

SHS 03

Ymgynghoriad ar y cyflenwad o dai cymdeithasol

Consultation on social housing supply

Ymateb gan: Adra (Tai) Cyfyngedig

Response from: Adra (Tai) Cyfyngedig



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SOCIAL HOUSING SUPPLY INQUIRY

INTRODUCTION TO ADRA (TAI) CYFYNGEDIG AND ADRA'S DEVELOPMENT PROGRAMME

Adra (Tai) Cyfyngedig are the largest social landlord in north Wales. Adra looks after over 7,000 homes and provides services to over 16,000 customers.

Since the inception of Adra's development programme in 2016, Adra have developed over 1000 new homes in the north Wales region. We have an additional 300 homes 'on site' which are currently being developed; and an additional 1000 homes in our future development programme.

Whilst the focus of our development programme is predominantly on building social rent homes; we have also developed affordable homes (shared ownership and intermediate rent) and market rent homes (rent to own and market rentals).

KEY ISSUES AND RECOMMENDATIONS

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.

1.1 Adra will deliver over 1000 new homes within a range of tenures in the current Senedd term. Adra is committed to playing its part in achieving the Welsh Government target of 20,000 new homes.

1.2 A long term investment plan is required to deliver efficient and affordable homes for people in Wales, mainly funded via the social housing grant (SHG). Investing in new homes helps tackle the housing crisis, reduce carbon emissions, and support the economy in Wales by creating jobs and supply chains.

1.3 A long term investment plan would support the housing sector to build more low carbon homes and to decarbonise existing homes. To do this, capital funding for new, low carbon and affordable homes for social rent through the SHG must have a long-term funding mechanism in place.

1.4 Additional programmes have also been established to boost the number of social housing supply in Wales. This includes the Transitional Accommodation Capital Programme (TACP). The continuation and enhancement of this programme would help increase the number of social housing developments in Wales.

1.5 The Welsh Housing Quality Standard 2023 (WHQS2023) provides an ambitious standard to improve the quality of social housing in Wales. However, the standard is currently largely underfunded. As it stands, social housing landlords will have to divert capital away from development programmes to meet the aspirations of this standard. This is a potential unintended consequence of the standard. This is especially



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true for 'Large Scale Voluntary Transfer' companies including Adra who have adopted an ageing housing stock which requires a significant level of investment to meet decarbonisation standards. The cost of maintaining current housing stock to the original WHQS standard is challenging; with a circa 33% increase in labour and material costs over the past 3-year period.

1.6 There is an 'unofficial industry target' than any landlord should seek to develop an additional 3% homes to its existing housing stock per annum. This figure could decrease to 1.5% in future to fund the new WHQS standard.

1.7 All social housing landlords in Wales along with Local Authorities who have retained their housing stock should have ambitious development and investment strategies in place. This is a core function for all social landlords to tackle the current housing and homelessness crisis. These strategies should ensure development opportunities are maximised. At Adra, we have ambitious borrowing arrangements and development targets in place to ensure we fully contribute to the 20,000 target.

1.8 Given the number of social housing landlords and stock-retaining Local Authorities operating in Wales, the target of delivering 4,000 new homes per annum on a pro-rata basis per landlord is realistic and achievable if the correct level of funding is in place; and several other cross-cutting policy considerations identified in this response are implemented.

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

2.1 The significant investment in the SHG programme and the additional investment in the TACP has allowed Adra to continue to develop new homes. However, the sector does face many challenges. This includes:

- Increased borrowing costs.
- Inflationary cost increases (labour and materials) and supply chain disruption.
- Recruitment and retention challenges, leading to a lack of skilled specialists and other core staff across planning, environmental management, and the construction sectors.
- The significant financial challenge of delivering WHQS2023.

2.2 A longer term commitment to the SHG and TACP funds would be welcome. A longer term SHG strategy would make investment in the sector more attractive to borrowers, potentially at more favourable rates. An increase in TACP funding would support the acquisition of a larger number of social homes in Wales.

2.3 In certain counties in Wales, including in north Wales; the level of SHG funding available does not meet what could potentially be delivered by social housing landlords within their ambitious development programmes. There are also a few large-scale developments in north Wales (which combine housing and



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other sectors including social care) which require significant SHG investment, which in turn, reduce the funding available for more traditional social housing developments.

2.4 More innovative use of other sources of public sector funding should be investigated to increase the supply of social homes in Wales. An example of this is the “second home council tax” fund generated by certain Local Authorities in Wales. This funding could be used to develop additional new homes if assigned to registered social landlords who could borrow the additional capital required to fund additional new social rent homes.

2.5 At present, Welsh government strategies to address the climate emergency are working at cross purposes with strategies to end homelessness and tackle the housing crisis. Current environmental strategies and policies are causing significant delays in developing homes in Wales. A prominent example is the approach to ensuring phosphate levels for all river Special Areas of Conservation (SACs) across Wales area at appropriate levels. This has had a direct impact and has delayed certain development programmes within Adra.

