of affordable housing through new build schemes or through the purchase, leasing or conversion of existing units. Public sector land is making a significant and growing contribution to new affordable housing as a proportion of overall additional affordable housing supply, rising from 22% in 2021-22 to 40% in 2022-23.

The data suggest that land value capture in the form of contributions towards affordable housing via planning obligations (from private developers, RSLs and local authorities) is making a significant contribution to the overall provision of affordable housing in Wales. However, there is also evidence that private developers may consistently be making affordable housing contributions on their schemes that are below policy requirements. To understand why this may be the case, it is important to consider:

- the nature of development land markets and land supply;
- the development viability mechanism;
- the role of viability in affordable housing negotiations;
- viability guidance and Benchmark Land Value; and
- Wales viability policy.

Each of these shall now be considered in turn.

### **Development land markets and land supply**

Planning obligations and CIL (collectively referred to here as ‘developer contributions’) are considered forms of land value capture because, in theory, the payments made by these mechanisms are capitalised into development land prices. In theory, when a speculative private housing developer negotiates with a landowner to purchase a development site, they review local planning policy and seek to reflect the cost of meeting policy requirements in the price of the land. In terms of land value capture, these costs could include CIL payments, payments to mitigate site-specific impacts and an affordable housing contribution.<sup>6</sup>

However, in practice, because landowners have the final say in releasing development land<sup>7</sup>, and planning obligations are negotiable, the real land market does not always operate according to theory. Private landowners will not usually sell their land for development unless they can make what they consider a sufficient financial gain, which will usually be considered in terms of the degree of land value

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<sup>6</sup> Affordable housing contributions can be reflected in a lower total value for the scheme (because affordable housing commands a lower financial value than market housing) or higher development costs via a financial contribution to the local authority.

<sup>7</sup> The exception to this is in cases where the land is purchased compulsorily via a Compulsory Purchase Order. This tool exists precisely to overcome unwillingness to sell. The circumstances in which it can be used are, quite rightly, tightly controlled.

uplift from the value of the land in its existing use (e.g. farmland if a greenfield development). For residential development land, landowner expectations are influenced by conditions in the housing market (because house prices influence land values) and in the development land market (because the availability of land and prices paid for similar land also influence land prices).

Market conditions, planning policy and the expectations of landowners therefore work together to set a minimum threshold for land prices that, if not met by developers, will result in them not being able to secure development sites. Therefore, although the supply of planning consents is an important factor in the supply of development land, so are the expectations of landowners and their willingness to sell land.

Developers need development sites to stay in business, and so may be incentivised to agree prices for land that do not fully reflect policy requirements on affordable housing on the expectation that they can engage in a viability negotiations with the local authority. Furthermore, if market or regulatory conditions change between relevant local planning policy being adopted, agreeing a land price with a landowner and submitting a planning application, this can also prompt viability negotiations.

### **The development viability mechanism**

Development viability is now a central consideration in plan-making and development management in Wales. At its simplest, viability is assessed by calculating the total predicted value of the development and then subtracting from this all the costs associated with delivery. If the total costs (including payments to the local authority in the form of developer contributions plus the landowner's return and the developer's profit) do not exceed the value of the development, then the scheme is considered viable.

Paragraph 4.2.20 of Planning Policy Wales Edition 12<sup>8</sup> requires that financial viability of housing sites is "assessed prior to their inclusion as allocations in a development plan". The Development Plans Manual Edition 3<sup>9</sup> provides guidance regarding this. The intention is that allocated sites should be able to viably deliver policy required developer contributions, including affordable housing.

The Development Plans Manual therefore seeks to ensure that development sites are allocated only if they are viable while delivering the 'broad levels' of affordable housing required by the local planning authority. Paragraph 3.51 of the Development Plans Manual therefore states: "Further viability testing at the planning application stage should only be required on an exceptional basis." However, in practice, viability negotiations at application stage do frequently happen.

This is because there is only a finite amount of value from a development that can be divided between the landowner, the developer and the local authority (in the form of developer contributions) once all the other costs of development have been covered.

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<sup>8</sup> <https://www.gov.wales/planning-policy-wales>

<sup>9</sup> <https://www.gov.wales/development-plans-manual-edition-3-march-2020>

Therefore, if any of the following affect a residential development, it can be perceived to negatively impact viability:

- Build costs have increased (e.g. due to inflation caused by geopolitical events).
- House prices have decreased (e.g. due to lack of mortgage availability).
- The cost of finance has increased.
- The regulatory environment has changed resulting in higher build costs (e.g. fire safety, building regulations relating to energy efficiency).
- There are exceptional costs to delivery e.g. significant infrastructure or ground remediation costs.

These are just some of the issues that can negatively impact viability. Clearly, spatial variation in local house prices, the specifics of a particular development scheme and site-specific ground conditions and infrastructure requirements mean that there can be spatial variation in the viability of development projects.

For example, an undeveloped greenfield site on the edge of an existing settlement in an area with relatively high house prices is likely to be more viable (and therefore able to provide more developer contributions) than a previously developed brownfield site with complex ground conditions in an area with lower house prices.

This, of course, means that the potential for land value capture varies by local market area and specific development site. The potential for land value capture is greatest in areas where there are high property values and development sites that do not have complex and costly delivery requirements.

Where viability is challenged, a developer may seek to either cut costs, maximise value (or both) in order to improve viability. If this is not possible, the development is unlikely to proceed.

### **The role of viability in affordable housing negotiations**

Although all the assumptions going into a viability calculation are important, for the purposes of calculating viability for planning there are two fundamental necessities. In the words of the Development Plans Manual (para 3.47) these are that the development provides “an adequate profit margin for the developer and a meaningful uplift in value for the land owner”.

The rationale for this is that the developer needs to be sufficiently incentivised to take on the risk of the development and the landowner needs to be sufficiently incentivised to sell their land. The implication is that unless these conditions are met, the development will not be delivered and the site will stall. Indeed, research conducted by Arcadis for the Welsh Government has shown that viability has been a significant factor on stalled sites in Wales (Thompson, 2020).

In such cases, applicants may submit a viability calculation that seeks to demonstrate that the development cannot make policy-required contributions *while also delivering an ‘adequate profit margin’ for the developer and a ‘meaningful uplift’ in land value for the landowner*. Therefore, in viability negotiations of this kind, the

assumed 'adequate profit margin' and 'meaningful uplift' in land value (otherwise known as the Benchmark Land Value) is crucial because increases or decreases in these will result in more or less value being available for developer contributions such as affordable housing.

Indeed, research conducted by Arcadis for the Welsh Government on viability in planning found that there were a "high level of instances at which [sic] affordable housing requirements are negotiated down on the back of a variety of factors affecting site viability (ranging from abnormals such as ground conditions *through to agent demands for land value*)" (Arcadis, 2018: 14 – emphasis added). The 2020 Arcadis report on stalled sites further states: "The combination of *high expectations from landowners in terms of land value*, combined with high development costs...and relatively low sales values make sites either marginally viable or unviable in many parts of Wales" (Thompson, 2020: 22 – emphasis added).

This is obviously why RSLs and local authorities can typically provide more affordable housing as part of their schemes – they have very different requirements to private market actors regarding financial returns. If a local authority contributes land to a development, they may be able to do so at much less than 'market value'. If a (not for profit) RSL delivers a development, they can do so without requiring market rates of developer profit. This means there is more value that can flow towards providing affordable housing.

### **Viability guidance and Benchmark Land Value**

In England, the mechanics of the development viability calculation have been the subject of significant controversy on the basis that developers and landowners were exploiting weaknesses in the viability model and laxity in the English planning guidance on viability (Crosby & Wyatt, 2016; McAllister, Street & Wyatt, 2015; McAllister, 2017; Grayston, 2017). There was evidence that some developers were successfully arguing that they could not provide policy-required levels of affordable housing because they had been compelled by landowners to pay prices for land that did not fully price these in (Crosby & Wyatt, 2019).

This, in effect, meant that the Benchmark Land Value was higher than it should have been in some viability negotiations. Landowners had grown used to achieving prices that did not fully reflect policy requirements, and developers were willing to pay such prices on the expectation that they would be able to successfully negotiate with the local planning authority. This resulted in a so-called 'circularity problem', whereby the market had normalised lower than policy-required levels of affordable housing in land prices, and this market evidence was then used by developers to successfully negotiate sub-policy required levels of affordable housing in subsequent planning consents (Crosby, 2018; Sayce et al., 2017).

This resulted in the government making adjustments to the English viability guidance in 2018.<sup>10</sup> These adjustments were aimed at minimising the scope for developers

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<sup>10</sup> <https://www.gov.uk/guidance/viability>



and landowners to reduce affordable housing contributions via the process described above. In particular, this involved:

- specifying that “under no circumstances will the price paid for land be a relevant justification for failing to accord with relevant policies in the plan”;
- requiring that Benchmark Land Value should be calculated based on existing use value plus a premium (rather than simply being based on what similar sites have sold for in the market) and should be based on market evidence that has been adjusted to reflect full policy compliance;
- introducing a requirement that viability assessments be made publicly available other than in exceptional circumstances.

What the English experience demonstrates is the importance of the viability calculation to the levels of affordable (and social) housing that are delivered via planning obligations. It also demonstrates the importance of having clear policy that can guide the market and planners such that expectations of providing policy-levels of affordable housing are priced into the land market where possible.

However, *under the present land value capture regime* it is also essential to recognise that, where housing (and affordable housing) is delivered by market actors, policy on affordable housing tends to seek to leave enough value with the landowner and the developer to incentivise them to engage in the development process.

In London, where property values can be very high relative to, say, Cardiff, there was enough ‘headroom’ in land values for these to cover more tightly enforced policy. Clearly, Wales as a whole has a very different pattern of property and land values to London. Therefore, the extent to which there is potential to secure more developer contributions via land value capture in Wales presently depends in large part on local land and house prices, the level at which contributions are set in policy as well as the expectations of landowners. However, it should also be emphasised that these expectations can change in response to policy as well as changes in market conditions.

### **Wales viability policy**

Compared with English planning policy, Wales has less detailed guidance concerning the calculation of development viability. However, the Development Plans Manual contains useful high-level guidance for plan-making purposes. The guidance on Delivering Affordable Housing Using Section 106 Agreements guidance (2008)<sup>11</sup> and guidance update (2009)<sup>12</sup> provides other detail, although this is now over 15 years old. Many local authorities in Wales are now using a Development Viability Model produced by surveying firm Burrows Hutchinson Ltd for plan-making and, in some instances, for determining viability at planning application stage.

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<sup>11</sup> <https://www.gov.wales/delivering-affordable-housing-using-section-106-agreements-practice-guidance>

<sup>12</sup> <https://www.gov.wales/delivering-affordable-housing-using-section-106-agreements-guidance-update>

However, the existing policy does not provide specific and detailed guidance regarding the issue of Benchmark Land Value as well as other procedural issues. Furthermore, there is no existing requirement to make viability calculations publicly available, despite the 2018 Arcadis research on viability in planning recommending that: “Viability assessments prepared to accompany planning applications should be available in the public domain in order to promote greater transparency” (Arcadis, 2018: 34).

### *Benchmark Land Value in Wales*

Regarding Benchmark Land Value, Table 24 (Viability Modelling Considerations) of the Development Plans Manual states: “Evidence of prices paid for comparable land will be a suitable starting point, adjusted where necessary to take account of any difference between past and proposed planning policy and / or infrastructure requirements”. However, the guidance is less unequivocal than the English guidance regarding the need to ensure that Benchmark Land Values that are used for viability negotiations at planning application reflect full policy requirements.

Furthermore, the approach to Benchmark Land Value set out in the Development Plans Manual still potentially leaves open the possibility of landowner expectations of land prices based on out-of-date policy being used to set (and potentially limit) new policy requirements for affordable housing, given that market evidence of prices paid for land are the starting point.

Indeed, a letter from Savills dated 15 July 2020 in Appendix 3 to the *Bridgend Local Development Plan 2018-2019 Plan-Wide Viability Assessment 2021*<sup>13</sup> states that, in their view, the Benchmark Land Values originally proposed for plan-making were too low “based principally on information from minimum price clauses within option agreements” (among other evidence)<sup>14</sup>. This advice resulted in the changes to Benchmark Land Values shown in Table 1, along with the multiples from agricultural land value (assumed at £18,000 per hectare)<sup>15</sup>. Multiples range from 28-42 in the higher value areas based on the revised BLVs. The originally proposed BLVs for the same areas still produced very high multiples of 22-33.

This use of evidence from minimum agreed land prices in option agreements will have presumably reduced the value headroom available to support the delivery of affordable housing within the local authority. It is unclear why prices previously agreed between landowners and developers without the involvement of the local planning authority should necessarily be catered to in policy at the expense of higher

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<sup>13</sup> <https://democratic.bridgend.gov.uk/documents/s25795/Appendix%2032%20-%20Plan-Wide%20Viability%20Assessment%202021.pdf>

<sup>14</sup> Option agreements with landowners are one means by which housebuilders access development sites. Terms vary, but they usually involve the housebuilder promoting the site through the planning system and then purchasing the land once planning permission has been granted. The purchase price is usually determined via a third-party valuation, with a pre-agreed minimum land price to protect the landowner should market conditions change.

<sup>15</sup> The agricultural existing use value and resultant multipliers in Table 1 are only a broad indication. In reality, the existing use value of specific sites will vary. For example, if the development site is in industrial use, this is very likely to have a higher existing use value than agricultural use, and so the multiple will be lower.

levels of affordable housing when there is also the option to seek to manage landowner expectations via policy setting. There is a need for further research to systematically investigate the setting of Benchmark Land Values for plan-making in Wales and the role Benchmark Land Values play in affordable housing viability negotiations at application stage.

**Table 1: Adjustments to Benchmark Land Values (BLV) for plan-making in Bridgend (2021)**

Market area	Original BLVs (£ per net developable hectare)	Multiple of Original BLVs based on agricultural land value (£18,000 per hectare)	Adjusted BLVs (£ per net developable hectare)	Multiple of Adjusted BLVs based on agricultural land value (£18,000 per hectare)
Porthcawl	600,000	33	750,000	42
Bridgend / Pencoed	500,000	28	620,000	34
Pyle / Valleys Gateway	400,000	22	500,000	28
Valleys	200,000	11	250,000	14

*Notes: Data and assumptions taken from Bridgend Local Development Plan 2018-2019 Plan-Wide Viability Assessment 2021, pp. 110-111.*

## Conclusion

Affordable housing secured via planning obligations accounts for a significant proportion of overall additional affordable housing supply. However, the data suggest that most of the affordable homes secured via planning obligations are provided by RSLs and local authorities and that private developers may be consistently providing less than policy-required levels of affordable housing (although further research is needed given problems with the data).

This may be due to adverse market and site conditions that negatively impact viability and prevent sites from coming forward (including for affordable housing), as suggested by previous research by Arcadis. This is more of a risk in areas of Wales that have lower house prices relative to other areas. It is certainly, in part, due to the financial return requirements of private developers and landowners. It may also be that lack of clear policy guidance regarding development viability negotiations could be inflating landowner expectations in some circumstances, thereby exerting downward pressure on developer contributions (although further research is needed).

In the short term, there is therefore an opportunity to provide more detailed policy guidance regarding viability for planning, with a particular emphasis on developer profit and benchmark land value. This should be aimed at seeking to ensure that full policy requirements are reflected in land prices as far as reasonably possible and that policy requirements determined via plan making are not unduly limited by the 'sticky' financial expectations of landowners.

This new guidance should ideally be adopted as formal national policy which all plan making and planning applications must follow. Development viability calculations and associated reports submitted as part of planning application negotiations should also be made publicly available in the interest of transparency and to enable research to

be conducted on the assumptions embedded within them and how these may be impacting affordable housing delivery.

