

National Assembly for Wales
Communities, Equality and
Local Government Committee

Inquiry into the provision of affordable
housing in Wales

April 2012



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Communities, Equality and Local Government Committee

The Committee was established on 22 June 2011 with a remit to examine legislation and hold the Welsh Government to account by scrutinising expenditure, administration and policy matters encompassing: Wales's culture; languages; communities and heritage, including sport and the arts; local government in Wales, including all housing matters; and equality of opportunity for all.

Current Committee membership



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Welsh Labour
Vale of Clwyd



Peter Black
Welsh Liberal Democrats
South Wales West



Janet Finch-Saunders
Welsh Conservatives
Aberconwy



Mike Hedges
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The Committee's Recommendations

Recommendation 1. The Welsh Government should conduct an evaluation of its national housing strategy, to ensure that it is still fit for purpose, given the significant changes in the political, economic and financial climate since it was first published. (Page 15)

Recommendation 2. The Welsh Government should develop targets across the whole housing system, including an overall house building target. This Committee should be provided with an annual update on progress towards achieving those targets. (Page 16)

Recommendation 3. The Welsh Government should ensure existing working groups and networks are used to improve strategic co-ordination and partnership working on housing matters. (Page 18)

Recommendation 4. The Minister should provide an update on progress on fulfilling the recommendations of the 2011 report "Making the most of the private rented housing sector" and ensure the recommendations are reflected in the forthcoming Housing Bill. (Page 20)

Recommendation 5. The Welsh Government should work with local planning authorities, developers and lenders to explore ways in which sites with planning permission in place for affordable housing can deliver new homes. (Page 26)

Recommendation 6. The Welsh Government should progress the development of the database of publicly owned land as a matter of urgency. (Page 26)

Recommendation 7. The Welsh Government should continue to work closely with stakeholders and partners to develop guidance on Section 106 agreements for affordable housing that is acceptable to all parties to allow development to take place. (Page 27)

Recommendation 8. The Welsh Government should explore the possibility of allowing local authorities to charge more than 100 per cent council tax on long term empty properties. (Page 29)

Recommendation 9. The Welsh Government should outline its strategy for dealing with empty homes and update the Assembly regularly on progress in addressing this issue. (Page 29)

Recommendation 10. The Welsh Government should work with Local Authorities, Registered Social Landlords and mortgage lenders to identify best value from scarce public subsidy and ensure that all options for alternative sources of public funding are explored. (Page 41)

Recommendation 11. The Welsh Government should closely monitor its intermediate rent model, to ensure that it is fit for purpose. (Page 41)

Recommendation 12. The Welsh Government should explore the introduction of a Wales-wide mortgage indemnity scheme, and should report back to the Assembly on its conclusions at the earliest opportunity. (Page 41)

Recommendation 13. The Welsh Government should continue its work around co-operatives and land trusts, and report back to the Assembly on progress. (Page 46)

Recommendation 14. The Welsh Government should continue to monitor the impact of welfare reforms and ensure that the Ministerial task and finish group fully considers the impact of these changes upon housing in Wales. (Page 50)

1. Introduction

1. The Committee agreed on 5 October 2011 to conduct an inquiry into the delivery of affordable housing in Wales, and how this can meet the country's housing needs.

Terms of Reference

2. We agreed the terms of reference at the Committee meeting held on 5 October, 2011. The terms of reference for the inquiry were to examine:

- the effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant;
- whether alternatives to public subsidy are being fully exploited;
- whether the Welsh Government, local authorities and RSLs are effectively utilising their powers to increase both the supply of, and access to, affordable housing;
- whether there sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders; and
- whether innovative methods of delivering affordable housing such as Community Land Trusts or co-operatives could be promoted more effectively by the Welsh Government.

Methods

3. We issued a call for evidence on 7 October 2011. 39 written submissions were received. The written submissions can be accessed here.¹

4. 13 witnesses were invited to give oral evidence over 4 meetings. Details of the witnesses who appeared, transcripts and consultation responses are provided in Annexes A, B and C respectively.

5. Agendas, papers and transcripts for each meeting are available in full on the Committee's pages on the National Assembly for Wales' website, which can be accessed here.²

¹<http://www.senedd.assemblywales.org/mgIssueHistoryHome.aspx?lId=2043&Opt=0>

²<http://www.senedd.assemblywales.org/mgCommitteeDetails.aspx?ID=226>

2. Strategic Direction and Collaboration

Introduction

6. Affordable housing is not just social housing for rent; it includes low cost home ownership (such as housing provided through the Welsh Government's Homebuy scheme), shared ownership and, increasingly, intermediate rent – where rents are set at up to 80 per cent of market levels, which is significantly higher than levels found in traditional social housing.

7. Affordable access to the private rented sector has also been brought into focus recently by publicity surrounding changes to housing benefit, and wider proposals for welfare reform, introduced by the UK Government. The private sector is playing an increasingly important role in meeting unmet need for social housing and combatting homelessness.

8. A number of social lettings agencies have been established across Wales specifically to facilitate access to the private sector by people in housing need. A social lettings agency provides an identical service to a traditional letting agent, but focuses its work on helping those most in housing need access suitable accommodation. Local authorities, Registered Social Landlords (RSLs) and third sector organisations manage these agencies, with support provided by the Welsh Government.

