

Agenda – Local Government and Housing Committee

Meeting Venue:

Committee Room 2 – Senedd

Meeting date: 18 September 2024

Meeting time: 09.30

For further information contact:

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Private pre-meeting

(09.15–09.30)

1 Introductions, apologies, substitutions, and declarations of interest

(09.30)

2 Social housing supply – Evidence session with the Cabinet Secretary for Housing and Local Government

(09.30–10.50)

(Pages 1 – 41)

Jayne Bryant MS, Cabinet Secretary for Housing and Local Government

Emma Williams, Director of Housing & Regeneration, Welsh Government

Stuart Fitzgerald, Deputy Director – Homes and Places, Welsh Government

Neil Hemington, Head of Planning, Welsh Government

3 Papers to note

(10.50)

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3.1 Letter from the Finance Committee in relation to Welsh Government Draft Budget 2025–26

(Pages 43 – 45)

3.2 Letter from the Welsh Local Government Association in relation to the social housing supply inquiry

(Pages 46 – 49)

3.3 Letter from Joel James MS in relation to the inquiry into the role, governance and accountability of the community and town council sector

(Page 50)



- 3.4 Letter from Business Committee in relation to committee remits**
(Pages 51 – 52)
- 3.5 Letter from the Cabinet Secretary for Housing, Local Government and Planning in relation to abuse in politics**
(Pages 53 – 56)
- 3.6 Letter from the Development Bank of Wales in relation to the social housing supply inquiry**
(Pages 57 – 62)
- 3.7 Letter from Housing Justice Cymru in relation to the social housing supply inquiry**
(Pages 63 – 66)
- 3.8 Letter from Housing Europe in relation to the social housing supply inquiry**
(Pages 67 – 69)
- 4 Motion under Standing Order 17.42(ix) to resolve to exclude the public from the remainder of the meeting and from the next Committee meeting on 25 September 2024**
(10.50)
- (Private)**
(10.50–12.30)
- 5 Social housing supply – consideration of evidence and key issues**
(10.50–11.20) (Pages 70 – 96)
- 6 Private rented sector – consideration of draft report**
(11.20–12.30) (Pages 97 – 185)

Document is Restricted



Local Government and Housing Committee

Evidence Paper on Housing Supply

27/08/2024

This evidence paper sets out the Welsh Government's approach to social housing in Wales and provides an update for members of the Local Government and Housing Committee. The evidence is outlined in the nine areas of the Committee's terms of reference for their inquiry into social housing.

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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.

1. The 20,000 homes target for this term of Government is purposefully challenging with a narrower definition than the target for the previous term of government which included homes delivered through Help to Buy - Wales and Rent to Own - Wales. The current target focuses on homes for rent in the social sector and includes social rent, intermediate rent, shared ownership, acquisitions and leases where the term is for more than a year.
2. Welsh Government estimates of housing need, published in August 2020, showed a projected additional annual need (under the central estimate) of 7,400 homes, split into 3,900 additional market housing units (52% of the additional housing need) and 3,500 additional affordable housing units (48% of the additional housing need) over each of the next five years (2019/20 to 2023/24). The target was set to deliver over and above the number of affordable homes our estimates of annual housing need¹ for affordable housing told us we needed. This demonstrates our drive and commitment to deliver more affordable homes in Wales.
3. However, these estimates of housing need were calculated prior to key global events, including the Covid-19 Pandemic and the Ukraine war. For example, households in temporary accommodation have increased by over 150% since June 2019 (from 2,229 to 5,700 during July 2023 to September 2023). Out of the 5,700 households in temporary accommodation², 1,668 were families with children. As current estimates of housing need only ran until 2023/24, work is currently ongoing to explore options for future housing need estimates. The methodology to undertake Local Housing Market Assessments (LHMAs) has also been updated to assist local authorities in assessing housing need for their area.

¹ [Estimates of housing need: 2019-based | GOV.WALES](#)

² [Households accommodated temporarily by accommodation type and household type \(Post 2015-16\). \(gov.wales\)](#)

- 4.** The latest Affordable Housing in Wales³ statistics were published on the 7 November 2023. They showed 3,212 affordable homes were delivered towards the target in 2022-23 a 25% increase on the previous year (2,563 in 2021-22). This brings the total for 2021-22 and 2022-23 to 5,775. This is our second highest total since records began. The 2023-24 statistics will be published in Autumn 2024. When setting the 20,000 target, it was expected that progress would ‘ramp up’ over the course of the Senedd term recognising that increases in investment take some time to feed through to delivery.
- 5.** Record levels of funding have been allocated to housing supply in this Senedd term, with over £1.4bn invested so far. This includes record levels of funding to the Social Housing Grant with £250m in 2021-22 (doubling the budget from 2020-21), £300m in 2022-23, £361m in 2023-24 and a budget allocation of £330m in 2024-25. However, the increased budget has been impacted by high levels of inflation and the costs of building materials increasing significantly since the start of the Senedd term.
- 6.** My officials work closely with the sector to understand the delivery programme. Our delivery partners provide regular information on the current pipeline to my officials, this data indicates that there is a strong pipeline of homes for rent in the social sector in the programme within this term of government. However, there are some significant risks that due to the headwinds impacting development, completion of some homes will fall into a future year.
- 7.** To support our focus on delivering more homes as quickly as possible to meet our housing need, we established the Transitional Accommodation Capital Programme (TACP). In its first two years, the programme received £163m to deliver more homes. We have allocated an additional £50m for TACP in 2024-25. Sector partners have been asked to identify opportunities up to £100m to ensure a robust pipeline.
- 8.** It is the responsibility of Local Authorities to undertake a periodical review of housing need, discharged through the Local Housing Market Assessment (LHMA) process. To support them in doing this, Welsh Government has published a new approach to undertaking LHMA in Wales.

³ [Affordable housing provision | GOV.WALES](#)

- 9.** LHMA's are vital in determining local housing requirements, form a key part of Local Development Plans (LDPs) and play a vital part in delivering market and affordable housing and in meeting housing need. The quality of the outputs from the assessments are particularly important to the evidence base for LDPs, informing the LDP targets for the number of affordable and market homes the authority aims to deliver over the plan period to meet housing need. LDPs must also set out how and where the authority intends to provide the affordable homes to meet the target they have established.
- 10.** Local authorities were required to undertake a LHMA using the new methodology by 31 March 2024 and submit a report to Welsh Government. Every local authority has submitted a report, although some are in draft form. Support continues to be provided to both those who have draft reports and those who are in the process of finalising them.

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

- 11.** There are significant challenges facing the whole housing sector in increasing supply. The impacts of the pandemic, war in Ukraine, the cost of living crisis, broader economic uncertainty and interest rate rises, driving up costs and reducing capacity.
- 12.** In the past few years the housebuilding sector has faced supply chain disruption, inflation in material costs, labour shortages as well as high interest rates, all constraining delivery and growth in the sector.
- 13.** These issues make delivery of the 20,000 homes target even more challenging. Costs of building materials are still significantly higher than at the start of the Senedd term. The ongoing shortage of skills and workers within the construction industry proves to be one of the biggest barriers the housing sector faces, as reported by sector representatives. These challenges have clearly had a huge impact on the housebuilding industry right across the UK.
- 14.** Welsh Government has worked closely with the sector to identify and address the barriers to delivery. This has included provision of additional funding for material costs increases to maintain and secure previously invested funds and action to address the impact of phosphates.
- 15.** The levels of phosphorus in River Special Areas of Conservation has been a particular barrier to developing homes during this target term. However, Welsh Government's Team Wales approach to improving river health has been a particular success. Working closely with our partners through the River Summits, we have developed an Action Plan to improve river health. Positive progress is being made towards unlocking developments without changing our commitment to the environment. For example, with partners we have sped up Natural Resources Wales (NRW) Review of Permits so that Local Planning Authorities can make planning decisions sooner. Welsh Government, Community Housing Cymru (CHC) and the Welsh Local Government Association (WLGA) shared information about affordable led housing sites with NRW, for them to consider when setting priorities and timescales for the review of permits exercise. NRW is now starting to release

permits on a phased basis. These new permits have allowed significant development to progress.