However, given that there is a finite amount of development value to cover all costs of development, including developer profit and the cost of land (reflecting financial returns to landowners over and above existing use value), there is a limit to the degree private sector-led schemes will be willing contribute to affordable housing via land value capture tools. The real opportunity to significantly scale up the number of additional affordable housing *via the planning and development process* is therefore for RSLs and local authorities (and other public sector authorities) to be enabled to play an even larger role.

Assuming these entities can secure land (or use more existing public sector land) they are in theory in a position to deliver significantly higher proportions of affordable housing on sites than will be delivered via private sector led developments, regardless of adjustments made to development viability planning guidance. This would also assist in enabling local authorities to deploy their accumulated unspent financial contributions for affordable housing.

This suggests that the public sector should take a more active role in releasing its own land for affordable housing development and assembling development sites for affordable housing. Indeed, the *Independent Review of Affordable Housing Supply* (Pammet et al., 2019: 7) recommended that the Welsh Government should establish an arms-length body to “act as a hub for public sector land management and professional services”.<sup>16</sup> Furthermore, the recent Competition and Markets Authority report on housebuilding (Wales summary) suggested that: “The Welsh Government could therefore look to increase their delivery of publicly-funded housing by local authorities or housing associations” (CMA, 2024: 20).

However, a key barrier to the public sector or RSLs acquiring new land is the price expectations of landowners and the fact that new development sites may need to be sourced in competition with private developers. The *Levelling Up and Regeneration Act (2023)* introduced powers to enable acquiring authorities to compulsorily purchase land at prices that do not reflect hope value (i.e. the prospect of securing planning permission for a more valuable development) in some circumstances, including where the development is for affordable housing.

Although these powers are not yet used in Wales, they could present an opportunity, although the circumstances in which they can be deployed are very limited. Furthermore, compulsory purchase can be a highly adversarial, slow and costly process. Nevertheless, adjustments made to the compulsory purchase regime to enable land to be acquired at prices that would enable the supply of more affordable housing could serve as a fall-back position in negotiations with landowners and could, in time, influence land prices.

At the heart of land value capture is the long-recognised injustice of individual landowners benefitting from extraordinary windfall gains merely as a result of owning

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<sup>16</sup> The government’s support for Unnos and the delivery ambitions of the government’s Land Division are a step in the right direction.

land that increases in value as a result of state decisions and the efforts of the wider community (George, [1879] 1935).<sup>17</sup> Furthermore, there is a fundamental contradiction between land owned privately as a financial asset, the expectations of private landowners of financial windfalls, speculative private sector-led housing development and the provision of adequate numbers of new affordable homes under the current model.

Therefore, however it is achieved, the overarching policy objective should be to regulate the financial returns extracted from land and the development process to enable more public benefits to be delivered via development and to facilitate the delivery of public-sector or RSL-led development schemes that are best placed to increase the supply of affordable housing.

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<sup>17</sup> It is, of course, no less of an injustice that individual homeowners should benefit from extraordinary windfall gains merely as a result of owning a home that goes up in value through no effort of their own.

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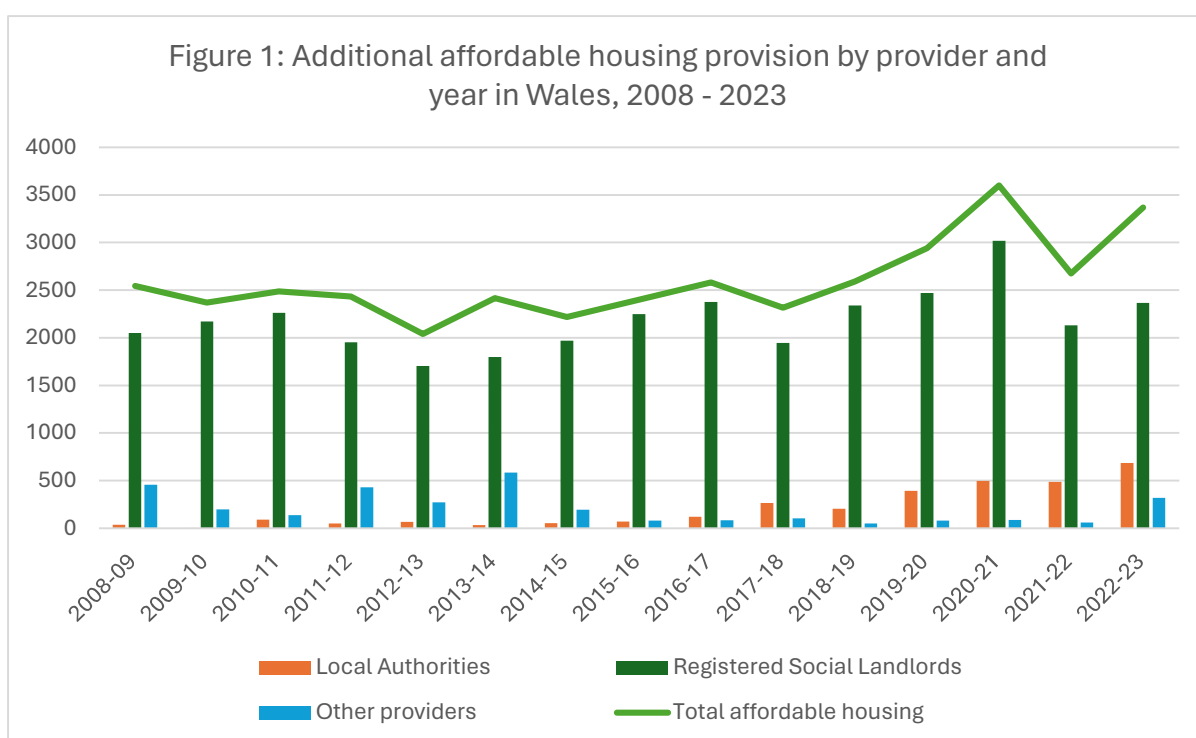
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## Appendix A: Available Statistical Data on the Supply of Affordable Housing in Wales

### Supply of affordable housing in Wales

Figure 1 shows additional affordable housing provision in Wales since 2008 (including shared equity homes).<sup>18</sup> It shows that Registered Social Landlords (RSLs) consistently deliver the vast majority of such housing in Wales, having accounted for between 80%-90% per year between 2018 – 2022 (with a drop to 70% in 2023). The proportion of new affordable housing delivered by local authorities (LAs) has been steadily increasing and has accounted for between 8%-20% per year since 2018. ‘Other providers’ (including private developers) have accounted for by far the smallest proportion at 2%-3% per year between 2018 and 2022 (with an increase to 9% in 2023).



**Notes:** StatsWales “Additional affordable housing provision by provider and year” (HOUS0311). Note that these data include shared equity homes which are outside of the definition of social housing adopted for this response to the Committee’s call for evidence. However, this level of detail is available for RSLs only via StatsWales dataset HOUS0312. This shows that over the last five years, shared equity has accounted for between 4%-5% of total additional affordable homes delivered by RSLs.

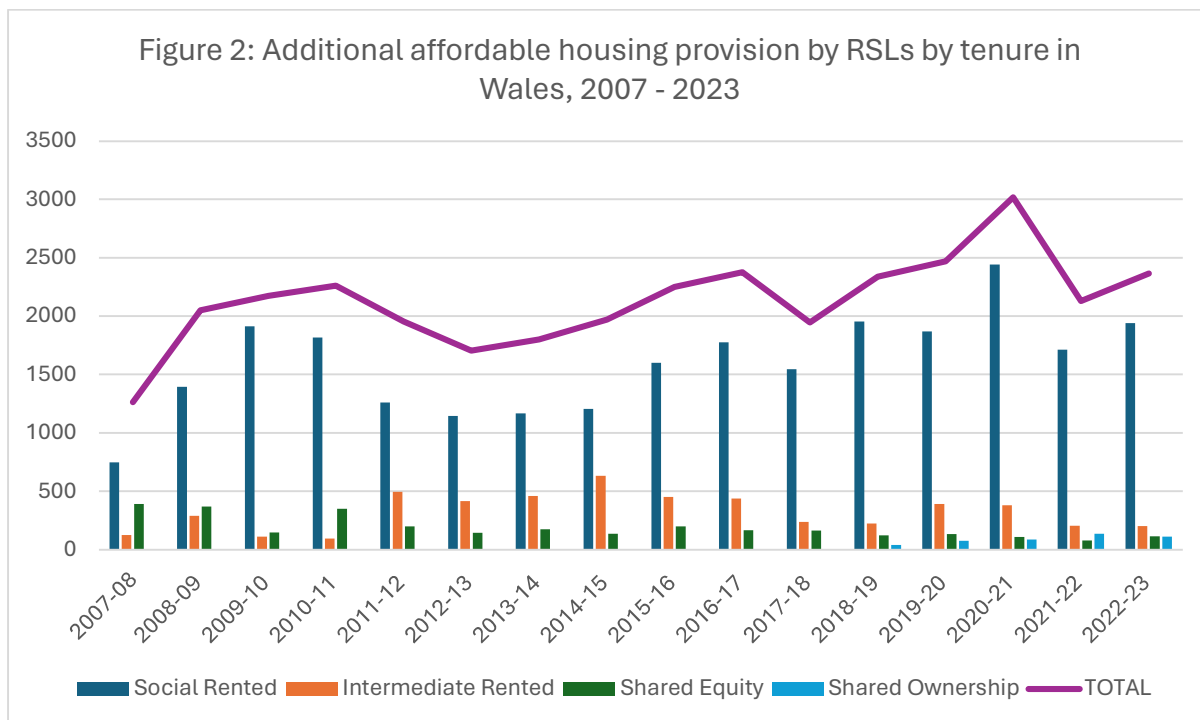
### Supply of affordable housing in Wales by tenure (RSLs only)

Unfortunately, the data in Figure 1 do not segment by tenure. However, these data are available for RSLs (see Figure 2). These show that social rented homes account for the majority of new affordable homes delivered by RSLs each year<sup>19</sup>, comprising between 71%-84% since 2015. In the same period, intermediate rent has comprised between 8%-20%, shared equity between 4%-9% and shared ownership between

<sup>18</sup> These data include new build schemes as well as the purchase, leasing or conversion of existing units.

<sup>19</sup> These data include new build schemes as well as the purchase, leasing or conversion of existing units.

2%-6% (see notes to Figure 2). Although these data only apply to affordable homes delivered by RSLs, given RSLs have delivered the largest proportion of such homes since data have been available, they provide an indication of overall trends, suggesting that social rented tenure dominates new supply (unlike in England, where it has been gradually eroded). However, on private sector-led schemes where a proportion of affordable homes are secured via planning obligations, social rented tenure is unlikely to account for the majority.

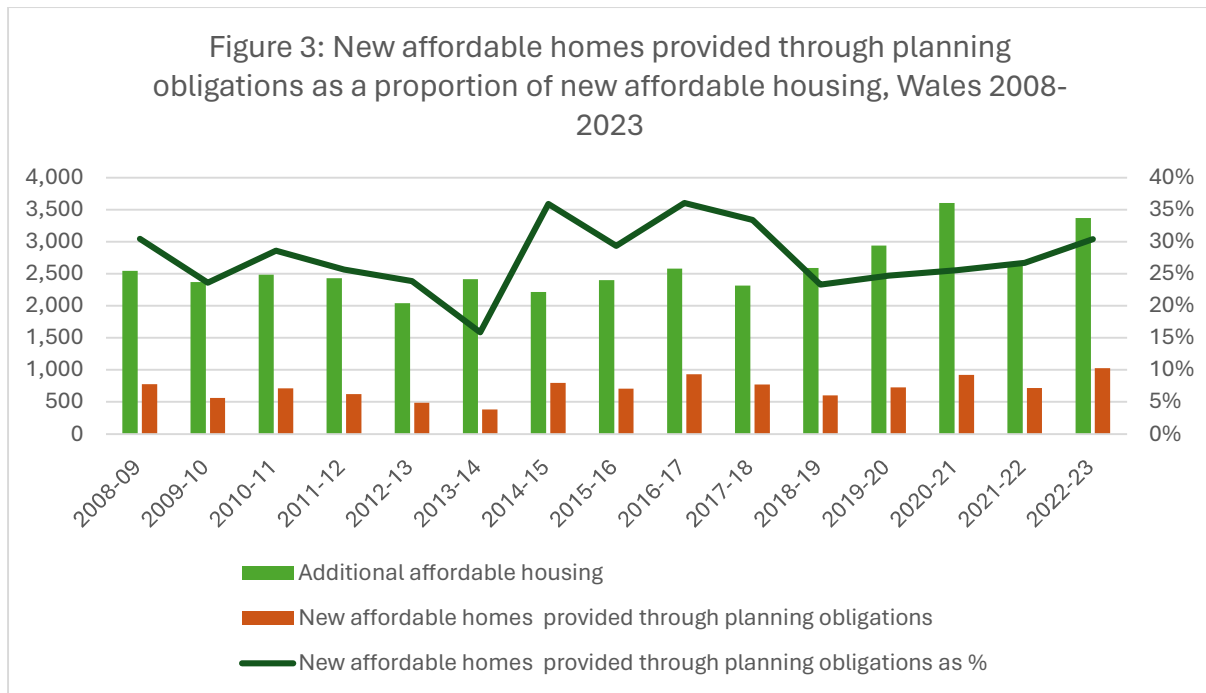


**Notes:** StatsWales “Additional affordable housing provision by registered social landlords only, by location, tenure and funding” (HOUS0312). Shared ownership Wales was introduced in February 2018. Prior to this, shared ownership housing may have been included under ‘shared equity’.

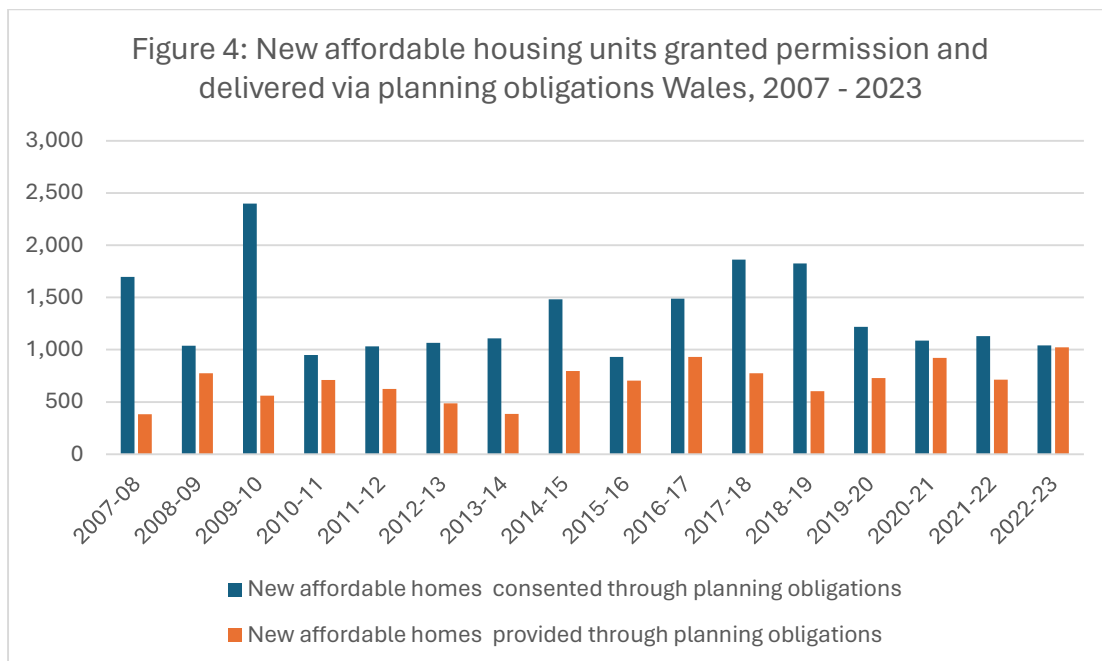
### Supply of affordable housing via planning obligations

Figure 3 shows new affordable homes provided through planning obligations as a proportion of new affordable housing. This shows that planning obligations have accounted for between 23-30% of new affordable housing over the last five years (reaching closer to 35% prior to this). These data include all homes delivered via planning obligations, including those by RSLs and local authorities (as well as private developers). The number of affordable homes granted permission via planning obligations are consistently higher than those delivered (see Figure 4). This could reflect the general time lag of development, as well as sites that are stalled due to viability issues.