9. The need for affordable housing was a key policy issue in Wales well before the onset of the credit crunch and the economic downturn. The scale of the challenge faced by government and stakeholders had become apparent during the second Assembly as house prices rose rapidly, and home ownership became unaffordable to many people on average incomes. Long waiting lists for affordable housing exist across Wales as local authorities and RSLs are unable to meet demand. It was estimated that there were 80,000 households waiting for social rented housing in April 2010. Responding to these pressures, the previous Welsh Government's programme, '*One Wales: a progressive agenda for Wales*', contained a commitment to deliver 6,500 new affordable homes by the end of the third Assembly, a target that was met one year early.

10. Research commissioned by the Welsh Government estimates that over 14,000 new homes (this includes market and affordable housing) are needed

every year in Wales for the next 15 years.³ This is in addition to existing unmet need and is far in excess of current levels of supply.

11. To satisfy the current need for affordable housing alone, over 5,000 homes would need to be built, or brought within the non-market sector, each year. This figure includes those households in the private rented sector receiving housing benefit.

12. At the start of the third Assembly the Deputy Minister for Housing established a task and finish group, led by former Assembly Member Sue Essex, to examine how more affordable housing could be delivered in Wales. The Essex Review, as it became known, made 43 recommendations, one of which was that this Committee, as successor to the Communities and Culture Committee, should take an active interest in affordable housing and have an overview of performance and delivery. Other recommendations have been taken forward through a number of workstreams comprising both Welsh Government officials and key stakeholders. The Essex Review has played a major role in shaping the new regulatory regime for RSLs within which much affordable housing is delivered in Wales.

13. The current economic situation has impacted upon affordable housing in a range of different ways. Mortgage finance has proved increasingly difficult to obtain, with large deposits being required by many lenders. This has impacted not only upon first time buyers, but those further up the property chain are often unable to find buyers for their property. Development finance for homebuilders has also been restricted. Although we have not seen repossessions on a similar scale to the recession of the early 1990s, possibly because of low interest rates, the number of households accepted as homeless have started to rise in recent quarters, putting extra demand on local authority homelessness services and increasing the demand for both temporary accommodation and permanent social housing. Any rise in interest rates, while not now expected this year, could bring extra pressure. A review of homelessness legislation commissioned by the Welsh Government is currently under way and will feed into the Housing Bill. Two Welsh Government strategy documents are particularly relevant to this inquiry: the current national housing strategy for Wales, *Improving Lives and Communities – Homes in Wales*,⁴ which was published in April 2010 and is the overarching framework for housing in

³ Holmans, A. and Monk, S., [Housing Need and Demand in Wales 2006-2026](#), 2010 [accessed 25 July 2011]

⁴ Welsh Government, [Improving Lives and Communities – Homes in Wales](#), April 2010 [accessed 3 October 2011]

Wales. Increasing the supply of affordable housing is one of the key strategic themes in the strategy.

14. The second document is the Ten Year Homelessness Plan for Wales,⁵ outlines how the Welsh Government plans to tackle homelessness in Wales up to 2019. The Plan notes the importance of developing access to affordable private rented sector housing.

15. In December 2011, the Minister for Housing, Regeneration and Heritage published “Meeting the Housing Challenge: Building a consensus for action”⁶.

A ‘whole system’ approach

16. During the course of the inquiry, many witnesses called for a ‘whole-market’ or ‘whole-system’ approach to dealing with housing. Community Housing Cymru called for all housing resources and policies to be focused on sustaining the delivery of affordable housing:

“We are not saying that there is a silver bullet, but you must think about sustainable rents, public land, action around empty properties, collaboration, procurement savings and a number of other issues [...] You must look at those issues in the round if you are serious about doing something that can sustain outputs when grants are being cut, in the way in which they are.”⁷

17. The Welsh Tenants’ Federation also advocated looking at the whole housing system as a way of delivering solutions to the shortage of affordable housing:

“...we need to have a whole-system approach, involving the housing associations, local authorities, the owner-occupied sector and the private rented sector, and better encourage and motivate people to move between those sectors.”⁸

18. The Home Builders’ Federation called for a whole-market solution to providing housing in general, rather than just affordable housing. By

⁵ Welsh Government, [Ten Year Homelessness Plan for Wales](#), 2009 [accessed 3 October 2011]

⁶ <http://wales.gov.uk/about/cabinet/cabinetstatements/2011/housing/?lang=en>

⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 10]* 9 November 2011 [accessed 19 December 2011]

⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 112]* 9 November 2011 [accessed 19 December 2011]

increasing overall supply, they argued, more housing would be made affordable to more people.⁹

19. The Principality said that, in the past, there had not been sufficient emphasis on whole-of-market housing and, in particular, working with house builders:

“Latterly, we have seen a move in that direction, and we are also in dialogue with the Welsh Government about some products that might enable first-time buyers to access the mortgage market again, because [...] accessing mortgages without a large deposit has been very challenging over the past few years. So I think that there has been a move in that direction, and we are continuing to engage with the Welsh Government on how we can step up.”¹⁰

Welsh Government leadership role

20. During the course of our inquiry, a number of witnesses commented on the Welsh Government’s strategic role. Professor Steve Wilcox said that successive Welsh Governments had not given affordable housing the priority it had been given in England and Scotland:

“The level of supply and the level of funding have been lower in Wales relative to the trajectories in both England and Scotland in the devolution years. In the difficult context of a poor devolution settlement, there has also been a choice by the Welsh Government to prioritise expenditure on other programmes, although, of course, in the last few years, things have looked up with various initiatives.”¹¹

21. Most of the evidence accepted that the economic reality meant new approaches to the provision of affordable housing had to be found, with the Welsh Government taking a strong strategic leadership role. Sue Essex said:

“The Welsh Government does not build any houses; it must work with others to get affordable housing up and delivered. That has meant that everyone has come together over the past few years to deliver.”¹²

⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 19]* 23 November 2011 [accessed 19 December 2011]

¹⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 11]* 7 December 2011 [accessed 19 December 2011]

¹¹ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 66]* 3 November 2011 [accessed 19 December 2011]

¹² National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 171]* 3 November 2011 [accessed 19 December 2011]

22. She went on:

“It is difficult for Government to do things, but it is very important for the Welsh Government to show leadership. That is not just around finance, grants and legislation; it is about setting a culture within Wales.”¹³

23. There was little appetite for further strategies from witnesses. The WLGA called for action rather than new strategy documents, and stated that the issues were already clearly known.¹⁴ Shelter Cymru suggested that there should be a delivery plan rather than a strategy to accompany any target for affordable housing¹⁵ and this was echoed by CIH Cymru who wanted a broad delivery plan covering a wide range of issues affecting the sector.