- 16.** Local Partnerships were also commissioned to undertake detailed work into wastewater treatment works where development has/will not be freed up through the permit review process, including leading targeted deep dive case studies for agreed sites. Of the 68 affordable housing led sites identified by RSLs and LAs as delayed by phosphates, the majority of these are now able to proceed with just one still delayed due to phosphates.

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

- 17.** It is recognised that living well in a good quality home brings a wide range of benefits supporting the government's wider agenda for improving outcomes in health, wellbeing and prosperity and the transition to net zero. Good quality, inclusive and accessible homes are the bedrock of communities and form the basis for individuals and families to flourish in all aspects of their lives.
- 18.** In 2021, we launched the Welsh Development Quality Requirements 2021 (WDQR 2021)⁴. WDQR 2021 requires social landlords to build new homes which are significantly more energy efficient, through pioneering fabric and energy standards which included a shift away from the use of fossil fuels. WDQR 2021 ensures that homes are large enough for everyday living by stipulating minimum space requirements and in addition meet the Lifetime Homes standard. This accessibility standard (whilst not to full wheelchair standard) ensures a home capable of accommodating an accessible ground floor shower or a stairs capable of taking a lift, more circulation space, wider access doors and convenient external access paths making homes flexible and responsive to the changing needs of households. The standard reflects additional space requirements of modern day living and the pandemic has since reinforced the importance of living within a home with sufficient space for flexibility, privacy and dignity.
- 19.** In 2023, we introduced a new Welsh Housing Quality Standard (WHQS)⁵ which saw the biggest changes to housing standards for existing social homes in more than 20 years to better reflect changes in the way people live, work and feel about their homes.
- 20.** Welsh Government has prioritised high quality requirements for social housing centred on flexibility, space and sustainability. It ensures that social housing leads the way in reducing carbon emissions, reducing energy costs for tenants and favours good design so people can live well within their homes now and in the future. Homes and their surroundings built and maintained to the required standards will be healthy places to live, flexible to

⁴ [Welsh Development Quality Requirements 2021 \(WDQR 2021\)](#)

⁵ [Welsh Housing Quality Standard](#)

future needs, visually attractive and both environmentally and ecologically sustainable.

- 21.** Compliance with housing quality standards will require continued investment but will deliver benefits for people living in Wales by supporting manufacturing supply chains, modern methods of construction and skills training. These will be essential for the future, whilst at the same time providing tenants with higher quality and better performing homes, with much lower running costs. The cost of achieving the standard, is offset by the fact that homes that comply with WDQR 2021 or WHQS 2023 will not need to be retrofitted in the future to meet our 2050 targets. Through investment in higher quality standards, we are asking tenants and social landlords to work together with government in reducing energy used and improving the environment we live in, to reach our net zero goals.

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

- 22.** Use of borrowing powers are considered as part of the Welsh Government annual budgeting process. Welsh Ministers have always adopted the approach that capital borrowing supports overall capital spending as opposed to funding specific capital projects. In that regard, the case for increased funding for a specific area is not predicated on the use of borrowing powers but on a broader assessment of government priorities, and the value for money and opportunity cost of any given expenditure over another.
- 23.** The budgetary flexibilities of £150million per annum up to a total limit of £1billion currently available to us limits our ability to respond quickly to emerging needs, and in ways which maximise value for money, and leaves Wales dependent on decisions and timings dictated by the UK Government.
- 24.** We are constantly looking for innovative opportunities to raise finance to support the building of more social homes. We know there are opportunities to utilise other funding sources and local authorities are being encouraged to utilise their Recycled Capital Grant to support social housing supply in Wales. Different options are being considered that have potential to leverage in additional finance from existing and new lenders to the sector. These options include provision of blended finance, bonds, use of guarantees and working with “for profit” vehicles. Also being considered are the use of retrofit credits and tax incentives. Key to the success of any of the above is scale with investors willing to lower the price of finance for larger placements.
- 25.** Additional Financial Transaction Capital has been provided to RSLs as loan funding. £79.21m was provided in 2023-24 and 2024-25 to deliver 220 additional low carbon homes for rent in the social sector and bring 22 voids back into use in this term of government; it will also accelerate the delivery of 7 new build sites (delivering a minimum of 86 social rent homes) in the next term of government and contribute towards decarbonisation works on existing homes. The loan is interest yielding; and, in some cases, will lower Social Housing Grant (SHG) requirements on existing social housing schemes.

26. Through the Land for Housing scheme in 2023-24 alone, loans of £39.8m were awarded to RSLs to facilitate the delivery of up to 2,254 homes (of which 82% will be affordable (1,848)). A total of £89m has been invested into the Land for Housing scheme since inception in 2014-15. This funding is recycled when loans are repaid to provide new loans. To date, £287m of loans have been made, which will facilitate the delivery of up to 8,000 new homes, of which 81% will be affordable. To date, interest charged on the loans for affordable housing has been at 0% with a commercial rate charged for market housing units.

27. I have asked local authorities to consider how the Second Homes Premium Tax, the Empty Homes Tax or financial contributions towards affordable housing from planning obligations can best be used to deliver more social homes in Wales.

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

- 28.** Planning Policy Wales is clear on the importance of providing affordable homes through the planning system. The need for the delivery of social housing to be a priority is also clearly articulated in our national development plan, Future Wales.
- 29.** Local Development Plans (LDPs) are the cornerstone of the Welsh planning system. Planning Policy Wales requires local planning authorities, through their LDPs, to ensure the delivery of high-quality new homes in the right locations to meet their need for housing.
- 30.** There is 100% LDP coverage with every local planning authority in Wales now having an adopted LDP, which includes policies on the delivery of social housing to meet the needs of their local communities and planning decisions are required to be taken in line with those plans.
- 31.** LDPs set out a locally derived requirement for housing, including a specific target for affordable housing based on the LHMA and other evidence. Due to the growing levels of unmet need for affordable housing local planning authorities have been instructed to identify affordable housing led housing sites where at least 50% of the homes will be affordable as part of the current round of LDP reviews⁶.
- 32.** For example, the current Monmouthshire LDP review proposes signals their intent to promote a commitment to deliver 50% affordable homes on sites to meet need. These policies and allocation of sites will be set out in their forthcoming 'Deposit Plan' consultation later this year.
- 33.** The LDP process is transparent and involves considerable engagement with local communities, businesses, key stakeholders and neighbouring authorities to ensure all concerns and aspirations are considered.
- 34.** We have recently undertaken an in-depth analysis of some of the perceived planning barriers to the delivery of social housing schemes highlighted by examples provided by RSLs as part of the delivery of the 20,000 homes target.

⁶ [Increasing supply of affordable homes through planning: July 2019 | GOV.WALES](#)

This work is ongoing but is already revealing that there are several complex issues such as SUDS which are outside of the town and country planning system. This work has also highlighted some of the poor-quality planning applications which have been submitted for social housing. We have asked the Design Commission for Wales to offer support to RSLs to improve the overall quality of planning applications and associated evidence. There is also some evidence that the availability of planning professionals and associated disciplines such as ecologists, highways development control and lawyers is impacting on the timeliness of planning decisions.