**Notes:** StatsWales “Provision of affordable housing through planning obligations and on exception sites by authority, measure and planning type” (HOUS0313) combined with “Additional affordable housing provision by provider and year” (HOUS0311).



**Notes:** StatsWales “Provision of affordable housing through planning obligations and on exception sites by authority, measure and planning type” (HOUS0313).

**Data on proportion of affordable housing provided via planning obligations by private developers**

Although the data on planning obligations do not segment by type of provider, the ‘other providers’ data in Figure 1 include additional affordable housing delivered by

private developers via planning obligations.<sup>20</sup> These data can be compared with data on new dwellings completed by private enterprise in order to arrive at a *very rough* indication of the number of affordable homes provided by private developers via planning obligations as a percentage of overall new homes delivered by private developers.<sup>21</sup> Figure 5 shows that this has consistently been around 2%-3% in the period 2015-2022, although rose to around 7% in 2022-23. However, these data should be read in conjunction with those in Figure 6 below (financial contributions towards affordable housing) to get an overall rough indication of the developer contributions for affordable housing being made.<sup>22</sup>

Furthermore, it must be emphasised that the data in Figure 5 are only a rough indication because the 'other providers' data are an aggregate for all providers other than RSLs and local authorities and so could include providers other than purely private enterprise. Also, the new dwellings completed by private enterprise data are likely to include homes provided on sites where no planning obligation was required e.g. on small sites below the density threshold that triggers the requirement for affordable housing. In addition, StatsWales warns that the tenure data for new dwellings should be treated with caution (see note to Figure 5).

The data in Figure 5 should not therefore be taken as entirely precise. However, these are the best data we have at aggregate level regarding approximate proportions and trends in the affordable housing provided on private developer-led schemes. Further research is needed to determine actual total overall annual levels of affordable housing being delivered by private developers via planning obligations.

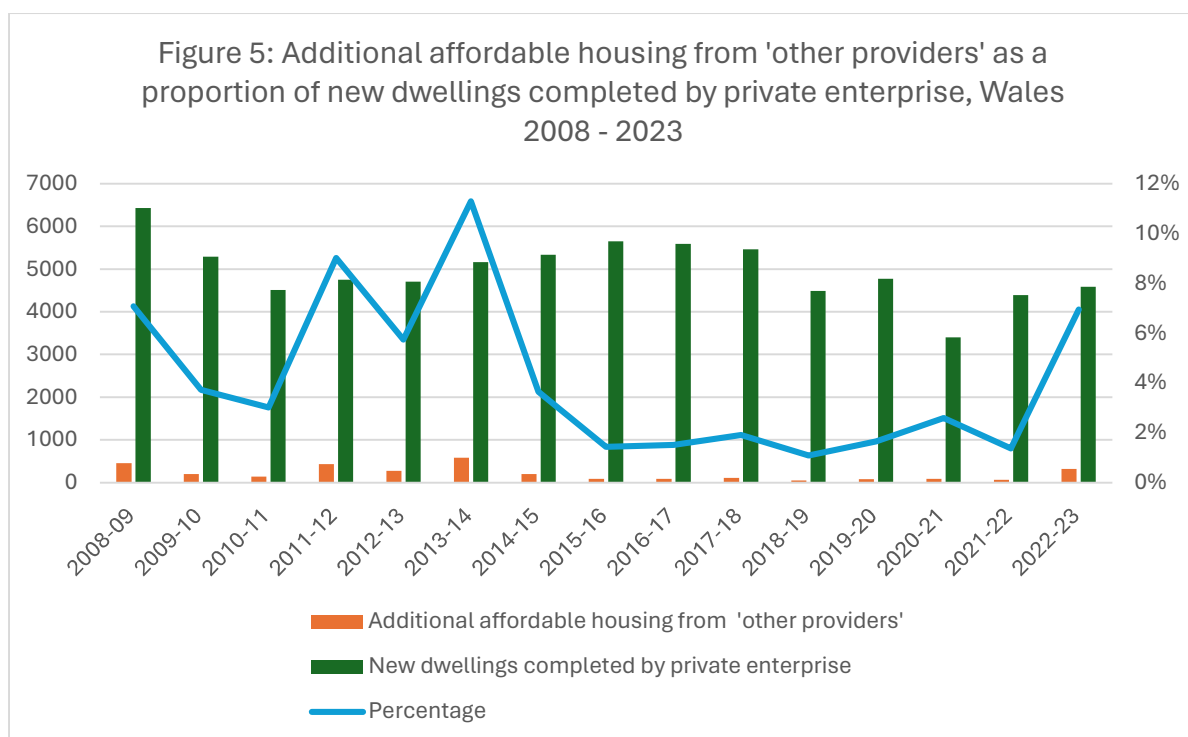
The affordable housing requirements set by (and within) different local council areas vary significantly (e.g. they can vary between, say, 10% in some parts of Swansea and Conwy, 15% in some parts of Flintshire, 20%-30% in Cardiff, 35% in some parts of Conwy, 40% in some parts of Flintshire and 50% in some parts of The Gower). This reflects differences in local market conditions and property values. Therefore, despite the caveats for the data shown in Figure 5, the data do suggest that private developers may be consistently delivering affordable housing contributions towards the lower end of this range. However, these data do not take account of other financial contributions to mitigate the impact of development via planning obligations or CIL that may be made by private developers in addition to those specifically for affordable housing.

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<sup>20</sup> The government's 2023 release states: "The remaining 318 units (9%) were delivered by other providers and included additional affordable housing units delivered directly by private developers through the planning system via Section 106 agreement" (Welsh Government, 2023).

<sup>21</sup> It is here assumed that the new dwellings completed by private enterprise data include affordable homes delivered as part of planning obligations. However, if such homes are, in fact, not included in these data (and are reflected in the numbers for RSLs) then this would mean that the rough estimates of the number of affordable homes provided by private developers via planning obligations as a percentage of overall new homes delivered by private developers is even lower than suggested above.

<sup>22</sup> Ideally, these financial contributions data would be converted to an approximate number homes, but this is challenging given the range of methodologies and data used by local authorities to calculate commuted sums.

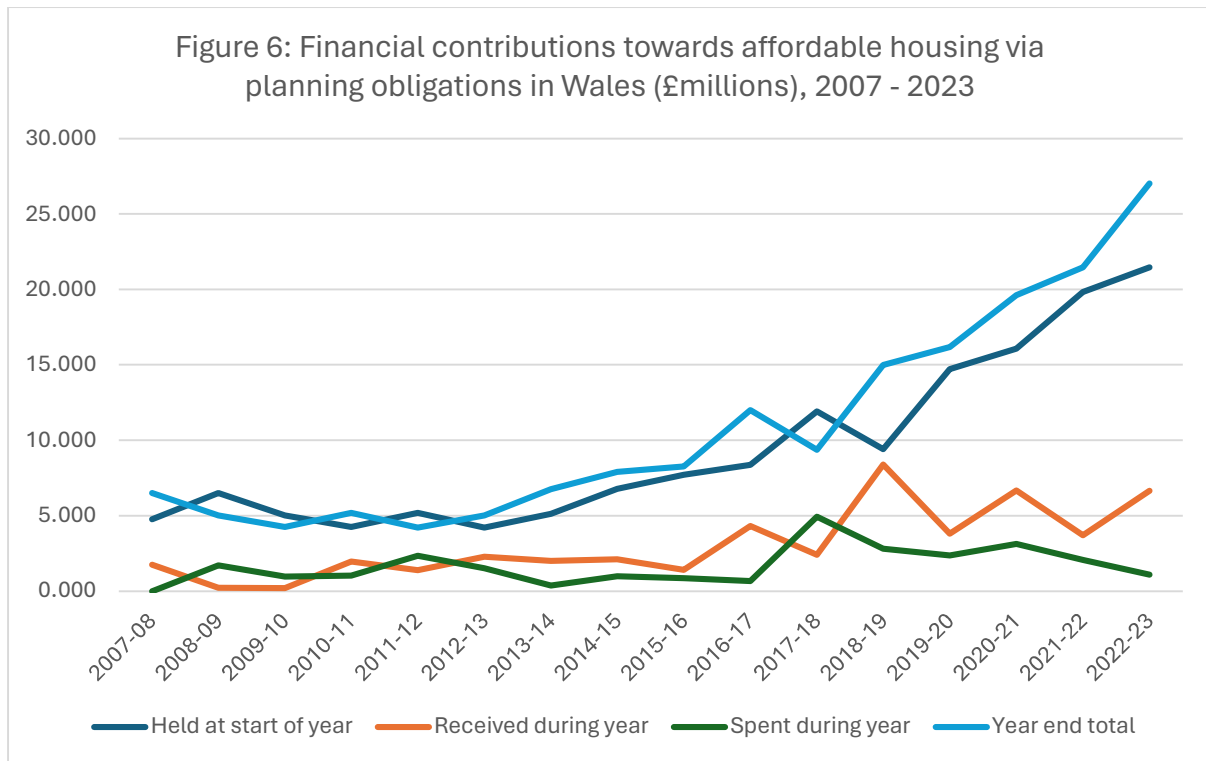


**Notes:** StatsWales “New dwellings completed by period and tenure” (HOUS0702) and “Additional affordable housing provision by provider and year” (HOUS0311). Note that the affordable housing data include shared equity. The summary information accompanying the HOUS0702 data states: “Figures on housing completions are from records kept for building control purposes. It is sometimes difficult for building control officers and NHBC to identify the intended final tenure of the property (the basis for the tenure information). This may lead to an under-count of social sector new house building and an over-count for the private sector. Within the social sector it may also lead to an under-count of local authority new house building and an over count for the RSL sector. Therefore the tenure data should be treated with caution.”

### Data on financial contributions towards affordable housing made via planning obligations

The data on the financial contributions made towards affordable housing by developers in the form of planning obligations show that local council spending on the provision of affordable housing has not kept pace with this income (see Figure 6). This has resulted in a growing running total of such funds that reached around £27 million in 2022-23. Although there may be potential to increase financial income from land value capture mechanisms to invest in affordable housing, a more pressing issue appears to be difficulty in spending existing income. As research by the Home Builders Federation has shown, this is a significant issue in England as well (HBF, 2023).

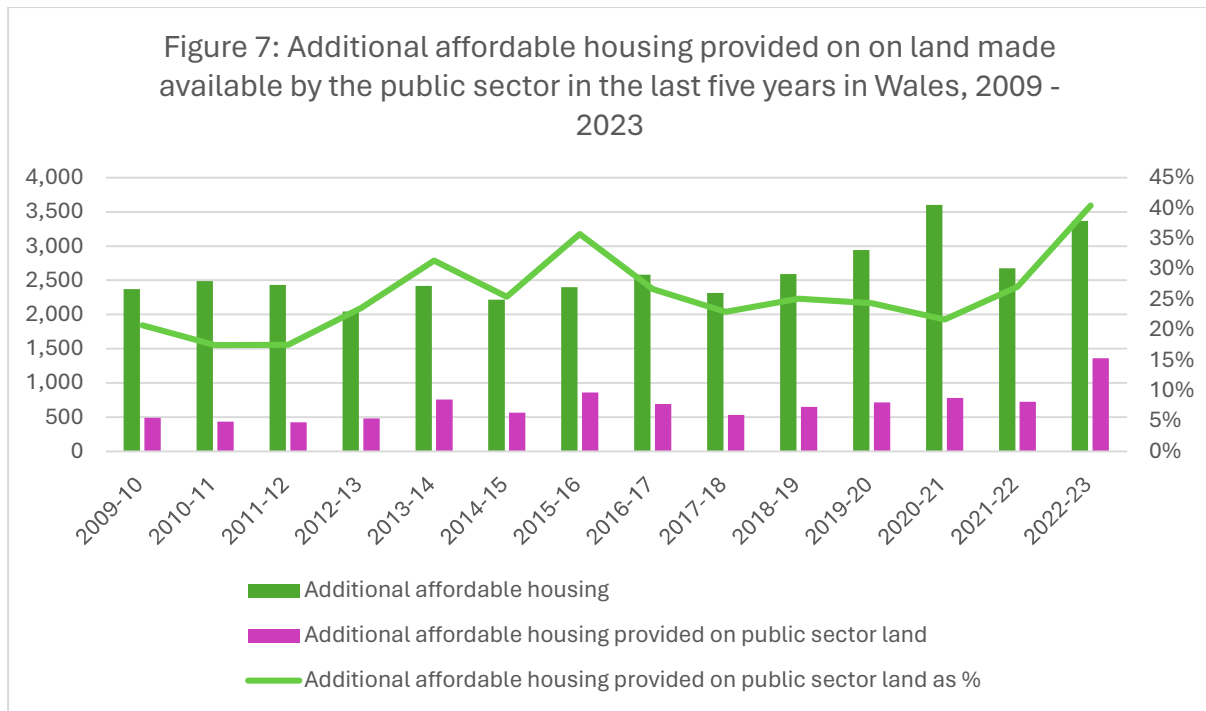
There is no research of which the author is aware that systematically investigates the reasons for this. However, one important potential explanation for the accumulation of unspent funds *could be* difficulties in securing land for the provision of new affordable housing (due to the price expectations of private landowners) and engaging with suitable partners for delivery, combined with difficulties in securing existing properties for tenure conversion.



**Notes:** StatsWales “Financial contributions towards affordable housing via planning obligations by local authority and amount” (HOUS0314). Shows the amount and changes to developer financial contributions received by planning authorities in each year towards the provision of affordable housing via planning obligations.

**Public sector land**

Although local authorities appear to be finding it challenging to spend financial contributions made by developers towards the provision of affordable housing, Figure 7 suggests that councils are increasingly making land available for the provision of such homes through new build schemes or through the purchase, leasing or conversion of existing units. The data show that public sector land is making a growing contribution towards the provision of additional affordable housing, with a particularly marked increase since 2020.



**Notes:** StatsWales “Additional affordable housing provision by provider and year” (HOUS0311) and ‘Provision of affordable housing on land made available in last 5 years by location and period’ (HOUS0315). Note that these data include shared equity homes which are outside of the definition of social housing adopted for this response to the Committee’s call for evidence.

## Senedd Housing and Local Government Committee Inquiry into Social Housing Supply



The Bevan Foundation is Wales' most influential think-tank. We create insights, ideas and impact that help to end poverty and inequality. We are grateful for the opportunity to submit written evidence to the Housing and Local Government Committee's inquiry into the supply of social housing.

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

Working with Shelter Cymru and the Lloyds Bank Foundation, we will be looking at how we can get people moved on from temporary accommodation by providing more social homes. We will be capturing the experiences of those living in temporary accommodation and considering the broad spectrum of policy directives which are at play, from the availability of land opportunities for development, the planning system, the use of existing buildings and the process for allocating social housing.

In a partnership with Housing Justice Cymru and Cwmpas, supported by the Nationwide Foundation, we will be 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 social and community-led housing and the barriers preventing this from being done at scale.