Targets

24. A number of witnesses called for a new target for affordable housing delivery in the fourth Assembly following the success of the 6,500 One Wales target. Cadwyn Housing Association said:

“Having a target was powerful – it encouraged us to focus and concentrate on delivery. A new one would be helpful.”¹⁶

25. CIH Cymru said that any target set should be more sophisticated than previous ones, and that any targets should be:

“...based on evidence and realistic expectations as to what could be delivered, and also based on a sector-by-sector consideration of what everybody can be realistically expected to bring to the table.”¹⁷

26. The Home Builders’ Federation called for an overall target for home building to be set, based on appropriate evidence.¹⁸

¹³ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 200]* 3 November 2011 [accessed 19 December 2011]

¹⁴ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 247]* 23 November 2011 [accessed 19 December 2011]

¹⁵ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 160]* 3 November 2011 [accessed 19 December 2011]

¹⁶ HSG 07, p2

¹⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 55]* 3 November 2011 [accessed 19 December 2011]

¹⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 131]* 23 November 2011 [accessed 19 December 2011]

Local Government

27. The strategic role of local government in ensuring the delivery of affordable housing, through both housing and planning functions was noted by many witnesses. However, there was some concern that effectiveness varied considerably.

28. A number of witnesses commented on the effect that stock transfers have had on the strategic function of local authorities. CIH Cymru saw stock transfer as an opportunity for local authorities to focus on their strategic role, rather than their landlord functions. However, they also noted that in some local authorities the housing function had, over several decades, declined in priority.¹⁹

29. When the WLGA gave evidence, they emphasised that housing was just one of a number of important priorities for local government:

“...from our point of view, [housing] is a major strategic priority in local government, but it is among a range of other major strategic priorities. Pressures on education and social care at the moment are huge, as well as on waste management...”²⁰

30. Sue Essex felt that the recent transfer of Social Housing Grant to local authorities, as recommended in her review, had been a ‘positive spur’²¹ to the strategic role of local government.

Definition of “Affordable Housing”

31. It is Welsh Government national planning guidance that contains the definition of ‘affordable housing’. Persimmon Homes believed that planning officers in local authorities did not fully understand the scope of this definition:

“I think that the definition of affordable housing is slightly misconstrued when it gets to the sharp end within local authorities. They have a blinkered view of affordable housing being 100 per cent social rented housing. What we are about is trying to engage with authorities and the [Welsh Government] in coming up with a much

¹⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 12]* 3 November 2011 [accessed 19 December 2011]

²⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 165]* 23 November 2011 [accessed 19 December 2011]

²¹ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 168]* 3 November 2011 [accessed 19 December 2011]

broader definition of affordable housing, because there are many ways of delivering that.”²²

32. The definition of ‘affordable housing’ was mentioned by a number of witnesses in written evidence. Powys Affordable Housing Partnership commented in written evidence that:

“...there is room for improvement at the national level for standardising affordable housing tenure definitions and products across Wales. Such an exercise would help to improve developer confidence in and public understanding and knowledge of affordable housing.”²³

Minister’s View

33. The Minister for Housing, Regeneration and Heritage, Huw Lewis AM, stated that the national housing strategy, and the Welsh Government, provided a clear strategic lead, but acknowledged that:

“...the world has changed since [the national housing strategy] was produced. I think that we all recognise that we are in a situation of some degree of flux to say the least.”²⁴

34. In terms of the leadership role of Welsh Government, in “Meeting the Housing Challenge”,²⁵ the Minister sets out his view that the Welsh Government must perform a ‘system steward’ role.

35. In terms of targets, the Minister said they would be introduced:

“...there will be targets, but the nature of those targets has to be different. They must be more ambitious than anything that has gone before.”²⁶

36. The Minister also saw the new regional structures in local government as an opportunity for local government to take a strategic lead.²⁷ He went on to say:

²² National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 20]* 23 November 2011 [accessed 19 December 2011]

²³ HSG 11, p3

²⁴ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 263]* 23 November 2011 [accessed 19 December 2011]

²⁵ <http://wales.gov.uk/about/cabinet/cabinetstatements/2011/housing/?lang=en>

²⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 322]* 23 November 2011 [accessed 19 December 2011]

“There is also a new urgency in terms of local authorities facing up to the fact that housing needs to become a strategic priority of theirs.”²⁸

Committee’s View

37. We recognise the importance of a “whole-system” approach, as advocated by a number of witnesses. It is clear that affordable housing can be provided in a number of ways, including social housing for rent; low cost home ownership; shared ownership; and intermediate rent. Affordable access to the private rented sector is also central to addressing this issue.