35. The planning function in local planning authorities have been subject to significant cuts due to austerity. Planning application fees do not currently cover the actual cost of processing applications in most cases. A review of planning application fees to cover inflation and start the journey to full cost recovery is underway. As part of this commitment a conversation is taking place with local authorities about retention of planning fees within the planning service and performance monitoring and improvement. Corporate Joint Committees also have an important role to play by providing critical mass especially in specialist areas such as built heritage, ecology or urban design etc.

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

- 36.** LDPs must take into consideration the outputs of the LHMA's which provide detailed local evidence of housing need. It is the role of the LDP to make suitable sites available to accommodate local need.
- 37.** Planning Policy Wales (PPW) requires all LDPs to have trajectory of housing delivery. This trajectory should show the strategic delivery of housing on all sites in the LDP. PPW requires that issues of deliverability and viability are addressed at the earliest stages and that the trajectory should provide clarity and certainty of delivery.
- 38.** It is recognised that not all land included in LDPs will be available for development. This is particularly the case where land is being held for speculative rather than productive purposes. The value of land increases throughout the planning process. Initially land will have hope value, the expectation that land will gain planning permission for housing in the future. Value will progressively increase when sites are included in LDP's receive outline planning permission and full consent.
- 39.** For land to become available for development the landowner must be content with the return otherwise they may continue to hold the land in the expectation of higher values in the future. The availability of land for development is a major determinant of housing supply. Where land is not being brought forward, the local planning authority has the option to pursue compulsory purchase and currently hope value (the value potential planning permission adds to land subject to a compulsory purchase) can be taken into account when calculating compensation for landowners. In the case of land for affordable housing, the Levelling-up and Regeneration Act includes provisions that would allow hope value to be set aside.

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- 40.** In response to the recommendations of the Independent Review of Affordable Housing Supply in Wales 2019⁷, Land Division was established to work across the Welsh Government and the wider public sector to unlock the potential of public assets to stimulate a more active approach to using and developing land in the public interest. It is using its sites to support the delivery of increased social housing in Wales. Its initial focus has been to increase land supply and its two initial market acquisitions have ensured a public sector partnership approach to the delivery of new homes and supporting town centre regeneration. It has also transferred some of its sites to RSL's and LA's to take forward the developments. Where an asset cannot be developed as it is unsuitable for housing, we look at alternative uses to contribute to wider government policy aims. This could include options for generating renewable energy, restoring and enhancing biodiversity, or contributing towards the new National Forest.
- 41.** The Land and Buildings Development Fund specifically targets public sector asset holders to help them advance stalled and difficult assets for the advancement of social and affordable home construction. Last year the fund supported c£5m capital works and purchased empty properties worth £21.5m.
- 42.** Ystadau Cymru was established by Welsh Government to enable and influence collaborative asset management across public sector organisations to release efficiency savings, and to develop tools to enable and facilitate this collaboration. It seeks to support and facilitate opportunities to take a more strategic approach to property and property management across geographical and organisational boundaries, supporting government policy priorities.

⁷ [independent-review-of-affordable-housing-supply-report_0.pdf \(gov.wales\)](#)

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

- 43.** There are currently no formal mechanisms to capture the uplift in land value or betterment that occurs as part of the planning process. A proportion of the value uplift will in practice be captured through other mechanisms including S106 contributions, principally affordable housing contributions, and capital gains tax receipts. Further details can be obtained from the House of Commons Housing and Local Government Committee Report⁸.
- 44.** As with all tax matters, the boundary between devolved and non-devolved matters is complex. One area where we are keen to make progress is in relation to the introduction of a vacant site levy to deter land being held for speculative purposes.

⁸ <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/76605.htm>

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.

- 45.** The contractor market in Wales has experienced a reduction in size, with some firms ceasing operations. This loss of capacity has been noted by public housing clients, who find it increasingly challenging to find contractors with the necessary scale and capabilities to undertake new home construction projects.
- 46.** Encouraging larger national contractors and attracting new entrants, especially local SMEs, to participate in the construction process has proven challenging. This lack of diversification in the contractor pool limits innovation, competition, and the sector's ability to efficiently meet the growing demand for low-carbon social housing in Wales.
- 47.** Welsh Government are committed to help change the thinking, and therefore behaviours, governing the commissioning and procurement of new social housing. By promoting a more diverse and competitive marketplace the industry can overcome current challenges and pave the way for sustainable, affordable housing solutions tailored to meet the needs of Welsh communities.
- 48.** Working through 'Constructing Excellence in Wales' Welsh Government aim to deliver a set of recommendations for improving contracting and procurement of social housing, including encouraging more contractors and subcontractors in the sector, underpinned by an understanding of the current context and best evidence.
- 49.** It is clear that government cannot solely rely on the "traditional" way to deliver homes which is why innovative housing solutions have been mainstreamed into the Social Housing Grant funding programme.
- 50.** In Wales the capacity of the construction sector to build new low-carbon social homes is closely linked with the adoption of Modern Methods of Construction (MMC), particularly by small to medium-sized businesses

specialising in timber panelised solutions. These firms collectively contribute around 2,600 homes annually to both the Welsh and English markets, demonstrating a commitment to sustainable construction practices.

- 51.** The timber panelised firms in Wales typically follow a labour-led production model, emphasising in-house training and relatively low skills requirements. While these businesses play a crucial role in advancing low-carbon social housing, they face various challenges such as obtaining planning permissions, warranties and insurances which can be complex and lead to project delays. Additionally, resistance to change among contractors, limited understanding of MMC, and a shortage of key production and design skills attribute to ongoing challenges. In February 2020 Welsh Government published “A Modern Methods of Construction Strategy for Social Housing”. The Key objectives of the MMC Welsh Strategy Plan focus on the above challenges. In February 2021 an implementation plan was initiated requiring all social housing under schemes to embrace and implement MMC principle.
- 52.** The Welsh Government's support for MMC initiatives through programs like the Innovative Housing Programme (IHP) and the Social Housing Grant (SHG) has been crucial in driving innovation and the adoption of MMC solutions. The emphasis has been on encouraging timber solutions and off-site manufacturing processes to enhance efficiency and sustainability in construction practices.
- 53.** By encouraging recycled low carbon products and developing the balance between on-site and off-site activities there is an opportunity around MMC implementation in Wales.
- 54.** The market insights research has been commissioned to determine the potential and capacity of offsite modern methods of construction. Emerging findings include:
- The need to make visible the demand projections for affordable housing – i.e. development pipeline visibility.
 - Registered Social Landlords to agree common performance standards for new affordable homes - to increase the quality and productivity of new homes and enable economies of repetition to be delivered by supply chains.
 - Agree the use of standardised house designs, such as the Design to Net Zero Pattern Book, which again facilitates certainty around quality and productivity.

- 55.** This work is also looking to address the current barriers to the expansion of MMC around planning, warranties, insurances, and general resistance to change.
- 56.** Whilst focus is on building new homes, acquisitions are important in helping to meet the needs of our most vulnerable groups. There is also a need to provide good-quality transitional accommodation options while supporting individuals and families to find a permanent home.
- 57.** The Transitional Accommodation Capital Programme (TACP) was established to support the acquisition of properties, remodelling existing accommodation, converting buildings into good quality accommodation, and the innovative use of modern methods of construction and modular accommodation. In 2022/23, LAs and RSLs were provided £76.4m to bring 903 more homes into use. Building on this success the programme re-opened to new applications for 2023-24. A total of £87.2m was provided to bring 788 homes into use.
- 58.** A proportion of the homes delivered through TACP will count towards the 20,000 homes for rent in the social sector target. Building on the success of the programme for the last two years, £50m has been allocated to TACP for 2024/25. However, stakeholders have been asked to over-programme to an indicative value of £100m to ensure a strong pipeline.
- 59.** The Land and Buildings Development Fund is able to assist with derisking land and buildings to advance development of affordable homes. Specifically, it is able to meet the costs associated with “abnormal” items e.g. removal of asbestos, which can be a barrier to conversion of buildings or capping of old mine works for land development.

