Llywodraeth Cymru
Welsh Government

WRITTEN STATEMENT
BY
THE WELSH GOVERNMENT

TITLE	***Consultation on the Regulatory Reform of Registered Social Landlords***
DATE	***8 May 2017***
BY	***Carl Sargeant AM, Cabinet Secretary for Communities and Children***

On 29 September 2016, the Office for National Statistics (ONS) published the outcome of its review of the statistical classification of Registered Social Landlords (RSLs) in Wales, and their counterparts in Northern Ireland and Scotland. As it did for English Housing Associations, the review concluded RSLs are public market producers and are reclassified to the Public Non–Financial Corporations sub–sector, for the purpose of national accounts and other ONS economic statistics.

At 31 March 2016, RSLs in Wales provided around 139,000 affordable social rented homes. They played a vital role in exceeding the Welsh Government's previous target of 10,000 additional affordable homes in the last Assembly. Meeting the Welsh Government's current target of 20,000 new affordable homes is dependent on a significant contribution by the RSL sector which, in turn, requires the sector to continue to have the freedom to use private sector borrowing to supplement the Welsh Government's social housing grant funding and other funding programmes.

Reclassification has significant financial implications for the Welsh Government and the RSL sector. It means that any private sector market borrowings taken out by the newly reclassified public sector RSLs will score against Welsh Government's capital budget. Current average increase in RSL's private sector debt is £200m per annum and, in addition, some £2.3billion of historical debt would be added to the UK public sector net debt.

From April 2018, new Welsh Government powers to borrow to support capital investment projects come into effect. The annual borrowing limit is initially capped at £125m but rises to £150m from 2019/20 onwards, subject to an overall borrowing cap of £1bn. The Welsh Government has published capital spending plans through to 2020-21 that utilises £395m of the £445m available borrowing and so there would not be sufficient capacity to accommodate RSLs' current annual borrowing requirement nor further growth in coming years.

This would mean fewer new affordable homes and limited options for the Welsh Government to maximise the positive contributions RSLs make to the communities in which they work including significant local employment and economic benefits. It would also result in uncertainty for stakeholders, including funders who have made long term commitments to funding an independent RSL sector.

Unless we take action which would enable ONS to reverse the reclassification and return RSLs to the private sector, our plans to address the shortage of affordable homes in Wales will be severely compromised.

The ONS review in Wales identified indicators of central and local government controls which led them to conclude RSLs should be reclassified. These are mainly powers applying to RSLs, principally set out in the Housing Act 1996, including the provisions inserted by the Housing (Wales) Measure 2011.

The Welsh Government is therefore considering regulatory reform of RSLs to remove or amend the relevant powers. Once this is done, ONS would be able to consider reclassifying RSLs in Wales to the Private Non-Financial Corporations sector, thus mitigating the impacts and budgetary concerns set out above.

The removal of controls does not mean that the sector will be unregulated. A key consideration in developing proposals to address the impacts of reclassification has been the need to maintain robust regulation. We have therefore already been taking steps to revise and strengthen our approach to regulation and a new regulatory framework has been operating since January 2017.

Today I have issued a consultation on our proposals to implement regulatory reforms. Responses to this consultation will be used to inform the ongoing development of our proposals.

The consultation is available at: https://consultations.gov.wales/consultations/regulatory-reform-registered-social-landlords and will close on 3 July 2017.