Our response addresses each of the terms of reference set out in the consultation document in turn. At this early stage in our research, we reflect on what is known already and where we intend to provide further insight. Our key messages for the inquiry are as follows:

- A more tightly focused target, concentrating delivery on homes to be let at a social rent, is needed to address the blockages in our housing system.
- We need greater insight into how many homes are being removed from the social housing stock as additional homes are only part of the story.
- The 20,000 homes delivery target needs to be reviewed and increased due to the cost of living and ongoing housing crisis.
- Welsh Government need to consider alternative approaches to understanding housing need rather than relying on social housing registers.
- For many social landlords, investing in their stock to reach the required standards will need to become their priority. Delivery rates of additional homes are expected to fall as a result.
- The development of affordable, subsidised homes needs subsidy,

- It is simply not practical, let alone ethical, to rely on social rent payments by some of the poorest people in Welsh society to fund the development of new homes.
- There is a lack of joined-up working across the public sector which is preventing social housing delivery at scale.
- We need to explore opportunities for compulsory purchase powers at both a national and community level rather than relying upon action by local authorities.
- The creation of any new funding streams for affordable housing is to be applauded; but we must ensure that there are mechanisms to enable, encourage and monitor spend to get additional homes into the system, rather than more money just sitting in bank accounts.
- The delivery target for social homes focuses on “new” rather than “additional” units, reinforcing the perception that the answer to increasing supply is primarily in newly built properties.
- The purchase of existing private sector properties to increase the social housing stock provides an opportunity to make improvements within the wider housing stock.
- We need a conversation about what can be achieved through the existing privately owned housing stock to provide what is needed most now, and where flexibility and compromise can allow for retrofitting to meet standards later.
- For community groups looking to develop affordable homes themselves, a lack of funding and difficulty in securing land are the greatest barriers.
- We need to explore areas of policy development which strengthen the opportunities for community-led action.

## 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

Welsh Government recognise the need for more social homes, but the reality of delivery is slow when compared to the 20,000 homes target between 2021 and 2026.

Data for 2021/22 and 2022/23 reports<sup>1</sup> that in the first 2 years of the target period, we saw only 5,775 homes delivered for the social rented sector, averaging 2,888 per year. The target calls for 4,000 per year. It’s important to remember that this figure includes intermediate rentals and shared ownership. We estimate that only 4,780 of the homes delivered over the two years were to be let at a social rent.

The Bevan Foundation’s housing research will focus primarily on homes for social rent. For the 11,501 individuals living in temporary accommodation at the end of January

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<sup>1</sup> [Affordable housing provision: April 2022 to March 2023 | GOV.WALES](#)

2024<sup>2</sup>, the key to a social home would be life-changing. It is only this tenure that can provide a truly affordable, secure and sustainable housing option.

**A more tightly focused target, concentrating delivery on homes to be let at a social rent, is needed to address the blockages in our housing system which can be seen in hotel rooms across the country.**

Other respondents may argue that the intermediate rental option should also continue to be prioritised as it requires less capital funding support (25% grant rather than 58%) therefore enabling more units to be delivered/supported. We have some concerns about the affordability of this tenure and its ability to alleviate pressures for low-income households in our current housing system.

In a report from the Centre for Social Justice<sup>3</sup> focused on the equivalent tenure of affordable rent in England, it was acknowledged that *“in areas where private rents are high – such as urban centres and the capital – the homes delivered under the system of “Affordable Rent” often fail to live up to their name”*. Polling for this report indicated that over 60% of the public were more supportive of building social homes that are let at lower rents even if that means fewer are built.

The Welsh Government delivery target covers all additional affordable housing units, whether through new build, purchase, acquisition, leasing or conversion of existing dwellings. It does not take account of any loss of affordable housing stock through demolitions or sales during the year. Looking at other Welsh Government datasets<sup>4</sup>, the total social housing stock across Wales (housing association and local authority) on 31 March 22 was 237,373 homes, increasing to 238,966 on 31 March 23. This shows a reality of only 1,593 additional homes. The total stock at social rent<sup>5</sup> has increased by 13,227 over the last 10 years (2013-2023), so averaging 1,322 homes per year. In contrast, over thirty years between the mid-1940s and the mid-1970s, an average of around 8,000 new social homes were built every year in Wales<sup>6</sup>.

We thankfully do not have the Right to Buy reducing the social housing stock in Wales as it still does in England. However, there needs to be greater recognition that some homes are still removed from the available stock each year for a variety of other reasons. For example, we are aware of social housing regeneration schemes which through demolition or the remodelling of the stock, lead to a reduction in unit numbers. We have also heard that individual homes may be sold if they cannot be brought up to the Welsh Housing Quality Standard.

**We need greater insight into how many homes are actually being removed from the stock of social landlords, as additional homes into the system are only part of the story.**

The 20,000 homes target was based on pre-pandemic housing need data, before our cost of living crisis took hold and when our housing system was more stable and

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<sup>2</sup> [Homelessness accommodation provision and rough sleeping: January 2024 | GOV.WALES](#)

<sup>3</sup> [Living Rent that Works \(nationwidefoundation.org.uk\)](#)

<sup>4</sup> [Total social housing stock by local authority area and provider type \(gov.wales\)](#)

<sup>5</sup> [Total social housing stock by local authority area and provider type \(gov.wales\)](#)

<sup>6</sup> [Building social housing: can the Welsh Government do more? \(senedd.wales\)](#)



accessible to those on lower incomes. Today, we have more than double the number of people living in temporary accommodation now than in December 2020.

The Bevan Foundation's snapshot of poverty surveys have shown that a consistently high proportion of the Welsh population feel the threat of becoming homeless. In the most recent survey<sup>7</sup>, 14% of people reported that they were worried about being evicted or having their home repossessed in the three months from January 2024.

**The deepening issue of housing affordability and availability means that the delivery target now needs to be reviewed and increased. If it does continue to be used as an operational target, it should be clearly recognised that it will only go some way towards addressing current housing need levels across Wales.**

We have also begun to consider how we accurately quantify housing need. Our early conversations with those working with the new Local Housing Market Assessment (LHMA) model have highlighted concerns about the background calculations and worry that the results "vastly underestimate need". We have also heard concerns about the cost and resource implications of this work being carried out at an individual local authority level and issues of consistency.

Recent research is also questioning the validity of housing register data as a measure of need, a key component of the LHMA model. In their 2021 report *People in Housing Need*, the National Housing Federation (NHF) recognise that "*registers are generally felt to be inadequate as a measure of housing need...as the data on these registers is not necessarily reviewed for accuracy on a regular basis (and) it's very difficult to arrive at a robust national figure. While local registers do serve an important administrative function, they don't give us the full picture of how many people are in need of a home.*"

It is widely accepted that housing need will be underrepresented on housing registers if there is no accommodation for households to apply for. It is commonplace for there to be no one on the register for communities which have no existing social homes – this doesn't necessarily mean that there are no households in housing need. In these circumstances, housing need surveys are invaluable. We do wonder if there will now be a wider picture of unregistered need as households question the point of applying for the scarce resource of social housing more generally.

Academic researchers such as Professor Glen Bramley of Heriot-Watt University are demonstrating how other data sources can be used to quantify need levels. In the NHF research, Bramley makes use of the Understanding Society Household Longitudinal Study<sup>8</sup> - which we understand receives financial support from the Welsh Government - alongside contextual market data to quantify housing need levels in terms of concealed households, overcrowding, affordability, suitability and external conditions.

**We would like to see the Welsh Government considering alternative approaches to understanding housing need across Wales, the use of data sources such as Understanding Society, as well as a regular Census style, pan-Wales Housing Need Survey.**

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<sup>7</sup> [A snapshot of poverty in winter 2024 - Bevan Foundation](#)

<sup>8</sup> [Understanding Society – The UK Household Longitudinal Study](#)

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

The aim of the Bevan Foundation's new housing research is to explore the challenges of increasing social housing supply and to develop innovative, deliverable solutions. We plan to do this through conversations and close working with a range of social landlords. Community Housing Cymru have already done work in this area with their January 2024 briefing<sup>9</sup> highlighting some of the key barriers to development:

- Planning and consenting systems – a lack of joined-up working amongst stakeholders involved in the process and issues around staffing capacity.
- Sector competition, land, contractors and suppliers – competition from construction projects both inside and outside the sector leads to difficulty in securing land and contractors as well as increased material costs.
- Phosphates – the Natural Resources Wales guidance on phosphates has led to significant delays in affected areas.

Many of these challenges are reflected elsewhere in the terms of reference for this inquiry.

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

Social landlords currently face a difficult financial balancing act. Do they improve their existing stock to meet the new Welsh Housing Quality Standard and decarbonisation targets or add to their stock through new development? Do they have the financial capacity to do both?

**For many social landlords, investing in their stock will have to be their priority and delivery rates of additional homes are expected to fall as a result.**

At the Bevan Foundation, we recognise that the challenges will vary for different types of landlords. Local authorities and large-scale voluntary transfer (LSVT) associations will have significantly older housing stock in need of greater investment. We plan to explore the ongoing appetite for development across the whole sector.

We understand that housing standards and decarbonisation can also affect decisions about bringing existing homes into the stock, with development teams quite understandably thinking about the practicalities of bringing older properties up to the required standard. We'll discuss this further in our response to point 8, below.

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

Whilst this inquiry is focusing on the challenges of delivering social homes in this response, we should not forget that we are in a fortunate position in Wales to still have significant capital funding support through the social housing grant programme.

**To put it simply, the development of affordable, subsidised homes needs subsidy,**

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<sup>9</sup> [Jan 2024 - Barriers to social housing development \(chcymru.org.uk\)](https://www.chcymru.org.uk)

Elsewhere in the UK, England has seen the lowest levels of affordable housing delivery which can be attributed to a relative underinvestment. Scotland has also recently seen significant cuts to its historically high funding programme.<sup>10</sup>

It is good to see the Welsh Government's continuing and growing its commitment to provide support delivery with social housing grant with budget levels increasing from £250 million in the first year of the new programme (2021/22) to an indicative £365 million for 2024/25. However, development is also dependent on significant private finance which, in general, is sourced and serviced by individual landlords through their rental income.

As the Bevan Foundation commented in October 2023<sup>11</sup>, at the time of the last social rent settlement, the policy context surrounding it is a thorny issue. On the one hand, if the Welsh Government does not allow social landlords to increase rents, this impacts on their ability to build new social housing, maintain homes, and invest in decarbonisation measures. On the other hand, significant rent increases place financial pressure on low-income tenants.

**Our view is that it is simply not practical, let alone ethical, to rely on social rent payments by some of the poorest people in Welsh society to fund the development of new homes.**

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

At the Bevan Foundation, we have identified that challenges in the planning system will be one of the first areas that we consider with our research. We are aiming to engage with a wide range of professionals involved in the development of social housing to hear about its impact on increasing supply. A recent report by the Competition and Markets Authority into housebuilding<sup>12</sup> confirmed that uncertainty in the planning system is a key outcome driver. It suggests that there are three key concerns with the planning system which are limiting its ability to support the level of housebuilding:

- Lack of predictability.
- Length, cost, and complexity of the planning process.
- Insufficient clarity, consistency and strength of LPA targets, objectives, and incentives to meet housing need.

Worryingly, Savills latest Welsh housing market and supply update<sup>13</sup> reports that whilst starts on site across the residential sector are improving, planning consents continue their decline. *"This shrinking pipeline of new housing in Wales threatens the future delivery of homes."*

We're hearing that it is not just the planning process itself which is causing delays. Statutory consultees across the public sector can cause delays and drive up costs, whilst other approval processes such as SuDS add further requirements and confusion.

**Overall there is a lack of joined-up working across the public sector which is preventing social housing delivery at scale.**

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<sup>10</sup> [UK Housing Review 2024](#) - J Perry, Housing Expenditure Plans

<sup>11</sup> [Wales' social rent setting policy is not fit for purpose](#) - Bevan Foundation

<sup>12</sup> [Wales summary \(publishing.service.gov.uk\)](#)

<sup>13</sup> [Savills UK | Welsh Housing Market and Supply Update – April 2024](#)

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

A further area that the Bevan Foundation will be exploring in our research is the potential of land held by different types of social and public owners for the development of social and community-led housing and the barriers preventing this from being done at scale.

As Community Housing Cymru have reported<sup>14</sup> that *“our members have relayed the infrequency in which local authority public land comes to the market and with no preferential treatment for affordable homes.”*

The Independent Affordable Housing Supply Review in April 2019<sup>15</sup> made the following recommendations which we will be reviewing for progress:

- An arms-length body should be established by the Welsh Government to act as a hub for public sector land management and professional services. This body should work alongside individual departments/bodies to provide capacity and resources to accelerate the development of public land assets and to support greater consistency and efficiency in managing those assets.
- The Welsh Government should mandate the mapping of all public land and require owners to publish the development potential for the land they own.

Turning to privately owned land, the Competition and Markets Authority report into housebuilding concluded that whilst there is *“land that is potentially available for development in most areas”* its availability on the market at any time will *“depend on landowners’ assessment as to when and if it makes sense to try to sell.”*

Legal action, such as the use of local authority compulsory purchase powers (CPO) can be used to bring land into public ownership to enable housing development, but their use is not commonplace. A review of the Register for Compulsory Purchase<sup>16</sup> reveals that only 26 CPOs were made for housing purposes between 2011 and 2021. 14 of these were to address individual empty properties.

The Affordable Housing Supply Review<sup>17</sup> recommended that CPO process should be streamlined to improve the acquisition of land for housing purposes. It is therefore good to see that there has been recent consultation<sup>18</sup> by the Welsh Government and a commitment to improve the CPO process to make it fairer, more efficient and intelligible.

**Whilst land assembly activities through CPO are primarily used by local authorities, we are interested in exploring opportunities for action at both a national and community level.**

In our research we will be considering the benefits of land assembly at a national level, a role historically fulfilled by the Land Authority for Wales (1976–1999) powers transferred to the Welsh Development Agency then the Welsh Government. Combined with new CPO powers under the **Levelling Up and Regeneration Act 2023**<sup>19</sup> – where

<sup>14</sup> [Jan 2024 - Barriers to social housing development \(chcymru.org.uk\)](https://chcymru.org.uk)

<sup>15</sup> [Independent Review of Affordable Housing Supply launches | GOV.WALES](https://gov.wales)

<sup>16</sup> [Register of Compulsory Purchase Orders | GOV.WALES](https://gov.wales)

<sup>17</sup> [Independent Review of Affordable Housing Supply launches | GOV.WALES](https://gov.wales)

<sup>18</sup> [reforms-to-compulsory-purchase-powers-and-procedures-consultation-document.pdf \(gov.wales\)](https://gov.wales)

<sup>19</sup> [Levelling-up and Regeneration Act 2023 \(legislation.gov.uk\)](https://legislation.gov.uk)

land can be CPO-ed more cheaply than hope value where it is in the public interest, we feel that there are a powerful set of tools at a national level to get social housing delivery moving at pace.

We also want to look more into the Community Right to Buy (Scotland) and Community Right to bid (England) models.

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

Land value capture refers to policies that allow public authorities to recover increases in land values that result from government actions, including the development of land and the alteration of land use regulations such as local development plans. As the OECD recognises<sup>20</sup> *"changes in land use regulation or the provision of public services by government often triggers significant increases in the value of land. Making even some of this additional value available for public investment can greatly help make cities more liveable and sustainable."*

We've seen the benefits of funding received through planning gain and section 106 agreements to provide funds rather than onsite provision. However, as research<sup>21</sup> by the Home Builders Federation has found, much of this potential funding remains unspent. They estimate that around £112 million of S106 contributions (for all purposes) is likely to be held by Welsh local authorities, an average of £5.1 million each. Pembrokeshire County Council also holds the most in unspent affordable housing contributions in Wales at £4.4 million.