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

- 60.** Part of the new approach to undertake LHMA's, local authorities are expected to undertake consultation on their assessment of local housing need. This can include engagement with local communities and in relation to specific housing need requirements, are encouraged to engage with members of their community or community representative organisations to ensure needs are captured. The evidence from LHMA's help local authorities should inform their prospectus for the Social Housing Grant.
- 61.** Furthermore, at the start of LDP preparations, each Local Planning Authority (LPA) will prepare a Delivery Agreement (DA) incorporating a Community Involvement Scheme (CIS). This will ensure the community are effectively engaged throughout the plan preparation process. Communities also have the ability to influence schemes through pre application community consultation and formal consultation on planning applications when they are submitted.
- 62.** In rural areas, our Rural Housing Enabler (RHE) programme provide a vital link between the community and the local partners to support the delivery of much needed homes in rural areas. Part of their role includes undertaking community engagement events to understand local housing need. A broader Community Housing Enabler role has also been supported as part of the Second Homes and Affordability Pilot in Dwyfor. This role is vital in gathering evidence of community need but also community engagement in the area. Work is ongoing to build learning from this role into the role of RHEs going forward.
- 63.** Finally, co-operative and community-led housing can play an important role in addressing the housing need in Wales. Co-operative housing principles enable people to take more control of how their housing is delivered and managed. We have ensured our support for the sector remains allowing all community-led housing groups to draw on the expertise of the Communities Creating Homes programme, delivered by Cwmpas on Welsh Government's behalf.

Agenda Item 3

Local Government and Housing Committee

18 September 2024 – papers to note cover sheet

Paper no.	Issue	From	Action point
2	Welsh Government Draft Budget 2025–26	Finance Committee	To note
3	Social Housing Supply	Welsh Local Government Association	To note
4	Inquiry into the role, governance and accountability of the community and town council sector	Joel James MS	To note
5	Establishment and remits of committees	Y Llywydd / Business Committee	To note
6	Diversity in local government.	Cabinet Secretary for Housing, Local Government and Planning	To note
7	Social Housing Supply	Development Bank of Wales	To note
8	Social Housing Supply	Housing Justice Cymru	To note
9	Social Housing Supply	Housing Europe	To note

Rebecca Evans MS
Cabinet Secretary for Finance, Constitution and Cabinet Office

11 July 2024

Dear Rebecca,

Welsh Government Budget Timetable 2025-26

Thank you for your letter of 4 July inviting us to comment on the proposed timetable for consideration of the Draft Budget 2025-26.

I fully appreciate that the Welsh Government's budgetary position remains unclear until the UK Government confirms the date of its fiscal event. I also recognise that publishing a Draft Budget earlier, based on indicative figures only, would be problematic, and should only be done as a last resort.

Furthermore I welcome that the Draft Budget will be laid this year during term time. This is an important principle and ensures that Members of the Senedd have an opportunity to consider the Welsh Government's proposals in Plenary as soon as they are published.

However, I would like to challenge your assertion that there is "no better alternative in these current circumstances" to publishing the Draft Budget on 10 December 2024.

In particular, we believe that the proposed timetable does not sufficiently take into account the concerns raised by Committees following the scrutiny of last year's Draft Budget. These were shared

with you on 27 June 2024, and it is disappointing that you made no reference to them in your letter; the second year in a row which you have failed to do so.

In their responses, several Committees called for more time to be made available to scrutinise the Draft Budget. We agree that the shortened timescales last year made it extremely challenging for all Committees to meaningfully assess the impact the Draft Budget has on policy areas within their remit and, in particular, to incorporate views from stakeholders. We ask for further justification on why a longer scrutiny window was not considered, particularly as bringing forward the publication date of the Draft Budget to enable more evidence sessions to take place this side of the Christmas recess would be highly beneficial.

Calls were made for the Welsh Government to adhere to the two stage budget process, and we find it regrettable that you are proposing circumventing the process again this year; the sixth year in a row that this has happened. As a result, we call on you to prioritise facilitating a two stage approach this year, if there is time available after the UK Government's fiscal event takes place.

In addition, Committees requested that ministerial evidence papers should be published at the same time, or close to, the publication of the Draft Budget. Again, it is disappointing that you chose not to address this point your letter of 4 July, and we ask you to consider this when preparing the publication of the Draft Budget later in the year.

Flexible scheduling options in the Senedd was also suggested by Committees as a way to maximise scrutiny opportunities.

Whilst I understand that these are matters for the Business Committee, I would welcome your views on the following proposals relating to the scheduling of Senedd business, should the Draft Budget be laid before the Senedd on or later than 10 December:

- automatically enabling Finance Committee to hold additional meeting slots during Christmas recess, should the need arise;
- providing more meeting slots for Committees during the budget scrutiny window, including extending the business week and providing more slots for committees to take evidence from stakeholders and experts (which could be offset by cutting down on the length of Plenary meetings);
- allowing more time for the consideration of Committee reports during Plenary meetings to enable detailed policy discussions on each aspect of the Draft Budget.

I have raised similar issues in response to the Business Committee's letter consulting us on the budget timetable.

Finally, I would also like to challenge your views that “these arrangements are acceptable given the circumstances, which are driven, once again, by external factors beyond our immediate control”.

As Cabinet Secretary, you are ultimately responsible for setting the budget and the strategic management of the Welsh Government’s resources. I would also remind you that proposing the timing of the Draft Budget is within the Welsh Government’s gift.

Whilst the Committee has sympathy with the uncertainties faced by the Welsh Government in understanding its financial position, we strongly feel that this should be balanced by the need of the Senedd to scrutinise detailed proposals and that adequate time should be provided to reflect the magnitude of the tasks facing Committees. Detailed scrutiny which meets the needs and expectations of our stakeholders and the public at large cannot be achieved under the proposed timetable.

I welcome your willingness to revisit the proposed timetable once the date of the UK Government’s fiscal event is known. Given that the Chancellor has indicated her intention to announce this date before the end of this month, I ask you to provide an updated timetable as soon as possible.

A copy of this letter has been sent to the Business Committee, the Chairs of all Senedd Committees, , and the Trefnydd and Chief Whip.

Yours sincerely,



Peredur Owen Griffiths MS
Chair, Finance Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

Agenda Item 3.2

Section 106 Agreements and unspent developer contributions in England & Wales

Purpose

1. To provide the Senedd's Local Government and Housing Committee with views collated by the WLGA in relation to the Home Builders Federation report on unspent contributions in Section 106 agreements in Wales.

Background

2. Planning obligations / S106 agreements are required to secure necessary infrastructure when planning permission is granted and can either require payment of a commuted sum or require the developer to undertake works themselves (such as providing a school, affordable housing on site or necessary highways infrastructure) so there's never a straightforward comparison.
3. Cashflow is also an important factor to consider, payments are sometimes made in instalments as development progresses. Whilst sometimes part of these payments can be utilised (for design work for example), often the full amount is required prior to the sums being utilised for their intended purpose so it is not uncommon for contributions to 'build up' whilst Councils await the full payment for the agreed purpose.
4. Developers' contributions must be spent according to their negotiated purpose and within their agreed time limit, rather than returned to developers or left unspent.
5. In September 2023 the Home Builders Federation (HBF) published a report, '*Section 106 Agreements and Unspent Developer Contributions in England and Wales*'.
6. The HBF report is based on Freedom of Information (FOI) responses from 171 local authorities, constituting 50% of all local authorities in England and Wales. The 171 respondents hold a total of £1.4 billion in unspent developer contributions. Extrapolating these findings across all local councils suggests that almost £2.8bn is held unspent in contributions from home builders across England and Wales.
7. Of the 22 Welsh Local Authorities, 14 responded to the FOI request, they account for a total of £71,405,329 in unspent S106 contributions – an average of £5.1 million per council. If extrapolating out to all 22 Welsh councils, a total of around £112M is likely to be held unspent in Wales.
8. To understand what this means in Wales the WLGA contacted the three Local Authorities named in the report as the authorities who hold the most unspent Section 106 contributions: Cardiff City Council, Newport City Council and Pembrokeshire County Council.