38. We feel that the Welsh Government must play a strategic leadership role in the delivery of this “whole-system” approach. We acknowledge that the Government has in place a national housing strategy as a framework for that strategic role, but given the significant changes in the economy since the publication of that framework, we believe that it is appropriate for Welsh Government and stakeholders to conduct an evaluation of the strategy to ensure that it is fit for purpose in the current political, economic and financial climate.

39. We recognise the views of witnesses which were supportive of the use of targets as a focus for the provision of affordable housing. In line with the “whole-system approach”, we believe that targets should be set across the whole system and should include an overall homebuilding target.

40. We recognise that Local Authorities are under great pressures, given the current economic situation. We also recognise that housing is one of a number of major strategic priorities they are required to deal with. However, given the wider impact that good housing can have on the people of Wales, in terms of health and social benefits, and the cost savings that can consequently be delivered in the long term, we feel that that housing should be a priority and that more coordination across Local Authorities at a strategic level is needed.

Recommendation 1: The Welsh Government should conduct an evaluation of its national housing strategy, to ensure that it is still fit for purpose, given the significant changes in the political, economic and financial climate since it was first published.

²⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 264]* 23 November 2011 [accessed 19 December 2011]

²⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 264]* 23 November 2011 [accessed 19 December 2011]

Recommendation 2: The Welsh Government should develop targets across the whole housing system, including an overall house building target. This Committee should be provided with an annual update on progress towards achieving those targets.

Partnership Working

41. Peter Hughes from the Principality welcomed better collaboration between lenders and the Welsh Government:

“Partnership working has dramatically improved over the last two to three years. As an example, we have a quarterly forum between the Welsh Government and lenders, which looks particularly at social housing lending, but it tends to be wider than that.”²⁹

42. Sue Essex said that the various housing networks that exist in Wales worked well, but that best practice could still be shared more effectively. She noted in particular the role of social lettings agencies:

“...there should not be a postcode lottery around them, and we need to find ways of making collaboration work around that. It would mean a lot more sharing between local authorities and their partners.”³⁰

43. The Welsh Tenants’ Federation agreed that there were already some good examples of effective partnerships:

“We have seen that through the registered social landlords sector, rural enablers, empty homes strategies, systems thinking around the delivery of core services and support to redress empty homes.”³¹

44. For CIH Cymru it was clearly the role of government to facilitate greater partnership working.³²

45. Nick Bennett of Community Housing Cymru called for further collaboration to make use of the six region structure.³³ A Rural Housing

²⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 76] 7 December 2011 [accessed 19 December 2011]

³⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 190] 3 November 2011 [accessed 19 December 2011]

³¹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 154] 9 November 2011 [accessed 19 December 2011]

³² National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 51] 3 November 2011 [accessed 19 December 2011]

Enabler noted in written evidence that they felt there was a significant amount of collaboration between housing associations, but that local authorities were the weakest link in the process.³⁴ Empty homes were an area seen as ripe for further collaboration, both between local authorities and between social landlords and the private sector.

46. The Home Builders' Federation noted that it had 'some quite positive dialogue' with the Welsh Government through its work with the Council for Economic Renewal and also a task and finish group.³⁵ However, it wanted more collaboration and saw the construction industry as a way to stimulate the economy and create jobs with 'very little investment from the Welsh Government'.³⁶

47. Collaboration between the housing, health and social care sectors was highlighted by Community Housing Cymru – Care and Repair's Rapid Response Adaptations was highlighted as a particular success story where every £1 spent saves the NHS £7.50.³⁷

48. Written evidence from the Genus consortium of housing associations noted wider collaboration across the public sector:

"GENuS and its Local Authority partners are working closely with the Aneurin Bevan Health Board and sponsoring a conference which will be attended by both the Housing and Health Ministers. The outcome will be an agreement as to the priorities that housing and health organisations will collaborate to deliver."³⁸

49. Not all of the evidence heard by the Committee was supportive of further collaboration. Bron Afon Community Housing had particular concerns about procurement:

"It is important that the committee does not accept without question the paradigm that collaboration is good in terms of procurement. In a Welsh context, collaboration is bad in the field of construction. Collaboration turns contracts into large complex transactions. The

³³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 65] 9 November 2011 [accessed 19 December 2011]

³⁴ HSG 10, p2

³⁵ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 34] 23 November 2011 [accessed 19 December 2011]

³⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 28] 23 November 2011 [accessed 19 December 2011]

³⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 84] 9 November 2011 [accessed 19 December 2011]

³⁸ HSG 17, p2

only organisations that are able to bid for contracts of this nature are UK wide large businesses and multi nationals. In a Welsh context, it is better to disaggregate contracts into smaller packages let by separate organisations which makes these contracts accessible for micro and small businesses and for social enterprises”³⁹

Minister’s View

50. As already mentioned, in “Meeting the Housing Challenge”, the Minister describes his view of the role of the Welsh Government and states:

“[...] the Welsh Government must perform as the ‘system steward’, ensuring the combination of planning policies, regulations, various forms of planning obligations, financing support and construction sector incentives combine to ensure that enough new homes are built to meet the rising demand.”⁴⁰

51. In oral evidence, the Minister recognised the importance of collaboration and said:

“...I can assure you that intensive conversations between ourselves, the Home Builders’ Federation, the Welsh Local Government Association, the registered social landlords and other partners are on-going about how we can find innovative ways in which finance could flow.”⁴¹

Committee’s View

52. In order for a ‘whole-system’ approach to work, it is vital that partnership working is effective and consistent across sectors. We acknowledge that the Welsh Government is taking a role in bringing partners together, but would encourage the Welsh Government to be as proactive as possible to ensure greater partnership working.

Recommendation 3: The Welsh Government should ensure existing working groups and networks are used to improve strategic co-ordination and partnership working on housing matters.