Whilst not part of the planning or development process, taxation of second homes and empty homes via Council Tax has also successfully created a new funding source for a growing number of authorities. We're now beginning to see the first homes being purchased with this money,<sup>22</sup> but housing associations also report to us that there may be tensions to come as monies are kept for local authority developments rather than to support affordable housing development across all partners. Delivery capacity issues may lead to this funding also remaining unspent.

Whilst the creation of any new funding streams for affordable housing is to be applauded, these examples highlight the need to ensure that there are mechanisms in place to enable, encourage and monitor spend to get additional homes into the system, rather than more money just sitting in bank accounts.

## 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

The rising costs of construction are well documented. As the Cabinet Secretary for Housing, Local Government and Planning herself has commented before the pandemic, *"we could get somewhere between five and seven houses for £1 million:*

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<sup>20</sup> [Global Compendium of Land Value Capture Policies | en | OECD](#)

<sup>21</sup> [Section 106 agreements and unspent developer contributions in England and Wales report \(hbf.co.uk\)](#)

<sup>22</sup> [Gwynedd council buys Welsh Riviera homes to tackle homelessness - BBC News](#)

now we get four if we're lucky".<sup>23</sup> It is accepted that new local carbon technologies will add to the cost of construction but will be an investment for the future. What wasn't perhaps predicted was the rise in costs due to supply issues and competition from elsewhere in the construction market.

Another area where the Bevan Foundation feels that the aspiration for low-carbon social homes is having a negative impact is in the acquisition of existing homes and buildings to increase supply.

**The delivery target for social homes focuses on "new" rather than "additional" units, perhaps unintentionally, but wrongly reinforcing the perception that the answer to increasing supply is primarily in newly built properties.**

The Joseph Rowntree Foundation report *Making a house a home*<sup>24</sup> advocates for the socialisation of the existing housing stock to meet our unmet need for social homes. The report argues that transactions of existing homes far outweigh the contributions of new buildings. Of the 20 million privately owned properties in England, around 3% were built in the last 5 years. Whereas around a quarter (25%) changed hands over the same period. We imagine that we would see a very similar pattern in Wales. JRF argue that these transactions present a potential opportunity to intervene in the housing market and redistribute ownership from the private to the social sector.

**The purchase of existing private sector properties to increase the social housing stock provides an opportunity to make improvements within the wider housing stock.**

Wales has the oldest housing stock in UK and some of the least energy-efficient in Europe, with the worst examples in private ownership. As ONS data confirms<sup>25</sup>, energy efficiency scores are higher in social housing than in any other tenure.

We have also been reading that improving a house instead of building a new one saves two-thirds of the embodied carbon of an equivalent new house and, on average, saves 18 metric tons of carbon dioxide. For the same embodied carbon budget of one new house, more than three houses can be improved and made safer<sup>26</sup>.

From our initial discussions across the sector, we are already hearing that development teams are understandably wary of the risks of purchase and conversions and the costs required to meet WHQS and decarbonisation standards, or even whether the property is capable of reaching those standards.

We appreciate that the Transitional Accommodation Capital programme was primarily aimed at working with existing properties, but are under the impression that, to date, this has mainly supported housing associations to fast track long-term voids within their own stock.

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<sup>23</sup> ['How will Santa find me?' asks one of the 3,400 children living in temporary accommodation in Wales \(nation.cymru\)](https://nation.cymru)

<sup>24</sup> [Making a house a home: Why policy must focus on the ownership and distribution of housing | Joseph Rowntree Foundation \(jrf.org.uk\)](https://jrf.org.uk)

<sup>25</sup> [Energy efficiency of housing in England and Wales - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)

<sup>26</sup> <https://embodiedcarbon.climateresilienthousing.org/downloads/Build-Change-Carbon-Executive-Summary-compressed.pdf>

Our project partners, Housing Justice have been telling us that it is becoming more difficult to take forward development schemes , which they have identified through their Faith in Affordable Housing project, due to rising costs and increased risk. We will be working with them to follow a number of case study sites to document the challenges and look creatively at what changes in the system would unlock the potential for them to provide social homes.

**We need a conversation about what can be achieved through the existing privately owned housing stock to provide what is needed most now, and where flexibility and compromise can allow for retrofitting to meet standards later.**

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

Effective community engagement has an important role to play in identifying needs and opportunities for social housing development as well as ensuring that developments are accepted and become integral to the existing community.

The Tyfu Tai report, Housing Need and Desirability<sup>27</sup>, reflects upon the current opportunities to involve local communities in assessing housing need and delivery of social housing developments. The report's recommendations include:

- Communities need to be involved in the calculations of housing need to ensure the right homes are built in the right place.
- Work is needed to eradicate stigma around existing and proposed new social housing developments.
- Further work is needed to understand what is important to existing and future tenants in terms of where and how social housing is delivered.
- Community engagement should be a key part of the social housing grant process.

**For community groups looking to develop affordable homes themselves, a lack of funding and difficulty in securing land are the greatest barriers.**

As Cwmpas also highlights in their report, Community ownership of local assets<sup>28</sup> *“the conversation about land ownership and community access to and ownership of land is a relatively underdeveloped one in post-devolution Wales. Elsewhere within the UK, there exist policies that enable the transfer of land and assets into community ownership which could set useful precedents for Welsh approaches”*. The Building Communities Trust adds<sup>29</sup> to this by saying that Welsh community groups had lower levels of awareness of community ownership options than those in Scotland and England, where formal policies of the Community Right to Buy (Scotland) and Community Right to Bid (England) models are in place.

We're excited to be partnering with Cwmpas for some of our new research work and to be in a position to explore community engagement and ownership models further.

**In particular we are interested in exploring areas of policy development which strengthen the opportunities for community-led action.**

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<sup>27</sup> [0512-ttc-report-housing-need-and-desirability-eng-v3.pdf \(cih.org\)](#)

<sup>28</sup> [Community ownership of local assets - Cwmpas](#)

<sup>29</sup> [\[Eng\] Executive summary - Community Ownership: A Way Forward for Wales \(squarespace.com\)](#)

If you would like to find about more about our new housing research projects please visit our website - [www.bevanfoundation.org/current-projects/](http://www.bevanfoundation.org/current-projects/)

Our Senior Policy and Research Officer, Wendy Dearden can also be contacted about this work by email - [wendy.dearden@bevanfoundation.org](mailto:wendy.dearden@bevanfoundation.org)



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## Shelter Cymru response to the Local Government and Housing Committee inquiry into social housing supply

April 2024

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## About Shelter Cymru

Shelter Cymru exists to defend the right to a safe home, because **home is everything**. We help thousands of people across all of Wales every year who have been affected by the housing emergency by offering free, confidential, and independent advice. When necessary, we constructively challenge on behalf of people to ensure that they are properly assisted and to improve practice and learning.

We work with people who use our services as equals. We provide information, advice, and support to help people identify the best options to prevent homelessness, to find and keep a home and to help them take back control of their own lives.

We fight the devastating impact the housing emergency has on our people and communities with campaigning, advice, and support – and we never give up.

## Future Work

We have recently begun new research activities which relate to this inquiry. We will be exploring many of the same areas of concern and look forward to updating Senedd Members and Welsh Government on our findings as we move forward.

Working with the Bevan Foundation, we will be highlighting the human cost of our housing emergency and the shortage of social homes. We will be capturing the experiences of those living in temporary accommodation and considering the broad spectrum of policy directives which are at play. This work is kindly supported by funding from the Lloyds Bank Foundation.

## Overview

### A vision for home and ending homelessness

Shelter Cymru welcomes the opportunity to provide evidence to this inquiry.

Increasing the supply of social homes, and in particular, homes for social rent sits at the very heart of tackling the housing emergency we face. Unlike other tenures social rent homes offer affordability and security by design – not just by accident.

Without an adequate number of social homes, it will never be possible to ensure that everyone in Wales has access to a safe, secure, suitable, and affordable home. In fact, whatever ambitions

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we may set in housing policy, whether it be ensuring quality, ending homelessness, or improving affordability; the supply of social housing has a crucial role to play.

In addition, social homes are vital in helping realise wider ambitions for the Welsh Government as they play a significant role in supporting people's life chances, their employment opportunities, and their physical and mental wellbeing. Unless we ensure that people have access to a home that is safe, secure, suitable and affordable we are failing to remove one of the fundamental barriers they may face in their lives.

It is important that the supply of social housing is also considered within the context of a wider vision for home and ending homelessness in Wales. A vision that recognises the interconnectedness of various strands of housing policy and that has at its heart a recognition of a legal right to adequate housing. Without this overarching vision it is possible that policy changes, however welcome, lead to unintended consequence in other areas.

This vision should also be clear on the importance of ensuring that people can both access and keep a home. In terms of social homes that means setting out not only how we will identify need and deliver homes but also how to support people into them, taking account of allocations policies and support needs.

**Shelter Cymru recommends that the Welsh Government takes steps to set out a new housing vision: A vision for home and for ending homelessness that builds on the positive steps taken by Welsh Government to date, and that recognises the significant role that housing has to play in realising its cross-government ambitions.**

## Building a picture of the homes we need

At Shelter Cymru we are clear that **home is everything**. However, for many people today home is a dream rather than a reality. Something we see in a range of housing need statistics, including:

- Rising numbers living in temporary accommodation, with 11,501 people in Wales currently trapped in such places, more than 3,000 of whom are children.<sup>1</sup>

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<sup>1</sup> StatsWales, [Homeless individuals temporarily accommodated at the end of the period by local authority and period](#), accessed 16.04.2024

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- Ongoing rough sleeping, with 126 people estimated sleeping rough across Wales in January 2024.<sup>2</sup>
- Record waiting lists for social housing, with Freedom of Information requests from BBC Wales showing 139,000 people were waiting for a social home at the end of 2023.<sup>3</sup> A number that is likely to be an underestimate of actual social housing need.

Although shocking these numbers can tell us only so much, and what they cannot do is help us to fully understand the impact that an inadequate supply of homes is having on people and families across Wales, something we see every day at Shelter Cymru through our advice services.

Last year we provided help to **12,348 households – 1 in every 109 in Wales** and in all these cases we encounter the realities of a system that isn't working and that isn't fit for purpose. A system where families are forced to share single rooms, where people face eviction from their homes for no reason, and where the homes that are available are often unaffordable or unsuitable.

This housing emergency has not manifested overnight. It is the result of decades of failure to build the homes we need or to set out a clear vision for home and ending homelessness in Wales. A failure we see in the significant increase in reliance on the private rented sector (PRS) over recent decades. With the number of households living in the PRS increasing by 155% over a 20-year period, an increase driven by a failure to ensure adequate choice in the homes people can access.<sup>4</sup> A lack of choice compounded by the long-term effect of the Right to Buy and its impact on the stock of social homes in Wales. Faced without the option of owning their home or a secure social home people are often left with the PRS as an option of last resort.

When building a picture of need for social homes we must also look beyond the number of homes needed to also include the type and location of the homes.

At Shelter Cymru we believe in ensuring everyone has access not just to a secure and affordable home but also one that is suitable. For some, that will mean a home suited to specific needs relating to disability, for others it will mean suited to their family size. For everyone though it is important that suitability is considered alongside other aspects (e.g. genuine affordability) when assessing housing need in Wales.

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<sup>2</sup> StatsWales, [Rough sleepers by local authority](#), accessed 16.04.2024

<sup>3</sup> BBC, [BBC Wales Investigates: I'm homeless – how will Santa find me?](#), December 2023

<sup>4</sup> Office for National Statistics, [Housing, England and Wales: Census 2021](#), January 2023.

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Understanding the homes we need is vital to ensuring that the ambitions of the Welsh Government can be realised. For example, ending homelessness can only be achieved if we ensure that people have access to the right homes, in the right places, with the right support. And it's necessary that housing need calculations and assessments reflect this.

**Taking all this into account it is clear that the level of need for social homes in Wales today is extreme, and far outstrips current supply. Addressing this by delivering the homes we need will require an increase in the priority given by Welsh Government to both understanding the true level of need and to planning long term for effective delivery.**

## Building on success and establishing a right to adequate housing

In any discussion of social housing supply in Wales it is important to acknowledge the progress of recent years. The decision by the Welsh Government to set out a clear commitment to deliver 20,000 social homes in this Senedd term is hugely welcome, as is the allocation of record amounts of capital funding in the Welsh Budget to deliver this. Additionally, the flexible approach to delivery through programmes like the Transitional Accommodation Capital Programme (TACP) is a positive demonstration of intent and shows an understanding of the current need to work around barriers to achieve ambitious targets.

However, whilst the steps that have been taken are welcome, levels of need continue to outstrip delivery. In addition, whilst delivering 20,000 social homes is undoubtedly a positive thing it can only ever be one part of a wider plan – a KPI that helps us track progress against wider ambitions to end homelessness and to ensure everyone has access to the safe, secure, suitable, and affordable home they deserve.

This is why we need the Welsh Government to set out a vision for home and ending homelessness, and within this provide clarity around the role that social homes will play in ending the housing emergency. That means engaging with questions including:

- Who Welsh Government believes social homes are for, and how they will establish the level of need of those groups?
- How we ensure that the homes built today will continue to be maintained as high quality, affordable homes in perpetuity.

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- How we ensure that allocations policies work to contribute to the vision we have for social homes in Wales and to ending homelessness.
- How we ensure that people and communities in need are heard in the design of policy, the design of schemes and the design of the overarching vision we need.

At Shelter Cymru, we believe it is vital that this vision for home and ending homelessness is underpinned by the establishment of a legal right to adequate housing for everyone in Wales.

## **The role of the right to adequate housing**

Enshrining in domestic law the internationally recognised Right to Adequate Housing would require Welsh Government to set out its vision and long-term, cross-tenure strategy for home and ending homelessness so that it can bridge the gap between supply and demand/need, over time. It would provide a framework for defining the purpose of social homes within the whole housing system, and ensuring the long-term strategy for, and delivery of, the social homes we need. This legal change would ensure that future governments' have a clear obligation to enact policies that progressively realise this right for everyone in Wales.

Whilst a Right to Adequate Housing would enable governments to be held more strongly to account for their progress in delivering sufficient, suitable, and affordable homes to meet need, its value is much wider. This is about driving the clear whole system vision we lack; it's about ensuring a longer-term focus – well beyond a Senedd term. It is the lack of long-term strategy and a legacy of underinvestment in social homes that underpins the current housing emergency. In the context of social housing, it would require an unrelenting focus on removing barriers to delivery of social homes.

**We should also not overlook the fact that a Right to Adequate Housing is popular, in keeping with our international obligations as a nation, and financially prudent.**

Research conducted in 2020 by CIH Cymru shows that 77% of people in Wales support a legal right to housing.<sup>5</sup> Meanwhile independent research conducted by Alma Economics on behalf of the Back the Bill campaign showed that a £5 billion investment in delivering against the Right to

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<sup>5</sup> CIH Cymru, [Three-quarters support legal right to housing in Wales](#), December 2020

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Adequate Housing would realise £11.5 billion of socio-economic benefit over 30 years. Put another way that's a return of £2.30 for every £1 invested.<sup>6</sup>

## Building the social homes we need

In this response Shelter Cymru is clear that a vision for home and ending homelessness is central to understanding the social homes we need, and to delivering them. However, we also recognise that the scale of the housing emergency in Wales today means that whilst this vision is being developed we must also take steps to ensure homes are being delivered now by directly enabling delivery and by removing blockages to homes where they are identified.

To deliver this will need:

- Unrelenting political will.
- Greater capital investment, including an increased percentage of Welsh Government spending being directed towards building social homes as part of a focus on prevention and on investing to save.
- An increased role for Welsh Government in directly enabling the building of homes, through greater involvement in areas like land assembly and planning.
- Greater investment in and support for skills development to ensure that our home building sector has the necessary capacity to deliver against need.