Issues

9. Although the term 'unspent' is used throughout the report, the term 'committed' is preferred, as it relates to money that has been allocated for works to be undertaken or for revenue reimbursements that have yet to be paid.
10. Developers' financial contributions can only be spent according to their agreed purpose and within their agreed time limit as obligations have to meet the tests set out in Regulation 122 of The Community Infrastructure Levy Regulation 2010. Financial contributions, which remain unspent at the end of the specified period, will be returned to the payee along with any interest accrued. However, this time limit would ordinarily commence once the full payment has been made.
11. There will always be unspent funds directly after receipt of a financial contribution, they cannot be spent immediately as the various stages of delivering affordable housing on the ground take time. However, it is always done in compliance with the terms of the S106 agreement of which the developer is a signatory.
12. Councils in Wales remain committed to spending S106 money in an appropriate manner to deliver the requisite infrastructure in accordance with the S106 agreements and have sufficient oversight to ensure this happens.
13. The figures referenced in the report only relate to financial contributions and do not include 'in kind' obligations (where the developer builds the infrastructure), which make a significant contribution to infrastructure provision, including the delivery of affordable homes, schools, community facilities and open spaces on our strategic housing sites.
14. Contributions, due to the nature of the projects that they are used to fund, usually take over a year to spend, which is why the 'amount held' can appear high and why S106 agreements typically provide an expenditure period of between 5-10 years. Some of the reasons for this include:
 - a. **Lead times for large scale projects / strategic infrastructure:** For large scale projects there is a lead time between contributions being received (enabling a project to commence) and the associated project being completed/the funding spent. This can include for example, project design stages, site surveys, consultations, planning permission and construction periods, which, in some circumstances, can take several years. For strategic infrastructure projects (such as the provision of sustainable transport corridors), a s106 contribution will relate to a particular phase or section of that scheme, so expenditure would be governed by that project's wider delivery timetable.
 - b. **Securing additional funding:** There are a number of instances where a s106 contribution by itself will not be sufficient to fully fund a project. In these circumstances there will be a period of time where other

funding sources are secured, either through separate funding bids, or by securing additional s106 contributions (mindful of the pooling of 5 restrictions) to enable the project to then commence.

- c. **Community based projects:** Like points a and b above, where a S106 contribution is to be used by a local community group to fund a project, there will be a lead time in designing/implementing the scheme and/or there may be a need to secure other sources of funding, which will dictate the project delivery timescales and the expenditure of the associated contribution(s).
15. S106 agreements, of which the developer is agreeable and party to, normally require Affordable Housing financial obligations to be spent within a specific period. This allows councils to plan strategically to make the best use the s106 funding to maximise the delivery of affordable housing. It can also help to ensure that funding is available for any unplanned opportunities that may arise. Should the money not be spent by the deadline it is to be refunded to the developer. There is no evidence in the HBF report of funds in Wales not being spent beyond their deadlines.
 16. In respect of contributions towards AH, in order that AH provision in the first instance relates to the area within which the relevant development is to be delivered, the monies are often required to be spent within the “local” area and, if this is not the case (normally after 3 years), the monies can then be spent towards AH provision elsewhere. This can occasionally delay spend within those first 3 years. The HBF report does not address this.
 17. According to the HBF report, in Wales Cardiff City Council holds the most in unspent contributions (£23.3m), followed by Newport City Council (£9.5m) and Pembrokeshire County Council (£8.1m). Pembrokeshire County Council also holds the most in unspent affordable housing contributions in Wales (£4.4m).
 18. Each Council also responded with an update to the specific financial sums highlighted in the report:
 - With regard to the £23.2m referenced for Cardiff, this figure is broken down across nine different categories of infrastructure provision, which includes Affordable Housing, Schools, Open Spaces, Community Facilities and Highways/Transportation and each contribution is allocated to be spent in line with the terms of its associated s106 agreement, so all funds are committed as opposed to being ‘unspent’. In 2023/24 over £7.6m of S106 Contributions were spent.
 - The majority of the contributions in Newport City Council (i.e. £6,960,588) have already been ‘committed’ to schemes within the Capital Programme (via agreement with the Capital Assurance Group and Heads of Service). All unallocated sums remain with the timeframe of spend specified within the legal agreements.

- Although Pembrokeshire County Council currently holds £4.4m in unspent affordable housing contributions, this figure is somewhat skewed by 1 large contribution received in September 2022 for £2,335,548 which accounts for over half of the total value. This money has been earmarked for use at a new development planned in close proximity to the site from which the contribution was received with the construction likely to start at the end of 2024.

19. The report recommends that local authorities should publish an easily digestible summary of their annual reports on their websites, which include details of how money from developers is being spent. This is something that is currently under consideration by a number of Local Authorities in Wales.

Member of the Senedd for
South Wales Central

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Mr John Griffiths MS
Chair
Local Government & Housing Committee
Welsh Parliament
Cardiff Bay
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CF99 1SN

16th July 2024

Dear John

As you may remember from my time on the Local Government & Housing Committee, I was very keen to pursue matters related to community and town council governance, and I know that this was shared by other members of the committee.

With this in mind, I write in the hope that my concerns regarding the level of support and protection that executive officers receive is still very much on your agenda. As you know, I have concerns that many of these officers are exposed to bullying and harassment, with very few safeguards in place to protect them, and I would ask if this is something that the committee could investigate.

Thank you for your consideration in this matter, and I look forward to your response as soon as possible.

Yours Sincerely



Joel James MS
Member of the Senedd for South Wales Central
Shadow Minister for Social Partnership

Llyr Gruffydd, Chair of the Climate Change, Environment
and Infrastructure Committee

Paul Davies, Chair of the Economy, Trade and Rural Affairs
Committee

John Griffiths, Chair of the Local Government and Housing
Committee

23 July 2024

Committee remits

Dear Llyr, Paul and John,

On 9 July, the Business Committee reviewed responses received from committees to its invitation to them to provide comments on current remits in light of changes to ministerial portfolios. This followed a request from the Climate Change, Environment and Infrastructure (CCEI) Committee that consideration be given to a reconfiguration of committee remits, which included suggestions for responsibility for several policy areas to be transferred to the Economy, Trade and Rural Affairs (ETRA) Committee and the Local Government and Housing (LGH) Committee in line with existing links with Cabinet Secretaries.

To ensure it was able to consider a fuller range of options and views, Business Committee wrote to all policy committees, as well as the Finance, Petitions and Standards of Conduct Committees. The responses received indicate only a very limited appetite for changes to be made to current committee remits, including from the ETRA and LGH committees.

However, the ETRA Committee has indicated its willingness to assume responsibility for scrutiny of freeports and the circular economy. That Committee also proposed that it would be content to enter into arrangements with the CCEI Committee to ask questions around energy, digital connectivity, the airport and ports on CCEI's behalf

during budgetary and general ministerial scrutiny sessions with the relevant Cabinet Secretary.

Having considered the responses received, the Business Committee agreed with the proposal for scrutiny of freeports and the circular economy to be transferred from the CCEI Committee to the ETRA Committee. As these are subject areas beneath the broader policy areas contained within the remits that were agreed by the Senedd when it established the two committees in June 2021, Business Committee does not consider that a Plenary motion is required to give effect to this to this change of practice.