³⁹ HSG 05, pp2-3

⁴⁰ <http://wales.gov.uk/about/cabinet/cabinetstatements/2011/housing/?lang=en>

⁴¹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 271] 23 November 2011 [accessed 19 December 2011]

Private rented sector

53. The role of the private rented sector both as a distinct part of a whole-market solution, and as a key partner for local government and social landlords was reflected in much of the evidence.

54. Keith Edwards, director of CIH Cymru referred to the report that the Communities and Culture Committee of the third Assembly issued on the private rented sector as a basis for action.⁴²

55. Sue Essex saw an opportunity to further develop the private rented sector drawing on experience from overseas where many different types of organisations get involved in providing housing. She cited trades unions as an example.⁴³ The inquiry also heard similar comments from the Welsh Tenants' Federation. Some evidence also suggested that there was a potential for institutional investment in the private rented sector.⁴⁴

56. TPAS Cymru called for a private rented sector which provides high quality affordable housing, which is managed well and offers more security to tenants.⁴⁵ One way of ensuring the sector has good management standards is through the use of social lettings agencies such as Agorfa which was praised in oral evidence by Joy Kent of Cymorth Cymru.⁴⁶

57. Cymdeithas yr Iaith Gymraeg called for local authorities to be given more strategic control over the private rented sector so that it could better serve the needs of the community.⁴⁷

Minister's View

58. The Minister, in "Meeting the Housing Challenge",⁴⁸ acknowledged that the private rented sector is an increasingly important part of the housing scene. He said that:

"In addition to committing to landlord registration and training and the regulation of letting/management agencies, we should take further steps to ensure growth and improve quality in the sector."

⁴² National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 43] 3 November 2011 [accessed 19 December 2011]

⁴³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 205] 3 November 2011 [accessed 19 December 2011]

⁴⁴ HSG 12, pp2-3

⁴⁵ HSG

⁴⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 118] 3 November 2011 [accessed 19 December 2011]

⁴⁷ HSG 26, p2

⁴⁸ <http://wales.gov.uk/about/cabinet/cabinetstatements/2011/housing/?lang=en>

Committee's View

59. The Communities and Culture Committee of the Third Assembly undertook an inquiry, in 2011, into making the most of the private rented sector.⁴⁹ That report made recommendations relating to a number of issues, including:

- Establishing a specific strategy for the Private Rented Sector;
- Social Lettings Agency Schemes;
- Promoting the private rented sector as a tenure of choice;
- Local Authorities should work corporately when dealing with the sector;
- Regulation of letting agents; and
- Introducing a specific fund to provide loans that could be used to bring empty properties into use.

60. This Committee believes that those recommendations are still relevant, and will seek regular updates from the Minister on progress on their implementation.

Recommendation 4: The Minister should provide an update on progress on fulfilling the recommendations of the 2011 report “Making the most of the private rented housing sector” and ensure the recommendations are reflected in the forthcoming Housing Bill.

⁴⁹ <http://www.assemblywales.org/bus-home/bus-third-assembly/bus-guide-docs-pub/bus-business-documents/bus-business-documents-doc-laid.htm?act=dis&id=209371&ds=3/2011>

3. Land, Planning and Empty Properties

Introduction

61. It is clear that in order to meet the challenge of providing housing at the levels that are needed, three key, related, issues need to be addressed. They are: the availability of land; the planning regime; and existing properties that are unoccupied.

62. As has been mentioned earlier, research estimates that over 14,000 new homes (this includes market and affordable housing) are needed every year in Wales for the next 15 years.⁵⁰

63. To satisfy the current need for affordable housing alone, over 5,000 homes would need to be built, or brought within the non-market sector, each year. This figure includes those households in the private rented sector receiving housing benefit.

64. It has been estimated that there are over 20,000 empty private sector homes in Wales.

65. Witnesses raised a number of issues in relation to these key areas which were seen as mechanisms to deliver affordable housing. They are outlined below.

Land

Availability of Land

66. The availability of land, primarily publicly owned land, was raised by a number of witnesses. Using public land as subsidy to build affordable housing was seen as a key part of a wider solution to deliver more homes.

67. CIH Cymru commented on the Welsh Government's protocol for the disposal of land for affordable housing. They said:

“There is not a huge amount of evidence that we have managed to shift the land into the development of affordable housing.”⁵¹

⁵⁰ Holmans, A. and Monk, S., [Housing Need and Demand in Wales 2006-2026](#), 2010 [accessed 25 July 2011]

⁵¹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 20] 3 November 2011 [accessed 19 December 2011]

68. Sue Essex remarked that the Welsh Government had been ‘very slow’ at bringing forward land that it owned, and that practice in local authorities varied.⁵²

69. Persimmon Homes suggested that one way forward when dealing with public land was to not charge developers any up-front costs. Instead, the developer could pay a percentage of the sale price.⁵³

70. The cost of land, and the potential for public land to be brought forward at less than market value, was seen as an important form of subsidy for affordable housing. The Wales Rural Housing Enablers Network had concerns on this issue:

“There is also frustration that areas of publicly owned land are being offered for development at full market price, which lessens the viability for affordable housing.”⁵⁴

71. Another Rural Housing Enabler noted that some local authorities make land that they own available for development at zero cost.⁵⁵ Although there were calls for land owners to be forced to make their land available,⁵⁶ most of the evidence felt it was for the Welsh Government to take this issue forward. Gwynedd Council felt that one of the reasons for the perceived lack of success of the land-release protocol was that the Welsh Government itself expected to receive open market value for its land.⁵⁷ Gwynedd noted that it had shown a lead by making some of its own land available to facilitate affordable housing delivery.⁵⁸