Fundamentally, Shelter Cymru believes that across Wales there is a shared commitment to deliver social housing and a shared recognition that more needs to be done to deliver it – this gives grounds for optimism. But we must move faster. We must reach the current 20,000 social homes to rent target and keep delivering social homes until need is met. And for the people we help, we must remain mindful that their lives and childhoods are passing by; we can expect they will be scarred by the absence of a suitable, stable, and genuinely affordable home. In this response we have tried to reflect that context and to provide feedback and views in a constructive manner. Beyond this we would be happy to work with the Committee or the Welsh Government to investigate the viability of our recommendations further or to provide more evidence to support them where we can.

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<sup>6</sup> Alma Economics, [The right to adequate housing in Wales: cost-benefit analysis](#), September 2022

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## Key Recommendations

1. The Welsh Government should set out a clear vision and long-term strategy for home and ending homelessness. A vision underpinned by the progressive realisation of a right to adequate housing and that provides clarity on the role of the different aspects of our housing system (e.g. social housing, community housing, private rented sector, homeownership).
2. Improvements should be made to how housing need is assessed to ensure a clear picture of need across Wales and in individual areas. This should include greater engagement with people to understand their needs and those of communities, as well as regular national level surveys and assessments of the numbers and types of homes needed to end the housing emergency.
3. The Welsh Government should expand its role in enabling the building of homes, and particularly social homes. This should include a greater role in land assembly and greater transparency around the ownership of land in both public and private hands.
4. The Welsh Government should provide additional investment and support towards promoting planning as a career.
5. The Welsh Government should develop an expanded role for acquisition of homes by social landlords, including both Mortgage and Rent Rescue schemes. This should be accompanied by funding to support social landlords in bringing those homes up to necessary standards for a high-quality social home.

## **Response to terms of reference**

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

### **Progress towards 20,000 social homes**

During the first two years of this Senedd term a total of 5,775 social homes have been delivered.<sup>7</sup> Placed against a basic division of 4,000 homes needed per year to deliver a 20,000 target, then this would suggest we are significantly short of where we should be. However, it is important to acknowledge that in any building programme we would expect delivery to ramp up over its life

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<sup>7</sup> Welsh Government, [Affordable housing provision: April 2022 to March 2023](#), November 2023.



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cycle. That being said we would caution against the idea that progress towards the target is where it should be as it is clear that the barriers to the delivery of homes in Wales today are immense and that meeting the 20,000-home target will be difficult, although we urge Welsh Government to continue striving towards this.

Within this question of progress against target it is also important to make a distinction between the delivery of entirely new homes and the acquisition of existing homes from elsewhere within the market.

We welcome the flexibility that the Welsh Government has provided to Registered Social Landlords (RSLs) for acquisition through approaches like the Transitional Accommodation Capital Programme (TACP). An approach that helps ensure the full allocation of capital grant can be spent and that more homes are provided to people in need. However, whilst contributing to the target for social housing, shifting homes between tenures (e.g. acquisition from the private rented sector) will not have an overall impact on housing supply in Wales. This is not to say that the Welsh Government should not include homes delivered through acquisition in their tracking against the target but rather that it is important to recognise that acquisition as an approach makes a different contribution to addressing the housing emergency in Wales by reducing the availability of homes in another sector, albeit that it is being used effectively to prevent homelessness for individual households.

Recognising differences in type of supply, and the value of different approaches, should also be part of setting out a vision for home and ending homelessness. Ensuring that there is a clear understanding of how approaches in one part of the housing sector can mean knock on impacts in another, and the need to plan for those.

Even with welcome flexibility such as TACP, the challenge of meeting the 20,000-home target remains significant. Barriers such as access to suitable land, skills shortages, planning delays and funding combine to create a difficult environment where progress may be slower than hoped. The difficulty of meeting the target also reflects the fact that meeting it should not be the only aim of the Welsh Government's approach to social housing. More broadly there should be an explicit strategy to reduce barriers to social housing delivery and to develop a sustainable long-term pipeline of delivery for social housing that will ensure we reach a position where everyone who needs one has access to a safe, secure, suitable, and affordable social home.

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## Understanding need more clearly

Establishing the 20,000-home target as one part of a wider vision for home and ending homelessness is vital. Not least because delivering the full target – whilst welcome – would not mean we have met the need for social homes in Wales. As outlined in our introduction, even a basic assessment of need based on waiting list data and on statutory homelessness figures shows that demand exceeds 20,000. If we also account for people who do not appear in statistics, such as those living in overcrowded conditions, hidden homeless households, and those in inadequate homes but who have not registered for a social home then the true figure of need would be even higher.

The current target is also based on assessments of need from 2019 that included inputs such as 2,600 households living in temporary accommodation.<sup>8</sup> A number that has since grown to more than 11,500. Other estimates also reinforce the challenge of an ongoing failure to deliver at the levels needs. For example, in 2018, Crisis estimated housing need per year in Wales at 14,000 with 4,000 of these to be social homes – a level of delivery that has not subsequently been met.<sup>9</sup>

The existing approach to calculating need nationally and at a local level is also limited in how far it can ensure the best possible housing outcomes for communities. Research produced by Tyfu Tai Cymru: Right place, right home, right size?<sup>10</sup> Highlighted the conflict between a hard, minimal assessment of need and creating a desirable and sustainable home. To address this a qualitative element should be included in how need is assessed to ensure that outcomes reflect the needs of communities.

A new approach to assessing need should also make clear the distinction between social homes and homes for social rent. Currently, the Welsh Government target of 20,000-homes is inclusive of a range of products (e.g. social rent and intermediate rent). Whilst a range of products to suit all types of need is important, we believe that a clear distinction between different products and the roles they can play in ending the housing emergency is key. **In addition, at a time when the housing emergency is acute, we urge that social rent is prioritised over other tenures unless there is a clear unmet need for an alternative.**

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<sup>8</sup> Statistics for Wales, [Estimates of Additional Housing Need in Wales \(2019-based\)](#), August 2020.

<sup>9</sup> Crisis, [Housing supply requirements across Great Britain: for low-income households and homeless people](#), November 2018

<sup>10</sup> Tyfu Tai Cymru, [Right place, right home, right size?](#), 2020

<sup>11</sup> Tyfu Tai Cymru was a five-year housing policy project from the Chartered Institute of Housing Cymru that provided insightful analysis and helped fill key evidence gaps to support policy progression on housing.

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A distinction should also be drawn here between local assessments of need that help establish plans and policies in individual areas and a wider national assessment of need, something that is necessary to inform a clear vision for home and ending homelessness. We recognise that the Welsh Government has previously produced such assessments, however, there should now be a commitment to periodically producing a detailed assessment of housing need across Wales – building on the last assessment of housing need published in 2020.<sup>12</sup> This periodic assessment should be supported by a more regular housing review that helps to build a dataset of need and housing conditions in Wales. This would better enable an assessment to be based not only on establishing a shortage of homes but also on the number of homes needed to ensure that nobody is living in inadequate housing.<sup>13</sup>

## Recommendations

1. As well as retaining numerical targets a new overarching vision for home and ending homelessness should commit to removing barriers to building social homes and to the Welsh Government playing a greater role in enabling delivery.
2. Full transparency should be provided in social housing figures to make clear how many homes being delivered are at social rent vs. other tenures.
3. New guidance on assessing housing need at a local authority level should be introduced that includes qualitative elements to ensure that the best possible picture of need is developed.
4. The Welsh Government should produce both periodic assessments of housing need across Wales and more frequent housing surveys.

## The challenges faced by social landlords in increasing supply

Shelter Cymru is confident that other organisations will be able to offer greater detail on the challenges faced by social landlords in increasing supply. However, we do think there are specific areas that should be considered as part of this inquiry and that we would support further investigation on with a view to reducing barriers. These include:

- Availability of skilled workers.

<sup>12</sup> Statistics for Wales, [Estimates of Additional Housing Need in Wales \(2019-based\)](#), August 2020

<sup>13</sup> The English Housing Survey may offer a starting point for such a review, although we would expect that changes could be made to ensure that it delivers the best possible data set for understanding need and for supporting the specific approach to housing taken in Wales.

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- A shortage of materials/cost of materials.
- Access to sufficient funding/finance.
- Overstretched and under resourced planning departments.
- Access to land.
- The impact of guidance on phosphates

One way the Welsh Government can address these issues is to increase its role as an 'enabler' of housing delivery. Taking a proactive approach in areas like land assembly to help support the delivery of social homes.

There is also more that the Welsh Government could do to reduce barriers to delivery. For example, investment in planning departments and a focus on promoting careers in planning would help to address backlogs related to staff shortages.

One other area that the Welsh Government should consider is the support that RSLs may need to fully take advantage of flexibility in capital funding. For example, where the Welsh Government is enabling the acquisition of properties, it may be that additional funding is required to ensure that those homes meet relevant quality standards.

## **Recommendations**

1. The Welsh Government should seek an expanded role in enabling the delivery of social homes, including through a more proactive role in land assembly.
2. The Welsh Government should provide additional investment and support towards promoting planning as a career.

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

Shelter Cymru believes others will be well placed to give a detailed response on this point. However, it is important to consider this in the context of what social housing is for, and why a clear vision for home and ending homelessness in Wales is so important.

The affordability of social homes is – rightly – a central part of their identity and the way that they provide people with support and security. However, affordability is only one part of what makes a social home an important part of our housing market. Providing people with a social home is also about ensuring they have a high-quality home that is suitable for their needs and that is

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managed by a landlord who can offer support services where necessary. In the context of a discussion around the potential trade-offs of high standards vs. supply this is important to keep in mind.

We recognise that maximising the delivery of social homes is vital, and that a focus on areas such as low carbon homes can mean increased per unit costs and fewer overall homes. **However, we would urge that a focus on maximising both the quality of the homes we deliver and the number continues, as that will deliver the best overall long term outcomes for the people we support and for people in Wales.**

Currently, the Welsh Government is rightly committed to delivering not just 20,000 social homes but 20,000 low-carbon social homes. Demonstrating that it understands the importance of quality in social homes and also the way that investment in social homes can drive change, by helping to drive growth in skills and innovation for delivering low carbon homes more widely.

Moving forwards the Welsh Government should use a vision for home and ending homelessness to set out the role it sees for social homes beyond just a product to tackle affordability pressures and to maintain a high-level of ambition for how quality homes support cross government priorities.

## **Recommendations**

1. The Welsh Government should use a vision for home and ending homelessness to set out the role of social homes and to set ambitious plans around quality that help drive progress across the home building sector.

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

At Shelter Cymru we believe that the case has long been made that the benefits of investing in social homes significantly outweigh the costs of doing so, and particularly at a time when housing need and the housing emergency across Wales is acute.

Significant public spending is currently directed towards mitigating crises or towards dealing with the symptoms of issues rather than the causes. Increasing investment upstream, in

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prevention measures, would help to address this and to drive down costs in other areas over time.

This approach – an invest to save model – is particularly relevant in housing because of the role that a good quality, affordable and suitable home can play in people’s lives. Ensuring that everyone had access to a home like this would help drive down both the direct and indirect costs that stem from a lack of adequate homes, including:

- Costs associated with homelessness such as local authority spending on temporary accommodation.
- Costs associated with poor mental and physical health that in some cases stem directly from, or are exacerbated by, low quality or inadequate housing (e.g. living in damp conditions or the stresses associated with a lack of security and affordability).

## **Healthy homes, healthy Wales**

Health is a policy area where the impact of a long-term failure to provide access to good quality, suitable homes is seen. Research from Public Health Wales has shown that poor quality housing in Wales already costs the NHS £95 million in first-year treatment costs, with an overall societal cost of £1 billion.<sup>14</sup> The same research estimates that the cost of mitigating poor housing (with a focus on ensuring current homes are hazard free) would be £548 million.<sup>15</sup>

Ensuring a sufficient supply of high-quality social homes has a key role to play in realising the benefits of healthier homes for the people of Wales – and for our NHS. Good-quality, affordable and suitable homes will mean fewer people suffering direct health consequences from issues like damp and mould. It will also help to reduce stress from issues like affordability and give people the stability needed to focus on education, employment or others areas of their life that can make a difference to their overall wellbeing, and national wellbeing

## **The investment value of a Right to Adequate Housing**

The Back the Bill coalition, of which Shelter Cymru is a member, has undertaken research to demonstrate the economic value of realising a Right to Adequate Housing in Wales.<sup>16</sup> That research found that that for every £1 invested in realising this right £2.30 of socio-economic

<sup>14</sup> Public Health Wales, [Making a Difference Housing and Health: A Case for Investment](#), June 2019

<sup>15</sup> Ibid

<sup>16</sup> Alma Economics, [The right to adequate housing in Wales: cost-benefit analysis](#), September 2022

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benefit would be generated.<sup>17</sup> Over a 30-year period that would equate to £11.5 billion of benefit for the Welsh Government.<sup>18</sup> Some of that benefit would derive from reducing the costs outlined above, however, others come from the act of investing in homes themselves, such as:

- The rental value of newly built housing.
- Increased economic output from job creation in a home building programme.

## **Recommendations**

1. The Welsh Government should adopt an invest to save approach in its approach to the delivery of homes and consider the broad cost savings and public health benefits that might stem from an increased focus on ensuring an adequate supply of high quality, affordable, suitable homes.
2. The Welsh Government should legislate for everyone in Wales to have the Right to Adequate Housing.

## How effectively the planning system is supporting social housebuilding

In our response to the question on barriers facing social landlords we have touched on the issue of resourcing the planning system in Wales and we refer the Committee back to this.

## **Recommendations**

1. The Welsh Government should provide additional investment and support towards promoting planning as a career.
2. The Welsh Government should investigate the value of a central planning function that can provide support to local authorities where needed. For example, on one off large-scale applications or in times where resourcing leads to significant backlogs.

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

The value at which land enters development is a key determinant of how viable a high-quality, affordable development will be. In recent years many organisations have produced significant pieces of work examining this topic and considering how different approaches to land could

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<sup>17</sup> Ibid

<sup>18</sup> Ibid

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deliver better housing outcomes.<sup>19</sup> Much of this work has focused on England, however, there are many transferable lessons that could be drawn, and we would encourage the Welsh Government to commission research in this area and the viability of approaches such as:

- An increased role for Community Land Trusts (CLTs) in the delivery of new homes and the acquisition of existing homes.
- The delivery of homes via a Development Corporation model in which the Welsh Government plays an active role in land assembly and master planning.

The Welsh Government should also commission research into the lessons that can be learnt from international approaches to delivering and managing new affordable homes, such as those in Vienna, Hamburg and across the Netherlands.<sup>20</sup>

In addition, the Local Government and Housing Committee would be well placed to launch a specific inquiry into land in Wales, taking learnings from a similar inquiry conducted in England by the House of Commons Select Committee on Housing, Communities and Local Government.<sup>21,22</sup>

Specific changes to the management of land that should be considered include:

- **Increased transparency around the ownership and control of land in Wales:** Organisations such as Housing Justice Cymru have done important work in drawing attention to the role that land owned by faith bodies can play in helping to address our housing emergency.<sup>23</sup> However, the difficulties in identifying the land owned by single institutions (e.g. the Church) draws attention to the wider problem of land transparency.

Understanding who owns the land beneath our feet is key to improving the way that we identify the best sites for development. Its central to ensuring that competition in housebuilding is possible and it is central to ensuring that the public sector is maximising the role it can play in delivery. However, a lack of accessible data on land ownership, means that building a picture of this even in a single area can be challenging. Changing

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<sup>19</sup> See: JRF: [The missing piece: the case for a public sector master developer](#); Shelter: [New Civic Housebuilding](#); Shelter: [Grounds for Change](#); Centre for Progressive Policy: [Gathering the Windfall](#)

<sup>20</sup> See: Urbed, [Learning from International examples of affordable housing](#)

<sup>21</sup> Now the Select Committee on Levelling Up, Housing and Communities

<sup>22</sup> See: House of Commons Housing, Communities and Local Government Committee report on [Land Value Capture](#)

<sup>23</sup> See: Housing Justice Cymru [Faith in Affordable Housing](#)



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this would not only enable large organisations (e.g. social landlords) to identify sites for development but could also play a significant role in empowering local communities. By providing them with clear data on ownership and control of land in their area we would be providing a key tool to bring forward small scale housing plans for addressing need at a community level, potentially increasing the scale of delivery via Community Land Trusts and Exception Sites.