Given the additional suggestion made by the ETRA Committee, and conscious that committees have not had an opportunity to discuss these matters with each other, Business Committee also agreed at its meeting to propose that you may wish to meet as chairs of the respective committees to explore ways to enhance coordination in ministerial scrutiny across committees, particularly during budget scrutiny. Should these discussions result in a request for further formal changes to the remits of your respective committees, the Business Committee would be keen to consider your proposals.

Thank you for your consideration in addressing these important matters.

Kind regards,



The Rt Hon. Elin Jones MS

Y Llywydd and Chair of the Business Committee

Croesewir gohebiaeth yn Gymraeg neu Saesneg | We welcome correspondence in Welsh or English.

John Griffiths MS
Chair, Local Government and Housing Committee
Senedd Cymru
Cardiff Bay
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SeneddHousing@senedd.wales

8 August 2024

Dear John

You met with my predecessor on 17 June to discuss abuse in politics, as members of the Local Government and Housing Committee were unable to attend the event held on 31 January.

I understand the June meeting was productive and there was agreement to provide the Committee with feedback from the event and to continue engagement on this issue.

This is a matter of interest to all members of the Senedd who are keen to address it and identify steps to prevent abuse where possible, and in circumstances where abuse has occurred, call out inappropriate behaviour and demonstrate it will not be tolerated.

It was unfortunate, but understandable, the Welsh Local Government Association's (WLGA) annual conference was cancelled this year, as tackling abuse in politics was on the agenda to be explored further, informed by the January event. We are currently working with the WLGA to agree alternative opportunities this year to undertake these discussions.

This is an important issue which threatens the stability of democracy, and I am keen to work with all parties, building on lived experience and ideas for change.

I look forward to a constructive and productive relationship with you and the Committee. In the meantime, I attach the information my predecessor committed to provide during your meeting.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

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

Yours sincerely

A handwritten signature in black ink that reads "Jayne Bryant". The signature is written in a cursive, flowing style.

Jayne Bryant AS/MS

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

Key points and themes from the Abuse in Politics Event – 31 January 2024

Key messages included, but were not restricted to the following:

- Something needs to be done to address the unacceptable behaviour that appears to be on the increase.
- Everyone and every organisation has an interest in this issue and a part to play in identifying solutions.
- Individuals prepared to participate in elected office, act on behalf of and represents others should be supported – regardless of whether their views on politics are shared.
- The need for a greater understanding about why the abuse happens – what part does the political agenda play, what are the external factors and where the line is drawn between healthy / robust debate and abusive behaviour.
- Tolerance is no longer an option. Priority must be to stop abuse, bullying, intimidation, and harassment being normalised.
- The need to focus and continue the momentum on this issue, including a whole system collaborative approach.

Key Themes following discussion.

1. Modelling good behaviour

- Agreement that all elected representatives, and especially those in political leadership roles, should model good behaviour and champion good robust respectful politics.
- That elected members should set the tone for others when creating cultures within politics that encourages others to want to participate in local democracy. There was particular emphasises on Councillor-on-Councillor behaviour.
- Need to look at shared learning at different levels of government, and how information about the standards required of elected members and candidates is communicated and re-enforced in a clear framework for standards committee.
- Greater emphasis on training and sharing of good practice.
- Review and refresh the support and guidance available to elected members about dealing with social media companies and press and broadcast media.

2. Underreporting instances of inappropriate behaviour and abuse

- the importance of knowing the scale of the problem and understanding the reporting process to ensure a consistent approach and synergy across levels of government.
- Encouraging a climate where individuals understand the importance and benefit of reporting unacceptable behaviour and are supported to do so.

3. Local Resolutions (escalation)

- the need to review existing processes to consider whether they remain fit for purpose in the current climate, in particular the sanctions available to address unacceptable behaviour and abuse and the impact of these sanctions in practice. In particular, whether there are gaps and / or barriers to the effectiveness of the current sanction's regime.
- Important to evaluate whether the role placed on political group leaders is having a positive impact on behaviour and what measures can be adopted in respect of independent members who are not part of a political group.

- The need to consider the support in respect of clerks of town and community councils – with one suggestion that they should be employed by principal councils and benefit from wider expertise and support.

4. Safety / managing risks.

- Review of safety measures for all tiers of government is needed, to understand what is currently in place and where there are gaps which could be addressed. This was considered a priority due to the proximity of the next set of elections.
- Attendees felt mandatory and properly resourced training should be developed for both elected representatives and their staff on preventing and addressing abuse.
- Recognised that there are impacts on mental health for individuals, family, and staff. But also recognising that people need to take personal responsibility for their safety and managing risks better.

5. Political literacy

There were positive reflections of the current curriculum in Wales and how primary and secondary schools deliver politics and democracy education. However, it was recognised the importance for education and engagement at all ages, especially around understanding the role of the politicians in the wider public. Proposed a review of what further can be done in this space.

Giles Thorley
Chief Executive
Development Bank of Wales

16 July 2024

Dear Giles

Local Government and Housing Committee: inquiry into social housing supply

As you will be aware, the Local Government and Housing Committee is currently carrying out an inquiry into social housing supply. We were disappointed that the Development Bank of Wales (DBW) declined our invitation to provide written or oral evidence, on the basis that the Bank “currently supports small house and commercial property developers across Wales”, but is “not active in the social housing sector”.

We note, however, evidence which suggests that the DBW is active as a funder of social and affordable housing within multi-tenure residential developments. This evidence includes the DBW’s annual report for 2022-23, which states that a total of £48.3 million was invested across its residential and non-residential property funds, delivering 163 homes, 28 (17%) of which were affordable.

The Welsh Government has also signalled an intention for the DBW to play an active role in financing social housing supply. In response to a question in Plenary on 17 October 2023, the First Minister confirmed that the Welsh Government already uses the DBW to fund social housing construction, and that the then Minister had asked the DBW to “do more work in this area”.¹

In this context, we would therefore be grateful for your response to the following points:

¹ Plenary, 17 October 2023, Record of Proceedings, paragraph 71

- Could you confirm what communications have taken place between the Welsh Government and DBW about doing 'more work' to fund social housebuilding, as the then First Minister stated in plenary on 17 October 2023.
- Could you set out whether DBW seeks to influence the percentage of social and affordable housing that forms part of the developments it funds? Could more be done to increase the proportion, given that on average 17% of the homes delivered on sites funded by DBW were affordable in 2022-23?
- What potential is there for DBW to expand lending directly to housing associations and community-led housing initiatives to fund social housebuilding?

As we are nearing the end of our inquiry, we would be grateful to receive a response to these points before the end of August.

I would be happy to meet, should you wish to discuss any of the above in further detail.

Yours sincerely



John Griffiths
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.

John Griffiths
Chair, Local Government and Housing Committee
Welsh Parliament,
Cardiff Bay,
Cardiff,
CF99 1SN

27th August 2024

Dear John,

Firstly, I would like to apologise for any disappointment caused because of us not attending or providing written evidence to the Committee. The initial terms of reference we reviewed focused on the delivery of new build social housing, which we have limited involvement in. However, your subsequent questions highlighted the Committees interest in affordable housing, which we are pleased to respond to in more detail.

Before answering your specific questions, it may be worthwhile setting out DBW's involvement in the delivery of affordable housing which is directly linked to our support for SME developers who are building new housing for private sale at full market value.

Our support to SME developers is driven by the failure of private market finance support to this part of the sector, where most traditional lenders (e.g. high street banks) withdrew in the aftermath of the "credit-crunch" financial crisis of 2007–2008 and related changes to capital adequacy ratios (Basel III regulations in 2009). This created an access to funding issue that led to a significant reduction in new SME housing developments across the Welsh housing market and an over-reliance on national/plc housebuilders to meet new private sector housing needs. DBW identified this market failure and worked alongside the Welsh Government to help address this access to funding issue by creating specific funds that offer commercially priced, repayable loan funding to SME developers to support their delivery of more private market housing schemes in Wales.