2.6 A significant challenge for Adra is developing homes to meet the needs of our rural communities. We are committed to continuing to develop housing schemes to meet the needs of rural villages and towns in Gwynedd and north Wales. However, we are faced with challenges including overall scheme delivery cost which are inevitably higher than for large-scale developments; contractor and supply chain availability to deliver the schemes on our behalf; spiralling land costs and meeting the needs of the communities we serve where there is a housing crisis. Varying the standard viability model for rural schemes would be a welcome implementation to meet the needs of our rural communities. There should be “positive discrimination” in terms of the funding formula for these developments to ensure the needs of our rural communities are met.

2.7 North Wales companies who deliver development contracts (including on Adra’s behalf) have gone into liquidation recently, which outlines how tough the operating environment is on the local supply chain at present.

2.8 Welsh Government homelessness strategies; policies and funding of associated programmes including the Housing Support Grant all have an impact on development programmes. Tenancy sustainment is fundamental to decreasing the demand on social housing registers, and the continued support of these programmes must be maintained to reduce pressures on the number of applicants presenting themselves on social housing registers.



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

3.1 Wales experienced a sustained period of “housebuilding boom” from the mid-1940s to the mid-1970s where an average of 8,000 social homes were built per annum. The standards to which these homes were built differ greatly from today’s standards.

3.2 The aspirational standards to be met in terms of new social housing in Wales today including the decarbonisation elements significantly increases the cost per unit of building new social homes. This in turn does limit the number of social homes the housing sector can deliver. Every social housing organisation has limited borrowing powers; and to meet current housing standards; the cost of building each unit is higher, and this limits the number of homes the sector is able to deliver.

3.3 WHQS2023 provides an ambitious standard to improve the quality of social housing in Wales. However, this standard is currently largely underfunded. Social housing landlords will have to divert significant capital from development programmes to meet the requirements outlined within this standard. An example of this is that Adra had to identify an additional £800,000 per annum of funding to meet the new flooring standard. This funding would otherwise be made available to Adra’s development programme.

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

4.1 The main source of income for all social housing landlords in Wales is the income generated from its rents. A long-term Welsh Government rent policy which offers stability to landlords and external borrowers does make external investment into the social housing sector in Wales more attractive. It is also worth noting that over 70% of social housing rents in Wales are part or fully funded by housing benefits.

4.2 Increased government borrowing and additional funding into existing programmes including SHG and TACP would increase the provision of social housing supply in Wales. Supplementing existing grant funds would ensure these homes are developed at a greater pace.

4.3 The updated Standard Viability Model has overall been welcomed by the housing sector to unblock schemes with a reasonable level of funding. This model should be continually reviewed as a combination of factors including material cost inflation; high interest rates and cost of borrowing; supply chain limitations place ongoing pressures on development programmes.

4.4 Cost of borrowing has significantly increased over the past couple of years, linked to higher levels of inflation. This impacts the sector’s borrowing ability. This, combined with the uncertainty around the future direction of the rent policy and no fixed certainty over SHG and TACP funding levels in future years does present risks in terms of the housing sector’s borrowing powers.



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

5.1 The planning system in Wales is an integral and important part of any development programme. It provides clear transparency, accountability, and key stakeholder engagement within any development process.

5.2 The planning system in Wales in its current format causes significant delays to development programmes. The main barriers which currently impact upon timescales include:

- The Sustainable Drainage (SuDS) approval process requires better resourcing as it can take a significant amount of time to gain this approval in certain instances. This in turn leads to increased contractor costs on several developments. Certain counties (e.g. Gwynedd) deal with these issues on a much quicker pace than other counties.
- Natural Resources Wales guidance on phosphates caused significant delays on several developments with certain counties in Wales (including in north Wales) severely impacted by this issue. However, this issue is being dealt with by Welsh Government and progress has been made recently.
- A range of surveys are required with each development ranging from ecological; environmental; archaeological; biodiversity. These combined surveys cause significant delays and costs within any development process.
- The lack of investment in water treatment works in Wales causes delays with several developments. Welsh Water often expect contribution from developers to invest in these treatment works at development stage.

5.3 Investment is required in local capacity to build a land, planning and environmental management system in Wales that has the delivery of affordable homes for people in Wales at its heart. Planning and associated consenting functions should become better aligned. The aim should be to streamline the current process which involves too many stakeholders and causes unnecessary delays to development timescales including on developments within land which has been designated for housebuilding.

5.4 Long term investment is required to promote career opportunities in the planning and environmental sectors. There is currently a skills shortage within these sectors, which in turn impacts on the delivery of social housebuilding.



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

6.1 The lack of availability of public land for social housing development drives up the cost of developing social homes.