- **Developing updated policies on the use of public sector land for housing:** Public land is a powerful resource in addressing housing need and boosting the supply of social homes. Where land is already in the public sector then it can – theoretically – enter a development project for no cost, giving scope for innovative and ambitious delivery on such sites.

Through the Welsh Government Land Division, and the exemplar sites it is releasing, an appetite for using public land to deliver housing is being shown. In remarks to the Local Government and Housing Committee Julie James MS stated that:

“we’re very keen to make sure that we use Welsh Government land to show people what can be done—what can be developed in a way that gives you a decent return on your money, but also really excellent mixed-use developments, mixed-tenure developments, as well.”<sup>24</sup>

This is a welcome approach and moving forwards we hope that the Welsh Government will expand this and publish any findings from initial sites that could form a best practice guide. **We would also urge Welsh Government to make the delivery of social rent homes a key objective within any public land for housing programme.**

To maximise the potential for public land we would also suggest that Welsh Government consider creating specific policies around the extraordinary release of public land for housing where such a development would exceed the level of affordable housing required by the local plan. This would enable communities or organisations to bring forward proposals for development on public land even where that land has not been allocated within the existing local plan.

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<sup>24</sup> Julie James MS [remarks to the Local Government and Housing Committee](#), January 2024.

# CARTREF YW POPETH HOME IS EVERYTHING



- **Committing to the use of new compulsory purchase powers where necessary to boost the supply of social housing:** Changes to compulsory purchase legislation through the Levelling Up and Regeneration Act 2023 in Westminster offer the Welsh Government a new opportunity to boost the delivery of social homes. However, to maximise this there will be a need for Ministers to set out clearly their willingness to use such powers and to identify appropriate sites for land assembly to support this purpose.

Within this it is important to remember that a successful approach to compulsory purchase is one in which compulsory purchase is not – in fact – required. The value of updated compulsory purchase powers lies in the way that they help shape the expectation of landowners. Clarity for landowners over what the realisable value of their land is and the willingness of the Welsh Government to use the powers it has should encourage them to participate in the scheme rather than force a compulsory purchase.

## Recommendations

1. The Welsh Government, or the Committee, should undertake a detailed inquiry into land (public and private) in Wales and the role it can play in enabling social homes. This inquiry should include reviewing land transparency and the potential role of public sector land.
2. Welsh Government Ministers should set out clearly how they intend to make best use of updated compulsory purchase powers to facilitate the delivery of social homes in Wales. This approach should be clear that there is a willingness to make use of these powers if necessary but that there is a preference to work in partnership with landowners to bring land into development at a fair value which delivers the best outcomes for communities.

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

Shelter Cymru believes Committee should approach this question in two parts:

1. Are current land value capture mechanisms, such as S106, delivering the maximum possible numbers of social homes?
2. Are there additional approaches to land value capture that could be employed to increase the supply of social homes?

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## **Maximising current mechanisms**

Shelter Cymru does not believe that current approaches to land value capture are delivering the maximum number of social homes possible. For example, in Wales 72% of social housing supply is currently provided via capital grant whereas in England the largest single source of social rent homes is via S106 agreements with private developers that use no grant.<sup>2526</sup> Whilst there are likely good reasons for this variation (e.g. better grant conditions in Wales and differences in land values and development viability) it does beg the question as to whether more could be delivered via S106 in Wales. As such we would recommend Welsh Government commission research:

- Reviewing affordable housing policies across Wales to understand current approaches in detail.
- Reviewing how frequently (and to what level) housing schemes are being delivered that deliver fewer affordable homes than required by local policies.
- Reviewing how frequently affordable housing requirements are being delivered either 'off-site' or via financial contributions.<sup>27</sup>
- Establishing a best practice guide to support local authorities in Wales to maximise the delivery of affordable – and particularly social – homes via S106 agreements.

Shelter Cymru would be happy to work with either the Government or the Committee on such a review.

## **Additional approaches**

As outlined in our response to the previous question bringing land into development at the right value can play a significant role in enabling the delivery of more social homes and we would encourage the Welsh Government to take an expanded role in land assembly to support this.

## **Recommendations**

1. The Welsh Government should commission research into S106 agreements to understand in more detail any current challenges in delivering social homes through these and to establish a best practice guide.

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<sup>25</sup> Welsh Government, [Affordable housing provision: April 2022 to March 2023](#), November 2023.

<sup>26</sup> Department for Levelling Up, Housing and Communities, [Live Table 1000](#), accessed 16/04/2024.

<sup>27</sup> The HBF has undertaken research into unspent developer contributions in England and Wales ([Section 106 Agreements and unspent developer contributions in England & Wales](#)) that would offer a starting point for this research. However, this is a limited piece of work in that it focuses only on unspent contributions and not the overall value of contributions.

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2. The Welsh Government or the Committee should undertake a detailed inquiry into land (public and private) in Wales. This inquiry should include reviewing land transparency and an expanded role for public sector land in delivering homes.

## 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 for building new low-carbon social homes**

We believe others will be better placed to provide detailed evidence.

### **Capacity for acquisitions**

Elsewhere in this response we have made points relevant to this question, these are:

- That we recognise acquisition can play an important role in meeting housing need and welcome funding such as TACP that enables this.
- That the Welsh Government should consider if any additional funding for RSLs is needed to support acquisition whilst ensuring that homes meet required quality standards such as WHQS2.

We would also draw attention to Shelter Cymru's previous campaigning on mortgage rescue and the role that this can play in supporting households in the homeownership sector facing hardship. The Welsh Government has introduced the Help to Stay scheme to support homeowners, however, an alternative scheme focused on acquisition by social landlords should also be introduced. We set out how such a scheme could be delivered in January 2023 and would recommend this as the basis for further consideration.<sup>28</sup>

The Welsh Government should also introduce a similar scheme for Rent Rescue, enabling social landlords to acquire homes from within the PRS and convert them to social homes. Given current suggestions that private landlords intend to exit the market this scheme would provide a way to both expand the supply of social homes in Wales and protect people from eviction.

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<sup>28</sup> Shelter Cymru, [Preventing homelessness for struggling homeowners: A call to reintroduce a Mortgage Rescue Scheme in Wales](#), January 2023

# CARTREF YW POPETH HOME IS EVERYTHING



The Welsh Government should also think about the role of acquisition schemes within a wider vision for home and for ending homelessness in Wales as such schemes can help:

- Protect people from homelessness, especially during the current cost of living crisis.
- Grow the overall number of social homes in Wales, which has long-term benefits for providing future homes and in terms of an asset base.
- Enable investment in homes by social landlords and by Government to ensure that people are able to live in a high-quality home.

## **Recommendations**

1. The Welsh Government should introduce a Mortgage Rescue Scheme that focuses on the acquisition of homes by social landlords.
2. The Welsh Government should introduce a Rent Rescue scheme that enables social landlords to acquire homes from the PRS in a range of circumstances.
3. The Welsh Government should include a role for the acquisition of existing homes by social landlords as part of a wider vision for home and homelessness in Wales.

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

Engaging communities in the planning for and delivery of social housing should be a priority for the Welsh Government and for individual local authorities in Wales. Already in this response we have noted ways in which this could be done, including:

- **Including quantitative elements in an assessment of housing need:** Engaging communities directly when establishing housing need would help ensure that these assessments are as robust as possible. In addition, it would create new space for assessments to engage more fully in establishing the types of homes that are needed within communities.
- **Delivering a more transparent land market:** Increased transparency in the land market would provide communities with greater opportunities to bring forwards ideas for housing schemes that might meet a particular need they can identify in their local area.

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Engaging communities also goes beyond this and Shelter Cymru has recently produced a report on behalf of Tyfu Tai Cymru looking in detail how we can ensure the homes we build meet need, are desirable and are delivered with community engagement.<sup>2930</sup> This report sets out a number of recommendations that the Committee should consider, including:

1. **Improved understanding and de-stigmatisation:** Housing associations and local authorities should work collaboratively to raise awareness of different housing tenures and their role in the housing market. This work should be supported by the Welsh Government. At the same time work should be undertaken to tackle any prevailing 'myths' about who social housing is for. This should also form a key part of developing a wider vision for home and ending homelessness that – among other things – engages with the role that social homes can play.
2. **Work to understand what tenants want from their homes:** Delivering enough social homes is an important goal, and one Shelter Cymru supports wholeheartedly. However, ensuring those homes are high quality and meet the wants and needs of tenants is also vital. To this end more work should be done at a local level with communities to understand what they would like to see in new social housing developments in terms of design, space, and accessibility. Existing tenant scrutiny panels provide a place to start with this approach but the changing needs of those seeking social homes now, and in the future, also need to be understood,
3. **Tenant inclusion and community engagement should be fundamental to the development process:** Demonstrating a commitment to this should be a fundamental aspect of social housing grant applications and should be encouraged strongly by Welsh Government in all developments.

## Conclusion

A lack of social homes in Wales sits at the very heart of the housing emergency, and without an improved supply of social homes it is not possible that we can end it.

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<sup>29</sup> Tyfu Tai Cymru, [Housing need and desirability](#), February 2024

<sup>30</sup> Tyfu Tai Cymru was a five-year housing policy project from the Chartered Institute of Housing Cymru that provided insightful analysis and helped fill key evidence gaps to support policy progression on housing

# CARTREF YW POPETH HOME IS EVERYTHING



At Shelter Cymru we see every day the impact of the current lack of social homes. We see it in the fact people are driven into homelessness and/or trapped in inadequate housing: in temporary accommodation that lacks basic services, in private rented homes that are far too expensive, and in homes that simply don't meet the quality standards we know they should. But right now, helping people to find the right home, in the right place, with the right support is incredibly challenging. Something that will not change without a significant increase in the number of high-quality, social homes across Wales.

Without sufficient social homes it is also impossible for Welsh Government to deliver against its ambitions in housing and more broadly. Ending homelessness, for example, requires that there are enough homes available and that those homes are the right homes, based on a full understanding what need there is. That means considering issues such as the need for single households, for families, for people with disabilities, for people who need additional support for maintaining a tenancy and many more requirements as well.

Meeting this challenge requires unrelenting political will and will require us to build on the good progress that has been made in recent years and that deserves to be recognised. But it will also need a clear vision for home and ending homelessness, a vision that includes clarity over the role that Welsh Government will play in directly enabling the supply of social homes and in removing existing blockages to these.

This vision should also go beyond the 'how' of delivering homes to engage broadly with the interconnectedness of housing policy. Focusing on ensuring a sufficient supply of homes whilst also thinking about how we support people into the right home and support them to keep their home. For example, making sure that access to advice around housing rights is available, that support services are fully funded, and that social landlords management practices are a gold standard.

At Shelter Cymru, what we want is a Wales where everybody has access to a safe, secure, suitable and affordable home. Right now, we know that is not the reality for many people, but with the right commitment and a clear vision it can be.

# Agenda Item 4

## Local Government and Housing Committee

22 May 2024 – papers to note cover sheet

<b>Paper no.</b>	<b>Issue</b>	<b>From</b>	<b>Action point</b>
Paper 5	Diversity in local government	Cabinet Secretary for Housing, Local Government and Planning	To note
Paper 6	Private rented sector	Carolyn Thomas MS	To note
Paper 7	Social housing supply	Climate Change, Environment, and Infrastructure Committee	To note
Paper 8	Renters (Reform) Bill	Cabinet Secretary for Housing, Local Government and Planning	To note
Paper 9	Building safety	Welsh Cladiators	To note
Paper 10	Welsh Government Draft Budget 2025-26	Finance Committee	To note
Paper 11	Leasehold and Freehold Reform Bill	Legislation, Justice and Constitution Committee	To note
Paper 12	International agreements	Legislation, Justice and Constitution Committee	To note





Llywodraeth Cymru  
Welsh Government

John Griffiths MS  
Chair, Local Government and Housing Committee  
Senedd Cymru  
Cardiff Bay  
Cardiff  
CF99 1SN

30 April 2024

Dear John

I welcome the work you and members of the Local Government and Housing Committee have undertaken in respect of diversity in local government and the Committee's report. This builds upon the inquiry the committee undertook in 2019, and it is encouraging to see the progress made since then.

One of the important issues raised as part of the recent inquiry focussed on the issues of abuse in politics. I understand you and members of the committee were disappointed you were unable to participate in the abuse in politics event, hosted by the then Minister for Finance and Local Government Rebecca Evans, MS which took place on Wednesday 31<sup>st</sup> January 2024 due to other commitments.

This was a subject which also drew the attention of members during the debate on the Committee's Diversity in Local Government report on Wednesday 7<sup>th</sup> February in Plenary during which the concerns about the current position elected members find themselves in when conducting their daily business.

The event benefited from having representation from all levels of government in Wales including the Senedd, principal councils and community and town councils. It was helpful to be able to compare and contrast approaches which are already being taken and share thoughts and concerns about issues that participants felt needed to be addressed.

My officials are planning for the second stage in this work which is to discuss potential solutions with a wider range of people and organisations at the WLGA conference on 27<sup>th</sup> June.

I would welcome an opportunity to discuss this issue with you so that your experiences and ideas for change can inform this next stage. If you would like to take up this offer perhaps our officials can work together to identify a mutually convenient date for us to meet.

Yours sincerely,



**Julie James AS/MS**

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

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Gohebiaeth.Julie.James@llyw.cymru](mailto:Gohebiaeth.Julie.James@llyw.cymru)  
[Correspondence.Julie.James@gov.Wales](mailto:Correspondence.Julie.James@gov.Wales)

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.

# Agenda Item 4.2

# CAROLYN THOMAS

## MS FOR NORTH WALES / AS DROS GOGLEDD CYMRU

John Griffiths MS

Chair, Local Government and Housing Committee

Sent by email only.

25<sup>th</sup> April 2024

Dear John,

I am writing to thank you and the committee clerks for your hard work and dedication during my time on the Local Government and Housing Committee. I have thoroughly enjoyed being a member of the committee and am proud of the important scrutiny we have undertaken over the last 3 years.

In particular, I believe our recent work on the Private Rental Sector in Wales is a vital intervention. We face a serious housing crisis, with first time buyers faced with the biggest barriers to getting on the property ladder in the last 70 years. This means more and more people are having to rely on private rentals.

I would like to highlight the additional evidence provided in the papers to note from our meeting on the 18<sup>th</sup> of April. The evidence provided by the Dogs Trust and PropertyMark regarding pets in private rented accommodation is extremely pertinent. Given that just 7% of adverts are listed as 'pet friendly' there is clearly a long way to go to end discrimination against pet owners.

I trust that the committee will consider this evidence carefully and I hope it will be published in the final report. It is important that we shine a light on the plight of pet owners reliant on privately rented accommodation.