Many of these private market schemes include an Affordable Housing requirement, which is set by the Local Planning Authority through a Section 106 Agreement. These Agreements are made following viability assessments and related negotiations between the housebuilder and Local Planning Authority. Where Affordable Housing requirements are agreed, these will typically result in a proportion of the houses on site being restricted to a below market sale (or rental) value – meaning those units can only be sold/rented for 80% (sometimes less) of their open market value.

A condition of DBW's funding support for housebuilders is full planning approval being in place for the scheme in question, meaning DBW currently has no influence in the planning process nor related Affordable Housing negotiations (as these take place prior to our involvement). DBW does, however,

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Mewn Partneriaeth â
Llywodraeth Cymru
In Partnership with
Welsh Government

Development Bank of Wales Plc is the holding company of a Group that trades as Development Bank of Wales. The Group is made up of a number of subsidiaries which are registered with names including the initials DBW. Development Bank of Wales Plc is a development finance company wholly owned by the Welsh Ministers and it is neither authorised nor regulated by the Prudential Regulation Authority (PRA) or the Financial Conduct Authority (FCA). The Development Bank of Wales has three subsidiaries which are authorised and regulated by the FCA. Please note that neither the Development Bank of Wales Plc nor any of its subsidiaries are banking institutions or operate as such. This means that none of the group entities are able to accept deposits from the public. A complete legal structure chart for Development Bank of Wales Plc can be found at www.developmentbank.wales

include support for related build costs of Affordable Housing through our loans to SME developers for their private market schemes. Indeed, we actively encourage SME developers in Wales to consider schemes with Affordable Housing requirements on the basis that we will offer the necessary loan funding support. This often requires a higher Loan to Value ratio than would have traditionally been available (e.g. >70%), which DBW's loan funding has been designed to accommodate.

Therefore, whilst DBW has no direct influence on the determination of Affordable Housing requirements agreed via the planning process, our loan support to SME developers does help support the delivery of more Affordable Homes in Wales.

Social Housing is Local Authority and/or Registered Social Landlord owned. Our understanding is the building of new Social Housing is funded through a Social Housing Grant, which is delivered directly by Welsh Government to the LAs/RSLs in Wales.

To date, DBW has not been involved in the delivery of any new build Social Housing funding in Wales and therefore has limited direct involvement in the sector.

There are two exceptions:

1. On some of the housing sites we fund, the LA/RSL will sometimes offer to purchase several units from the SME developer for use as Social Housing (despite them being intended for private sale). This may be at a discounted value or at full value – this is determined by commercial negotiations between the developer and LA/RSL (i.e. not subject to a Section 106 or other formal planning agreement). DBW is not involved in such negotiations but notes that the prevalence of such examples has increased over recent years. This may be linked to the greater emphasis on LA/RSLs to deliver more Social Housing.
2. We are aware that some RSLs have created commercial entities (e.g. sister businesses) to complement their Social Housing activity with some private market activity. Business models in this space vary but will typically see private market profits used to support increased delivery of Social Housing by the RSL. These arrangements can help the economics of Social Housing delivery as less grant funding is needed; the private housing elements can be commercially funded (e.g. by DBW) and return a profit that helps pay for the Social Housing units. DBW has some limited experience in this space but would be open to working more broadly with the Social Housing sector on similar models if this was something Welsh Government wanted us to pursue.

In response to your specific questions:

1. Could you confirm what communications have taken place between the Welsh Government and DBW about doing 'more work' to fund social housebuilding, as the then First Minister stated in plenary on 17 October 2023.

The property team in the Development Bank are in constant communication with colleagues in the Housing, Local Government and Planning department regarding existing property funds and other initiatives including schemes to improve energy efficiency in Welsh homes, the leaseholder support scheme and other proposals aimed at increasing housing supply and

affordable homes. These discussions are ongoing and have resulted recently in the launch of the Green Homes Wales scheme.

2. Could you set out whether DBW seeks to influence the percentage of social and affordable housing that forms part of the developments it funds? Could more be done to increase the proportion, given that on average 17% of the homes delivered on sites funded by DBW were affordable in 2022-23?

As set out above, whilst DBW has no direct influence on the determination of Affordable Housing requirements agreed via the planning process, our loan support to SME developers does help support the delivery of more Affordable Homes in Wales. Our residential housing funds include support for build costs of new Affordable Housing on private market sites, which offers positive influence via the SME developers we support. However, DBW is not involved in the setting of Affordable Housing requirements, which forms a key part of the upfront planning and viability process.

Given that provision of Affordable Housing is based on the viability assessment approach, it seems the only sustainable way to increase Affordable Housing delivery in the context of the private sector would be to improve the commercial viability of such schemes.

Such viability has suffered considerably in recent years, as reflected in JLL's recent reporting citing that the cost of delivering new build housing has increased by 35% over the last 5 years (compared with a 21% increase in house prices). This disparity is largely the result of macro market events that resulted in major inflation to the cost of labour and materials. The limited availability of new sites being released for development over this period has also seen significant inflation in the cost of development land. Influencing labour and material costs is difficult due to the complexity of contributing global factors. However, we identify two potential opportunities to address this viability issue:

- a) *Influence the release of more land for SME development. Publicly owned sites could be released for private market sale at a lower than market value subject to quid pro quo conditions relating to greater levels of Affordable Housing than would be set through Section 106 Agreements. This would see an increase in provision of housing on both sides of the market, but with delivery being fully funded through private/commercial funding (no grant funding required). This is something DBW would welcome involvement with.*
- b) *Offer subsidised funding (potentially via DBW) to SME developers for building sites with a greater level of Affordable Housing than would be stipulated through planning.*

In both cases, conditions could also specify the need for full integration of Affordable Housing on such schemes (i.e. so they are unidentifiable from their private market counterparts), thereby increasing both the number and quality of Affordable Housing units being delivered.

3. What potential is there for DBW to expand lending directly to housing associations and community-led housing initiatives to fund social housebuilding?

Subject to demand for finance and available funding there may be a role for the Development Bank in direct lending to support social housebuilding. We refer back to our earlier comments regarding the commercial entities RSLs have created, which could be supported by DBW.

I hope this helps the inquiry and would be very happy to arrange a meeting if there were any issues you would like to discuss further.

Yours sincerely,



Giles Thorley
Chief Executive

Agenda Item 3.7

- **details of cases where the Future Generations Act has been cited as a reason for turning down an application (Please see paragraphs 103-109 of the transcript);**

This particular case that was referenced in the evidence session pertains to a church building that is not listed as either a Grade 1 or Grade 2 building but is listed locally as holding some historical importance.

The Church in Wales own this building and do not recognise it as being an important building to their history in Wales, and supports the demolition. The Church in Wales also feel that the state of disrepair that the building is currently in render it dangerous and makes demolition necessary for safety purposes.

The pre-application for planning was rejected with the following feedback:

“Policy GN.38 requires all development to protect and enhance the historic environment. You state that you consider the Church to be of no significance and that due to repair works required, converting it would be problematic. The Local Planning Authority considers that the church holds both architectural and historic significance for its simple decorative styling and its links to the community of X area Christian history. The church has been identified in the Buildings of Wales: X series (...).

Historic buildings should be conserved and maintained for the enjoyment of Future Generations in line with Welsh Governments guidance. The removal of this historic asset would be contrary to the aims of the Future Generations Act in achieving a society that promotes and protects our heritage. An appropriate scheme of restoration and conversion that maintains the significance of this historic asset while bringing it back into use to be maintained for future generations should be considered. It is noted that you state that repair work has been identified and that this would be problematic to the conversion of the church into accommodation. It is not considered that this is a viable reason for the church’s demolition.”

