

Reference: PFM/DD  
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Committee Clerk,  
Communities, Equality and Local Government Committee,  
National Assembly for Wales,  
Cardiff Bay,  
CF99 1NA

Dear Colleague,

**Re: Inquiry into the provision of affordable homes**

Pembrokeshire Housing is a local housing association based and operating in Pembrokeshire. It owns and manages over 2,200 affordable quality homes, which includes housing for single people and families, sheltered and extra care housing for older persons and a range of supported housing for people with special needs.

The inquiry was discussed by the Board of Management, which welcomes the opportunity to submit written evidence to the Communities, Equality & Local Government Committee.

With regard to the specific Terms of Reference:

1. ***The effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant.***
  - ♦ It is important for the Committee to recognise that mixing Social Housing Grant (SHG) with private mortgages is probably the most successful public/private partnership of the last 30 years.
  - ♦ Housing Associations (RSLs) collectively have combined £2.3billion of SHG with £1.2billion of private mortgages to deliver 127,000 affordable homes across Wales. (March 2010 – Financial Statements of Welsh Housing Associations).
  - ♦ At current grant rates for every £1m of SHG, RSL's attract private investment of £750k.
  - ♦ The Welsh Government Draft Budget for 2012/13 and spending plans to March 2015 show continuing substantial reductions in the availability of SHG.
  - ♦ If the sum of SHG is not to be increased the Welsh Government needs to work innovatively with the RSL sector to agree ways of making this limited funding go further.
  - ♦ If the grant rate were to be reduced the SHG would go further, and more homes could be produced. Borrowing would however need to increase correspondingly and rents would need to rise to cover increased borrowing costs. The continuing support of the private lenders would also be required

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- ♦ The Welsh Government and the RSL sector could jointly develop an appropriate “Intermediate Rent” product, whereby the costs of reduced grant/increased borrowing together with long term management, maintenance and component replacement costs are incorporated. Such rents would need to be kept within Local Housing Allowances.
- ♦ It could be argued, however, that the concept of “intermediate rents” results in unfair discrimination between existing and new tenants, and there is no case, in equity, for existing tenants to be protected from the impact of the current costs of providing for comparable housing needs.
- ♦ Collectively the RSL sector has capacity to support additional borrowing. It would, however require additional income, via rents, to support that borrowing. A small increase on all RSL rents could be used to support that additional borrowing to provide additional affordable homes.
- ♦ In practical terms, the fundamental requirement is for greater flexibility for each RSL to be able to agree the optimal number of houses to be included in its capital programme, having regard to local housing needs and capacity to make progress towards satisfying those needs. The starting point would be the SHG grant determination on the current basis, and the number of houses each RSL could provide on that basis would represent the minimum output for that investment.
- ♦ Some RSLs would undoubtedly wish to proceed on that basis. Other RSLs however, would wish to negotiate with Welsh Government/Local Housing Authority to agree the greater number of houses which could be provided utilising the balance sheet strengths/borrowing capacity of those RSLs. The financing requirements would also be agreed through either “intermediate rents” or a small addition to rents generally. This approach could significantly increase the number of houses to be built during a period of reduced SHG grant.
- ♦ RSL’s use local contractors, suppliers and consultants to build and maintain housing, and therefore maximising investment directly in the Welsh economy, by supporting local employment and training is particularly crucial at this time.

2. *Whether alternative to public subsidy are being fully exploited.*

- ♦ Public subsidy reduces borrowing costs and therefore rental levels to cover those borrowing costs.
- ♦ Delivery of affordable homes through the planning process, via Section 106 Planning Agreements has provided some success and as an alternative source of affordable housing without public subsidy.
- ♦ This type of provision is directly linked to the buoyancy, or otherwise of the private sector housing market. When the market is positive and private housing developments are selling it can contribute to delivery of some affordable housing.
- ♦ Delivery across all Welsh planning authorities is not consistent.

3. *Whether the Welsh Government, local authorities and RSLs are effectively utilising their powers to increase both the supply of, and access to, affordable housing.*
- ♦ Locally, this association has worked with Pembrokeshire County Council as the strategic housing authority to identify land in its ownership which is suitable for affordable housing.
  - ♦ This has then been sold to the association to enable the delivery of additional affordable homes.
  - ♦ The current inflexibility of the SHG regime, and the inability to plan confidently over a longer period of time represent undoubted constraints on the achievement of optimal development performance.
  - ♦ Again locally, a common housing register, operating on a Choice Based lettings basis is used by the Council and housing associations with properties in the County.
4. *Whether there is sufficient collaborative working between local authorities, RSLs financial institutions and homebuilders.*
- ♦ Several local authorities are developing a Guarantee Bond for First Time Buyers
  - ♦ See also comments above regarding Section 106 Planning Agreements.

I trust the above comments are of interest to the Committee

Yours sincerely



Peter Maggs  
**Chief Executive**