6.2 A long term strategy is required where public land which could be released for social housebuilding at competitive values (both brownfield and greenfield sites) are identified and purchased. Any public owned land in Wales which is potentially available for development should be considered under this strategy to deal with the current housing crisis. All public sector bodies in Wales are under pressure to maximise their income; therefore, when public sector land for development becomes available; prices are extremely high due to open market competition for that land.

6.3 Unnos could help fulfil this ambition. Unnos could play a strategic role in terms of land assembly and compulsory purchase, working in partnership to bring land to market and property for residential conversions on behalf of social housing landlords and developers in Wales.

6.4 There is also a key role for the Welsh Government's land division to work on behalf of the social housing sector to identify public and private sector land purchase opportunities at competitive prices to further increase the supply of land available for social housing development.

6.5 The process of developing Local Development Plans should be simplified and accelerated. The current process is cumbersome. Social landlords should also be an integral part of developing these plans.

6.6 Local development plan areas and boundaries should be continually reviewed with a view to releasing further suitable land for development. This should be done in consultation with local communities. There are instances in areas where Adra operate where developers own land which would be suitable for building and borders on existing developments, however, fall outside of local development plan boundaries.

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

7.1 Adra have no comments on this question.



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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.

8.1 There is a limited supply chain in north Wales, in particular, in rural areas who are able to build low-carbon social homes.

8.2 Adra greatly values the development contractors it deals with across north Wales. However, the recent plight of certain construction companies in the region who have gone into administration (which did directly impact Adra development sites) outlines the challenges within the operating environment for this sector.

8.3 Adra have established Ty Gwyrddfai at Penygroes, which is the first decarbonisation hub of its kind in Wales. This development is a collaborative project between Adra, Grŵp Llandrillo Menai and Bangor University, and will transform the industrial site into a decarbonisation hub that will ensure that north-west Wales will be at the forefront of the decarbonisation agenda, working with communities and businesses to retrofit homes over the next 10 years. Ty Gwyrddfai will act as a regional catalyst for developing the local supply chain and this includes developing local businesses to deliver future social homes programmes.

8.4 Adra's in-house repairs and maintenance department, Tîm Trwsio directly employs 150 skilled tradespeople. Tim Trwsio completed their first low carbon social homes development contracts for Adra in 2023. They are currently delivering 2 further schemes on behalf of Adra at sites in Bangor and Blaenau Ffestiniog. Adra expects Tîm Trwsio to deliver further social new build developments on its behalf over the next few years.

8.5 There is an extremely limited pool of contractors available to deliver schemes in rural areas of north Wales. This in turn has a significant impact on these schemes' standard viability models and associated costs. This is part of the reason why Adra are being proactive in their response by establishing Ty Gwyrddfai and developing Tim Trwsio to deal with this issue.

8.6 The construction sector is integral to the foundational economy and the circular economy. Given the challenges faced by the sector; it is imperative that Welsh Government business support programmes focus on developing and supporting this sector. This is a growth sector, and the sector should be supported from both financial and business development perspectives.

8.7 Adra welcome the funding that's been made available for the acquisition of existing homes under TACP funding. However, to increase the volume and pace of delivery of this work, the expected standard to which these homes comply should be considered. Adra believe the establishment of a long-term TACP



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funding strategy and programme would make planning and delivery of this work more effective as the contracts tend to be awarded at different intervals during the financial year.

8.8 Contractors must deal with procurement barriers in competing for any large public sector contracts. The review of current procurement legislation should consider current barriers.

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

9.1 Adra has a strong track record of effectively engaging with local communities in terms of social housing development in our area of operation in north Wales.

9.2 Adra co-fund Rural Housing Enablers who engage with local communities in relation to our development programmes. The Rural Housing Enablers provide us with a wealth of information, in particular, with rural developments which in turn help determine the mix of housing tenures within our development sites. This data, combined with social housing demand data from Local Authorities help us develop social housing which meet the needs of our communities.

9.3 It is evident in some communities that demand for social housing and demand for affordable housing available for purchase can be difficult to navigate on certain developments where it is clear there is a strong case for both tenures. Adra welcome being a partner in the implementation of Peilot Tai Dwyfor where innovative methods of developing local housing are being trialled and implemented.

9.4 As a housing association which proudly delivers its work through the medium of Welsh, Adra are acutely aware of the impact our housing developments have on the Welsh Language. Adra have made a firm commitment to supporting the Welsh Government target of 1 million Welsh speakers; protecting the Welsh language should be a key consideration in terms of what our communities are telling us in relation to social housing developments in their areas.

9.5 Adra do encounter some levels of local opposition to developing social housing in north Wales including in areas where there is a high demand for this type of housing. There is often a conflict between social housing register demand figures and what local communities want (i.e. there may be a clear demand for social housing however local communities would prefer more low-cost home ownership options being developed).

9.6 The Commission for Welsh speaking communities are finalising a report on influencing the Welsh language on a community level. There should be clear policy alignment between this report/development policies/Welsh Government allocations and homelessness policies. This message is conveyed very strongly to Adra with all rural developments by local stakeholders.



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