72. The Royal Institution of Chartered Surveyors noted in written evidence that it is currently producing guidance on disposing of public assets for less than best value that may be of use to both local authorities and the Welsh Government.⁵⁹

73. One of the largest housing association groups, Seren, called for the Welsh Government to make:

⁵² National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 178] 3 November 2011 [accessed 19 December 2011]

⁵³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 77] 23 November 2011 [accessed 19 December 2011]

⁵⁴ HSG 04, p2

⁵⁵ HSG 18, pp1-2

⁵⁶ HSG 14, p2 and HSG 39, p3

⁵⁷ HSG 20, p3

⁵⁸ HSG 20, p3

⁵⁹ HSG 39, p2

“A clear and quantified commitment to make publicly owned land available for affordable housing at reasonable cost.”⁶⁰

74. A number of witnesses noted that land prices have dropped significantly and this could result in owners refusing to sell until prices start to rise again, particularly if they have a mortgage on the land which would need to be repaid.⁶¹

75. The WLGA’s housing spokesperson noted that local authorities often grant planning permission for developments that include affordable housing, but that permission lies dormant at present.⁶² This was an issue raised several times during the inquiry in relation to the availability of land for affordable housing.

Development of Land

76. A major issue of concern for developers was the viability of developments, and what they saw as additional costs being placed upon them by government. The Royal Town Planning Institute (RTPI) said:

“At the moment viability is a big issue and we are really feeling the effects of that. Delivering affordable housing through the planning system is, possibly, not a good option in the current economic climate, so we need to look at other ways, because of the viability aspect.”⁶³

77. Leadbitter, a leading construction group, urged the Welsh Government to continue to pressurise local authorities to facilitate development and make more land with planning consent available. They commented that:

“...planning must become a tool to facilitate development not a barrier.”⁶⁴

78. Affordable housing viability assessments are used by local authorities to inform the development of their Local Development Plan and examine issues such as the proportion of affordable housing that should be required on

⁶⁰ HSG 06, p1

⁶¹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 40 and 57] 7 December 2011 [accessed 19 December 2011]

⁶² National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 252] 23 November 2011 [accessed 19 December 2011]

⁶³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 23] 23 November 2011 [accessed 19 December 2011]

⁶⁴ HSG 12, p1

developments. These assessments were criticised by the Home Builders' Federation:

"The problem is that they take very little account of things such as changes to building regulations and the need to remediate brownfield sites, especially now that many Local Development Plans are making it a requirement to look at brownfield sites before greenfield sites."⁶⁵

"...we have to start recognising that we cannot just deliver affordable housing in a time of falling land prices, more requirements and less public subsidy.

"The evidence from every local authority in affordable housing viability assessments proves that the only way you deliver significant amounts of affordable housing is through the inclusion of public subsidy."⁶⁶

79. The Home Builders' Federation noted in particular higher environmental and safety standards that needed to be met, and which they say added significantly to the cost of developments. Sue Essex also commented on this, but called for the construction industry to meet the challenge it is faced with. She said:

"...there is a need for a greater emphasis on innovative construction and processes to meet not just climate change targets but at reducing overall building costs."⁶⁷

80. The Royal Town Planning Institute (RTPI) said that local planning authorities (LPAs) were being presented with evidence from developers that showed that in the current downturn they were not able to meet LPA requirements for affordable housing.⁶⁸ This means the LPA has to accept reduced provision of affordable housing. The Home Builders' Federation and Persimmon Homes questioned whether local authorities accepted the household projections issued by the Welsh Government that estimate future demand.⁶⁹

⁶⁵ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 29]* 23 November 2011 [accessed 19 December 2011]

⁶⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 131]* 23 November 2011 [accessed 19 December 2011]

⁶⁷ HSG 31, p3

⁶⁸ HSG 35, p3

⁶⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 55-56]* 23 November 2011 [accessed 19 December 2011]

81. The HBF highlighted a gap between what household projections published by the Welsh Government say is necessary, and what provision is being made for housing in Local Development Plans.⁷⁰

Minister's View

82. On the disposal of publicly owned land, the Minister agreed that the Welsh Government needed 'to move much more quickly on this.'⁷¹ However, he did note that some progress had been made in creating a database of the location of publicly owned land, although it was not yet complete. The Royal Institution of Chartered Surveyors noted that this was an important area in which progress should be made.⁷²

83. The Minister accepted that home builders had concerns about increased costs associated with developments. The Minister said:

“We do not want to shut down development, whether the build is for social housing, other forms of affordable housing, or for private sector sale. We want to stimulate the house-building market for all those sectors of housing. The door is open, therefore, and conversations have already begun on what makes it viable for house builders to continue their investment in Wales.”⁷³

Committee's View

84. While we acknowledge the need for more publicly owned land to be made available, we also recognise the evidence that there is a significant amount of land, with planning permission in place, which is not being developed. We understand that the lack of development on such sites is as a result of the difficult economic situation. However, we feel that some work needs to be undertaken to ascertain the amount of such land, why it is not being developed, and, given this context, whether freeing up more land will provide an appropriate solution.

85. We recognise the importance of the database of publicly-owned land and encourage the Welsh Government to complete it as soon as possible.

⁷⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 64] 23 November 2011 [accessed 19 December 2011]

⁷¹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 300] 23 November 2011 [accessed 19 December 2011]

⁷² HSG 39, p3

⁷³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 284] 23 November 2011 [accessed 19 December 2011]

Recommendation 5: The Welsh Government should work with local planning authorities, developers and lenders to explore ways in which sites with planning permission in place for affordable housing can deliver new homes.