Yours sincerely,

Carolyn Thomas MS



Carolyn Thomas

Member of the Senedd for North Wales

Phone | Ffon: 0300 11 00 176

Email | E-bost: [carolyn.thomas@senedd.wales](mailto:carolyn.thomas@senedd.wales)

Website | Wefan: [carolynthomas.wales](http://carolynthomas.wales)



[CarolynThomasMS](#)



[CThomasMS](#)



[carolyn\\_thomasms](#)

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Huw Irranca-Davies MS

Cabinet Secretary for Climate Change and Rural Affairs

Julie James MS

Cabinet Secretary for Housing, Local Government and Planning

8 May 2024

Dear Huw and Julie,

### Impact of the WHQS2023 on local authorities' ability to reach net zero by 2030

At its meeting on 24 April 2024, the Committee noted correspondence from Councillor Joanna Protheroe, Chair of the Vale of Glamorgan Council's Corporate Performance and Resources Scrutiny Committee (the Scrutiny Committee) relating to the impact of the WHQS23 on local authorities' ability to reach net zero by 2030.

The correspondence suggests there is a lack of clarity around when the social housing sector is expected to meet EPC A, about the Welsh Government's ambition for a net zero public sector by 2030, and how these align for local authorities with housing stock.

The Committee agreed I should write to you to seek clarification on these matters.

In its letter, the Scrutiny Committee refers to "a change in the target date from **2030 to 2034** for public sector homes to reach net zero" arising from "the pushing back of the latest Welsh Housing Quality Standard (WHQS) four years from 2030 to 2034 to reach the latest Energy Efficiency EPC level for all public sector homes".

It is our understanding that the Welsh Government's original proposal was for all social housing to achieve EPC A by 2033. The WHQS23 sets out that all homes must meet a minimum standard of EPC C by 2030 and that EPC A must be achieved, although it does not specify when.

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

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?

I would like to raise another issue, which came to light during initial consideration of this matter. The introductory chapter of the WHQS23 states:

"The Senedd Cymru/ Welsh Parliament is committed to bringing all existing social housing up to this new Standard by 2034 (elements in Part 3 may be reached at different times)."

The reference to Senedd Cymru in the WHQS23 is clearly an error, given the Senedd has no role in setting standards. This could cause confusion. It would be helpful if this could be rectified as soon as possible.

I should be grateful for a response to the above as soon as possible, and by **6 June** at the latest.

I am copying this letter to Councillor Protheroe and to John Griffiths MS, Chair of the Local Government and Housing Committee, for information. I should be grateful if you would do the same when responding.

Yours sincerely,



Llyr Gruffydd MS,  
Chair, Climate Change, Environment and Infrastructure Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



Elin Jones MS  
Llywydd  
Senedd Cymru  
Cardiff Bay, Cardiff, CF99 1SN  
Email - [Llywydd@senedd.wales](mailto:Llywydd@senedd.wales)

Llywodraeth Cymru  
Welsh Government

9 May 2024

Dear Elin

The UK Government introduced the Renters (Reform) Bill into Parliament on 17 May 2023. No Legislative Consent Memorandum (LCM) was required at that time.

As previously advised, my officials have been working with UK Government counterparts to extend blanket ban “No benefit claimant” and “No children” provisions into Wales. The amendments which seek to introduce the ban on these practices into England and Wales were laid on 15 November. I submitted a LCM to cover the amendments at Committee Stage on 30 January.

On 18 April, UK Government published 250 Report Stage amendments which further affect the blanket ban provisions in Wales. There are also amendments that we are aware of to the Housing Act 2004 which deal with superior landlords in Houses in Multiple Occupation in Wales. There are also amendments to paragraph 10, Schedule 2 to the Housing Act 1996 for which we believe that we will require legislative consent.

Unfortunately, we will be unable to consider all 250 amendments that the Government tabled within the standard timeframe, but I will endeavour to lay a supplementary LCM with all of the amendments that we have already identified as affecting Wales as soon as possible. This will likely be beyond the 2-week Standing Order 29 deadline, however, will hopefully be submitted in time for the Business Committee to consider at its meeting on 14 May.

I am copying this letter to the Chair of the Legislation, Justice and Constitution Committee, Sarah Murphy MS and the Chair of the Local Government and Housing Committee, John Griffiths MS.

Yours sincerely



**Julie James AS/MS**

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

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:  
0300 0604400

Bae Caerdydd • Cardiff Bay  
Caerdydd • Cardiff  
CF99 1SN

[Gohebiaeth.Julie.James@llyw.cymru](mailto:Gohebiaeth.Julie.James@llyw.cymru)  
[Correspondence.Julie.James@gov.Wales](mailto:Correspondence.Julie.James@gov.Wales)

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.



# Agenda Item 4.5

By e-mail

1 May 2024

Subject: Re Housing Minister LHHC 25 April 2024

Thank you for your prompt reply. We did point out in our last email that we are not aware of the complexities of how the LG&H Committee conducts its business. Your response explains the reason why no questions were put to the Minister on the pressing issue of building safety and the lack of remediation in the Welsh private housing sector. However, given the recent fire incident in Celestia and wider issues of public safety, we remain concerned that the Minister was not subjected to any questions on building safety.

We would ask that you put our correspondence before the Committee with a request to hold the Minister to account on the pedestrian rate of fire remediation progress in the Welsh private housing sector. We also request that the Committee question the Minister on why she continues her policy of not holding a regular communications forum with private sector victims. The current WG "newsletter" is totally inadequate in dealing with the many questions and concerns that long suffering victims have.

It is also clear that the Strategic Stakeholders Group on Future Welsh Building Safety legislation is not meeting the more pressing and urgent needs of Welsh victims.

We remain of the view that urgent legislation is required in Wales to force developers to remediation to agreed timescales. Without that action we see this crisis drifting on for many more years.

Diolch yn fawr

With regards

Mark Thomas & Robert Nichols - Welsh Cladiators

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By e-mail

30 April 2024

Subject: Re Housing Minister LHHC 25 April 2024

Dear Mark & Rob,

Thank you for your email, which I discussed with John Griffiths MS this morning.

The purpose of the Committee's session with the Cabinet Secretary for Housing, Local Government and Planning on 24 April was to take evidence in relation to the



Committee's inquiry on the private rented sector. When Welsh Ministers are invited to appear before Senedd committees it's on the basis of giving evidence as part of a particular inquiry or to scrutinise specific legislation, unless Ministers are invited to attend a 'general scrutiny session' covering their portfolio, which is agreed in advance. As the purpose of the session on 24 April was to discuss the private rented sector, it would not have been appropriate for Members to question the Cabinet Secretary on other matters.

The Chair has confirmed to me the Committee's continued interest in all matters relating to building safety, and that there will be further opportunities to continue to raise these matters with the Cabinet Secretary.

If you are content, the Committee can consider your email as a paper to note at a forthcoming meeting.

Kind regards

Clerk, Local Government and Housing Committee, Welsh Parliament

---

By e-mail

29 April 2024

Subject: Re Housing Minister LHHC 25 April 2024

Dear Committee Members

You will be aware that on the 26 March Chair John Griffiths and Sam Rowlands visited the Celestia Development in Cardiff Bay to inspect the ongoing serious build and fire defects. John and Sam witnessed the apartment and met with residents where a serious fire incident took place on 29 February.

During the visit you also met with some residents representatives from Victoria Wharf . They are battling Taylor Wimpey to get their fire defective homes also remediated some two years after an announcement was made . During the meeting we advised the Committee members that there was lack of private sector remediation going on in both Cardiff Bay and Swansea despite the WG Developers Contract being signed some 12 months ago. We cited other developments such as Altamar in Swansea & Prospect Place in Cardiff. We argued that there is a significant disconnect between the continued statements of Minister Julie James and the lived experience of Welsh private sector fire cladding and build quality victims.

Now without us understanding the full complexities of the WG's LG & H committee proceedings, we were very surprised to learn that during the Minister's recent appearance before the Committee on 24 April there were no comments or

questions made to the Minister on the continuing failure of private sector developers to get on and remediate or of the Committee's visit to Celestia.

We trust that the recent changes in the Committee's composition will not result in a reduced focus on what remains a major public safety issue and social injustice in Wales. It's important to stress, as John and Sam witnessed on their recent Celestia visit, that our building and residents remain at real risk as long as this crisis is allowed to drag on.

We remain of the view that seven years on, from the horrific Grenfell Tragedy, the Welsh Government needs to introduce legal powers and sanctions to force developers to get on and remediate at pace.

We look forward to hearing from you

With regards

Mark Thomas - Rob Nichols - Welsh Cladiators

Chair, Children, Young People, and Education Committee

Chair, Climate Change, Environment, and Infrastructure Committee

Chair, Culture, Communications, Welsh Language, Sport, and International Relations Committee

Chair, Economy, Trade, and Rural Affairs Committee

Chair, Equality and Social Justice Committee

Chair, Health and Social Care Committee

Chair, Legislation, Justice and Constitution Committee

Chair, Local Government and Housing Committee

8 May 2024

Dear Committee Chairs,

### **Welsh Government Draft Budget 2025-26: Engagement**

At our meeting on 24 April 2024, the Finance Committee (the Committee) considered its programme of engagement for the forthcoming Welsh Government's Draft Budget 2025-26, ahead of the Committee's annual Plenary debate on spending priorities, provisionally scheduled for 17 July. I am writing to Chairs of subject committees to share our thinking. The Committee has agreed to undertake a number of engagement activities prior to the publication of the Draft Budget later this year. These include, a stakeholder event, focus groups held with the general public, and various other approaches to gather the views of young people.

### **Stakeholder Event: Carmarthen**

This year's stakeholder event will take place at Canolfan S4C Yr Egin on Thursday 13 June. This will be an opportunity for the Committee to hear directly from interested organisations/individuals on the expected Draft Budget proposals, as well as their views on the Welsh Government's approach to setting the budget and prioritising resources. As cross-Committee engagement with stakeholders on the budget is crucial to effective scrutiny, I would like to invite Committee Chairs or a Member of your Committee to join the event. If Chairs or Members are interested in attending, please contact the clerking team [seneddfinance@senedd.wales](mailto:seneddfinance@senedd.wales) by 20 May.



## Citizen engagement focus groups with the Welsh public

On behalf of the Committee, the Senedd's Citizens Engagement Team will be holding a series of focus groups on the Draft Budget with the Welsh public. The team has undertaken similar exercises over the past few years and the aim of this work is to form a cross-sectional study to allow the Committee to monitor perspectives and attitudes over time. Participants will be sourced through similar partner organisations to cover the same demographics as last year, and groups will be organised to focus on particular policy areas. The Citizens Engagement Team will circulate the dates of sessions to all Committees, should any Members wish to participate. This will allow an opportunity for Members to hear first-hand from the citizens of Wales where spending should be prioritised.

## Youth Engagement

In previous years, to further complement our engagement work, the Committee has held a workshop with Members of the Youth Parliament (WYP). As the WYP is currently not in session, the Committee will be engaging with young people by different means. There will be an opportunity for young people to provide their views at the Urdd National Eisteddfod, the National Eisteddfod and at the Royal Welsh Show. The Citizen Engagement Team is also organising a dedicated workshop for young people and will be inviting participants from Coleg y Cymoedd, the National Youth Advocacy Service and 'Voices' from Care Cymru. The Digital Communications Team will also be using interactive social media tools to encourage engagement, and we would appreciate if other Committees would use their own social media presence to promote this work.

## Finance Committee Plenary Debate on the Welsh Government spending priorities

As mentioned above, the Committee intends to hold a Plenary debate on Wednesday 17 July on the Welsh Government's spending priorities for 2025-26. The outcomes of our engagement work will inform and feed into this debate, which will provide the best opportunity to influence the Welsh Government spending priorities before the Draft Budget is published later in the year. As ever, we would very much welcome the participation of Committee Chairs, as well as other Members, as part of this debate, to ensure that the Welsh Government's spending plans are informed by the views and priorities of Senedd Committees.

## Approach to budget scrutiny

I will shortly be writing to Chairs, with regard to the Committee's approach to budget scrutiny, including information on the consultation and timetable once the Trefnydd has notified the Business Committee of the Draft Budget publication dates before the summer recess.

If you have any questions about any aspect of the Draft Budget process, please feel free to contact me or the Clerk to the Finance Committee, Owain Roberts, 0300 200 6388, [seneddfinance@senedd.wales](mailto:seneddfinance@senedd.wales).

Yours sincerely,



Peredur Owen Griffiths  
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

**Legislation, Justice and  
Constitution Committee**

**Welsh Parliament**  
Cardiff Bay, Cardiff, CF99 1SN  
SeneddLJC@senedd.wales  
senedd.wales/SeneddLJC  
0300 200 6565

Rt Hon Elin Jones MS  
Y Llywydd and Chair of the Business Committee

15 May 2024

Annwyl Lywydd,

The Welsh Government's Supplementary Legislative Consent Memoranda (Memorandum No. 3 and Memorandum No. 4) on the Leasehold and Freehold Reform Bill

The Business Committee has agreed a deadline of Friday 31 May 2024 for my Committee and the Local Government and Housing Committee to report on the Welsh Government's Supplementary Legislative Consent Memoranda (Memorandum No. 3 and Memorandum No. 4) on the Leasehold and Freehold Reform Bill.

I am writing to request that the deadline is extended to Monday 3 June 2024, to enable my Committee to consider and agree a report on the memoranda at its meeting that same afternoon. I understand that the Welsh Government plans to hold a debate on a legislative consent motion for the Leasehold and Freehold Reform Bill on Tuesday 4 June. This short extension would therefore not impact on the Welsh Government's scheduling of business.

I am copying this letter to the Local Government and Housing Committee.

Yours sincerely,



Sarah Murphy  
Chair



Rt Hon Vaughan Gething MS

First Minister

16 May 2024

Dear Vaughan

**Agreement between the UK and Denmark on the Participation in Certain Elections of Nationals of Each Country Resident in the Territory of the Other**

At its meeting on 7 May 2024, my Committee considered the above mentioned international agreement, which was laid in the UK Parliament in February. You will likely be aware that the agreement secures the right for UK nationals in Denmark and Danish nationals in the UK to stand and vote in local elections.

We noted that no devolved legislation is required to implement the agreement in Wales, as all legally resident foreign nationals are able to stand and vote in Welsh local elections.

We also noted that in the fifth Senedd, the former First Minister brought the below issue to the attention of the Llywydd, following the conclusion of similar agreements between the UK and other EU nations:

*"... in concluding agreements which bind all parts of the UK to extend the franchise to nationals of certain other countries the UK Government is effectively constraining both legislative and executive competence of the devolved institutions in future, since a future National Assembly with a different political outlook would be unable to legislate to remove the franchise from such citizens.*

*In the specific case of these agreements, there is a mechanism by which these reciprocal voting rights can be modified, and we have emphasised the need for a process to request the use of this mechanism to remove Wales from the agreement should a future Welsh Government or National Assembly adopt a different policy position from ours."*

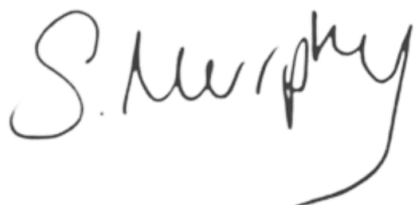
I would be grateful if you could confirm by Wednesday 29 May 2024:

- whether the issue raised by the former First Minister has been resolved;
- if the issue is unresolved, whether the Welsh Government has considered the use of any legislative means, such as the tabling of amendments to the Elections and Elected Bodies (Wales) Bill, to seek its resolution;
- whether the Welsh Government has considered the use of emergency legislation to reverse any potential legislative action by the UK Government to remove or limit the entitlement of nationals from a particular EU Member State to stand and vote in any UK local elections, so as to enable those citizens to continue to be enfranchised in devolved Welsh elections.

My Committee will lay its report on the agreement in due course.

I am copying this letter to the Llywydd, the Chair of the Equality and Social Justice Committee, and the Chair of the Local Government and Housing Committee.

Yours sincerely,

A handwritten signature in black ink that reads "S. Murphy". The signature is written in a cursive style with a long, sweeping tail on the letter 'y'.

Sarah Murphy  
Chair



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# Agenda Item 8

By virtue of paragraph(s) ix of Standing Order 17.42

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