Details of the area/local authority have been removed to protect the relationship between the Housing Association and LA in question. The pre app response also acknowledges the recognised need in the area for this particular proposed housing, but unfortunately concludes that the application will not be supported by the LA.

Anecdotal feedback in two other LAs that any pre-application for planning involving churches or chapels, that are not listed or locally listed, will also still be rejected due to their ‘historical’ status, by conservation officers in planning departments have also been shared with the FIAH Project Manager, though not necessarily quoting the Future Generations Act.

- **more detail on the work being carried out with the Bevan Foundation on the viability of church-owned land (paragraph 151);**

This is a one-year project, funded by the Nationwide Foundation, and concluding in March 2025.

One of the main barriers to the construction of social and community homes is the cost and availability of land. Unlocking the supply of affordable land is therefore key to increasing the supply of homes at a fair and affordable rent.

The Bevan Foundation has linked up with Housing Justice Cymru, who have been identifying land in faith organisation ownership that is suitable for development for these purposes and brokering arrangements with registered social landlords and community groups to develop it.

Cwmpas are also supporting this work, as they offer support and advice to organisations looking to develop community-led housing schemes. There is considerable potential to develop and scale up this work, including the use of land held by other socially owned organisations and a more strategic approach being taken for the disposal of publicly owned land.

Objectives & desired outcomes of the project:

Working with Housing Justice Cymru and Cwmpas, the Bevan Foundation aims to:

- Understand why land supply is a significant barrier to the development of new social and community-led homes.
- Show the potential of land held by different types of social and public owners to enable development and identify action to release that potential.
- Make recommendations for change including shifts in public policy, legislation, funding and practice. This will include an assessment of the potential to make use of powers formerly vested in the (now abolished) Land Authority for Wales.
- Encourage the Welsh Government to recognise the benefits of the development of socially- and publicly owned land for social and community-led housing and to adopt a more strategic approach.

Outputs

- A briefing paper on the need for intervention.
- A research report (5-8,000 words) and launch event.
- Active dissemination and raising of awareness.

Approach:

- Exploring the human cost of land shortages, increasing homelessness levels and use of temporary accommodation through analysis of Welsh Government data
- Demonstrate that land supply is a significant barrier to the development of new social and community-led housing. This would be based on:
 - interviews with approximately 30 organisations involved in development including social landlords, professional bodies eg RICS, and agents e.g Knight Frank.
 - Analysis of Land Transaction Tax statistics.
 - Interviews with circa 10 local authority planning officers.
- Demonstrate that the supply of new social and community-led homes is falling short of targets through analysis of Welsh Government affordable housing delivery and new social housing starts and completions data
- Show the potential of land held by different types of social and public owners to create new social and community-led housing, based on:

- Data from Housing Justice Cymru and Cwmpas on land holdings.
 - Estimates of land holdings with development potential.
 - Estimates of households that could benefit from new social and community-led development on the sites (based on density estimates).
- **any further information on the relevant time periods before work can be carried out, for example near graveyards (paragraphs 159 to 163).**

Graveyards that are no longer in use, meaning no longer visited by any person, can, on a case-by-case basis, be considered as being incorporated in developments. The time taken to determine that a graveyard is no longer in use is not standard and would be entirely case dependent.

To my knowledge on the project, this has only been a relevant conversation once with regards to building affordable housing. There is a site currently in the pre-app stage where it is being proposed that the gravestones be moved and added to an existing graveyard in a different field, so that the front entryway to this particular scheme not have graves along it. This would be a supported living scheme for young people, and the current owner of the chapel in question is a non-conformist denomination. In this particular case, given the ages of the graves and the fact they are no longer visited, and the non-invasive proposal to move the headstones but not build on top of the graves, this has been deemed appropriate and possible.

What actually constitutes ‘consecrated’ ground varies by denomination, so this will not always be possible. There are also cases of churches and chapels that own land that was/has been intended for graves and burials, however the congregation has since declined or chosen not to have a burial, therefore this is excess land no longer needed for its original use.

Although not requested – I was asked about what economic solutions I may have identified to increase social housing grant.

At the time of being asked, I did have an answer prepared for this but unfortunately, I did not remember it in the moment! I regularly hear of private developments where section 106 payments are not made as they are deemed ‘unviable’. I believe that if this money was being collected and Local Authorities were being supported to best spend this, many more social housing developments would be supported. My understanding is that private developers have well-financed legal teams that are able to often negotiate out of these payments. Local Authorities do not have the resources to counter these arguments. By contrast, HAs and RSLs always do make their Section 106 payments, suggesting that they do not render schemes unviable. A quick search will bring up a handful of examples, but there will be many more:

https://www.walesonline.co.uk/news/wales-news/update-major-plans-former-howells-29272002?utm_source=mynewsassistant.com&utm_medium=referral&utm_campaign=embedded_search_item_desktop

“A Section 106 agreement was originally attached to the planning application which would have bound developers to pay a maximum of £1,097,520 towards affordable housing, £64,224 towards off-site public open space, £73,381 towards public realm improvements, £43,951 towards local community facilities and £5,000 towards traffic regulation orders. However during the planning

process a viability appraisal concluded the development would be unviable if these conditions were applied and there is now no S106 agreement. The developer has agreed to contribute the £5,000 for traffic regulation.”

<https://www.walesonline.co.uk/news/wales-news/exclusive-housing-estate-developers-away-29576303>

https://www.walesonline.co.uk/news/wales-news/housing-developer-told-dont-pay-28539996?utm_source=mynewsassistant.com&utm_medium=referral&utm_campaign=embedded_search_item_desktop

Sorcha Edwards
Director General
Housing Europe

10 July 2024

Dear Sorcha

Local Government and Housing Committee: inquiry into social housing supply

Thank you for attending our meeting on 3 July 2024 as part of our inquiry into social housing supply. We were grateful for your time and the insight you provided on the European context of this important subject.

Due to time constraints, we were unable to explore particular issues in greater detail, and we therefore agreed that I would write to seek additional information. We would be grateful if you could provide a response to the points set out below:

- Cost-based social housing: could you provide further detail on how this model works and its contribution to meeting housing need across Europe.
- Community engagement: could you set out your view on how communities can be effectively engaged in social housing developments. We would welcome any examples of best practice you may be aware of.
- Could you provide further details on the following schemes, as noted during the evidence session:
 - the revolving loan scheme in Denmark;

- a pilot scheme in the Netherlands where homes are being converted into smaller units;
- a scheme in Cork where smaller units are being built;
- a further scheme in Cork which supports 'rightsizing'.

As we are nearing the end of our inquiry, we would be grateful to receive this information by the end of August.

Yours sincerely



John Griffiths
Chair

Croesewir gohebiaeth yn Gymraeg neu Saesneg.

We welcome correspondence in Welsh or English.



To whom it concerns,

I have been asked by our Secretary General, Sorcha Edwards, to lease with you in order to provide research and other insights on best practices on the provision of social and affordable housing in Europe.

For a start, I have been asked to send to you our recent report on so-called "cost-rental" housing in Europe; which looks at the cases of Austria, Denmark, and Finland. You can access it at this link :

<https://www.housingeurope.eu/file/1073/download>

More broadly, you can find most of our recent research publications at :

<https://www.housingeurope.eu/section-135/housing-observatory>

Please let me know if there are any particular topics for which you are seeking inputs from us, and I will do my best to provide you with the necessary information.

Best regards,

Dara Turnbull

Research Coordinator



Dara Turnbull
Research Coordinator

The European Federation of Public, Cooperative & Social Housing

Agenda Item 5

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