Recommendation 6: The Welsh Government should progress the development of the database of publicly owned land as a matter of urgency.

Planning

86. Planning issues featured prominently in the evidence. The challenge of using the planning system to deliver affordable housing in the current economic climate was noted by many witnesses. This is particularly true of affordable housing delivered through section 106 agreements.⁷⁴

Section 106 agreements

87. Written evidence from the Wales Rural Housing Enabler Network highlighted particular concerns affecting rural areas:

“Delivery of quotas of affordable housing via S.106 agreements works well in more densely populated areas with a healthy housing market, but volume builders rarely operate in rural areas, and smaller developers do not have the capacity to build speculatively in the same way.”⁷⁵

88. Some lenders have been reluctant to lend on homes subject to section 106 agreements because of conditions that restrict occupancy to local people. These conditions could potentially impact upon the ability of the mortgagee to realise their security if the borrower defaults. The Minister noted in his paper that this issue, and others, are being addressed:

⁷⁴ Section 106 agreements - The legal basis of planning obligations is set out in Section 106 of the Town & Country Planning Act 1990 (TCPA 1990). A Section 106 agreement is a legally binding private contract between a developer (or a number of interested parties) and a Local Planning Authority and operates alongside a statutory planning permission. They are a legal charge on the land, so they transfer automatically with any change in ownership. Such agreements require developers to carry out specified planning obligations when implementing planning permissions and are the result of negotiations on these matters between the two parties. Obligations may be entered into to prescribe the nature of development, to secure a contribution from a developer to compensate for any loss or damage caused by a development, or to mitigate a development's wider impact. Obligations can be carried out either by providing what is needed to a standard specified in the agreement (such as affordable housing) or by paying a sum to the planning authority which will then itself provide the facility.

⁷⁵ HSG 04, p2

“We are working closely with the Council of Mortgage Lenders, WLGA, CHC and Local Planning Authorities (LPA) to provide guidance around issues of section 106 agreements attached to planning permissions that restrict affordability and occupation. We are aware that some restrictions are making mortgage availability difficult and a task and finish group has drafted guidance and minimum standards for use by LPA.”⁷⁶

Committee’s View

89. We acknowledge that evidence received by the Committee suggested that there were a number of issues around Section 106 agreements for affordable housing that need to be addressed and welcome the fact that the Welsh Government is working with stakeholders to address these. We would encourage the Welsh Government to continue to work with stakeholders to develop guidance, and would ask that the guidance should address the wording of section 106 agreements to ensure a more consistent and transparent approach that is acceptable to all parties.

Recommendation 7: The Welsh Government should continue to work closely with stakeholders and partners to develop guidance on Section 106 agreements for affordable housing that is acceptable to all parties to allow development to take place.

Empty Houses

90. Empty houses, and indeed empty buildings that could be converted to become homes, were recognised as a significant resource that needed to be exploited.

91. In evidence, Shelter Cymru called for a low cost loan scheme to be made available to owners of empty properties. Shelter Cymru’s own research suggested that there were about 24,000 empty private sector homes in Wales.⁷⁷

92. While most long term empty properties are in the private sector, the Welsh Tenants’ Federation drew attention to empty local authority housing.

⁷⁶ HSG 37, para 36

⁷⁷ HSG 29, p3

It highlighted difficulties that local authorities experience in finding the resources to make these homes habitable.⁷⁸

93. TPAS Cymru called for local authorities to share best practice on dealing with empty properties more effectively as they felt some authorities were not making best use of their powers.⁷⁹

94. The local authority sector was keen to see the potential revenue stream from council tax on empty and second homes utilised. Gwynedd Council suggested charging 120 per cent or normal council tax on second homes and using some of that to fund additional affordable housing.⁸⁰ They also suggested that the Welsh Government could make it more difficult to change the use of a property from a main residence to a second or holiday home.⁸¹

95. The WLGA took the same view:

“The WLGA would like to see the consideration of a change in the regulations, which would allow local authorities to charge more than 100 per cent council tax on empty homes. We would see that as having a double effect. The first would be to dissuade owners from leaving properties empty, and the other would be to generate an income stream, which could potentially be invested in a recyclable loan fund to bring empty homes back into use in future. The best guess that we can give as to the income that this might generate is somewhere between £4 million and £6 million, which would provide a very valuable income stream to do that work on empty homes.”⁸²

Minister’s View

96. In relation to bringing empty houses back into use, the Minister has announced new investment of £5 million for local authorities to develop a loan scheme to help owners bring properties back into use.⁸³ In “Meeting the Housing Challenge”, the Minister also said that the Government would continue to consider other approaches, including incentives and sanctions, to encourage the bringing back of properties into use.

⁷⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 157] 9 November 2011 [accessed 19 December 2011]

⁷⁹ HSG 24, p3

⁸⁰ HSG 20, p2

⁸¹ HSG 20, p3

⁸² National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 229] 23 November 2011 [accessed 19 December 2011]

⁸³ <http://wales.gov.uk/about/cabinet/cabinetstatements/2011/housing/?lang=en>

Committee's View

97. The Committee welcomes the additional investment for the purpose of bringing empty properties back into use. We acknowledge the view of the local authority sector that the ability to charge additional council tax on empty homes could, firstly, provide a valuable income stream for local authorities to recycle into affordable housing programmes and, secondly, act as an incentive for owners to ensure that their properties are not unoccupied for long periods. We feel that this suggestion deserves further exploration and would encourage the Welsh Government and the WLGA to explore the issue further.

