

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

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

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

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

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

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

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

**We'll achieve our vision by**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No comment

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

No comment

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

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

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

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

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

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

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

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

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