Recommendation 8: The Welsh Government should explore the possibility of allowing local authorities to charge more than 100 per cent council tax on long term empty properties.

Recommendation 9: The Welsh Government should outline its strategy for dealing with empty homes and update the Assembly regularly on progress in addressing this issue.

4. Finance and Subsidy

Introduction

98. Most new social housing is provided by Registered Social Landlords (RSLs), often referred to as housing associations by the Welsh Government. A significant amount of RSL development is funded by the Welsh Government's Social Housing Grant (SHG) programme, supplemented in the third Assembly by Strategic Capital Investment Fund (SCIF) support. SHG has seen significant reductions in recent years, without any corresponding drop in housing need, so the sector has had to look for alternative funding solutions. This move away from relying on public grant has been encouraged by the Welsh Government which expects RSLs to provide more homes with less subsidy.

99. A recent development has seen a number of organisations from the RSL sector form the Welsh Housing Partnership (WHP).⁸⁴ WHP hopes to provide around 150 affordable homes at an intermediate rent during its first year through the purchase of existing properties. It has a budget of £16million, £12million of which has been provided by way of a loan from the Principality Building Society. The Welsh Government has provided £3million of SHG funding to support this project.

Public Subsidy

100. Seren Group, one of the largest housing association groups in Wales, saw subsidy either in the form of grant or land as vital to delivering volume in house building.⁸⁵

101. The significant cuts in Social Housing Grant that are taking place over the next few years mean that limited resources will have to either be focused on a narrower range of projects, or spread more thinly. The WLGA felt that it was important to focus on a range of solutions:

“I do not think that we should be aiming the scarce amount of public subsidy available at one single part of the housing market.”⁸⁶

102. The Home Builders' Federation (HBF) emphasised the importance of public subsidy in a housing market that is depressed because of the recent

⁸⁴ Welsh Housing Partnership website: www.welshhousingpartnership.co.uk [accessed 3 October 2011]

⁸⁵ HSG 06, p1

⁸⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 180]* 23 November 2011 [accessed 19 December 2011]

recession and felt that public subsidy was essential to deliver affordable housing:

“...we need to recognise that we cannot expect to deliver increased amounts of affordable housing, in line with the definition of ‘affordable housing unit’, without a substantial increase in public subsidy.”⁸⁷

Social Housing Grant

103. Registered Social Landlords are tasked with delivering affordable housing. They receive subsidy in the form of Social Housing Grant. Local authorities are responsible for determining what developments receive Social Housing Grant support within their area.

104. The third Assembly also saw additional capital expenditure on housing from the Strategic Capital Investment Fund (SCIF), as well as Social Housing Grant (SHG) spending brought forward from future years. There was widespread acknowledgement from witnesses that the SHG programme had provided essential support to the housing sector in recent years, and was largely responsible for the One Wales target of 6,500 new affordable homes during the third Assembly being met and exceeded.

105. In written evidence the Committee heard from a local authority that this extra expenditure had enabled additional housing to be provided, but the reductions in budget allocations now presented a new challenge:

“Without a new model of investment, local authorities will not be able to maintain recent levels of affordable housing provision. As a consequence, housing need will continue to rise and so will the number of homeless presentations made to the local authority.”⁸⁸

106. However, while it was acknowledged that bringing forward the SHG from future years had meant that the One Wales target could be delivered, this had made the current situation in the construction industry more challenging. Persimmon Homes said that:

“The Welsh Government has reached its target of 6,000 affordable homes—congratulations on that. It was probably achieved through bringing forward some of the social housing grant to pre-empt the

⁸⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 32]* 23 November 2011 [accessed 19 December 2011]

⁸⁸ HSG 03, p2

market back in 2008-09, but we are now paying for that, because there is no new social housing grant available.”⁸⁹

107. The Committee heard evidence that the amount of SHG that is required to support a development varies depending on what type of affordable housing is to be provided. Social rented housing requires the highest subsidy of SHG, typically 58 per cent. Low cost home ownership, such as Homebuy requires a grant level of between 30 and 50 per cent. The Committee heard evidence that the type of affordable housing that requires the lowest level of subsidy was intermediate rent at 25 per cent. Intermediate rent is discussed in more detail below.

108. The Wales Rural Housing Enabler Network suggested that a proportion of SHG should be ring-fenced exclusively for small scale rural developments.⁹⁰ Powys Affordable Housing Partnership felt that the Welsh Government’s Acceptable Cost Guidance, which determines whether developments costs are acceptable for grant purposes, limited the effectiveness of SHG in rural areas.⁹¹ This point was echoed by Gwynedd Council.⁹²

109. The question as to whether SHG provided value for money was raised in written evidence by an RSL:

“There is a real question as to whether social housing grant is being used as effectively as it could be. There is insufficient examination of value for money and insufficient competition within the system to secure the largest amount of new housing with the lowest level of grant whilst maintaining rents at affordable levels.

[...]

“Extra care schemes [which are funded by SHG] are poor value for money and there should be a complete rethink on the model. An example is a scheme costing £6million which houses just 12 people with high needs.”⁹³

⁸⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 264]* 23 November 2011 [accessed 19 December 2011]

⁹⁰ HSG 04, pp1-2

⁹¹ HSG 11, p1

⁹² HSG 20, p1

⁹³ HSG 05, p1

Intermediate rent

110. Intermediate rents can be as high as 80 per cent of market rental levels. Some concerns were expressed by witnesses that the Welsh Government should not follow the approach being taken in England where most new affordable housing is provided at intermediate rent.

111. While it was accepted by witnesses that the intermediate rental model delivered good value for the Welsh Government through the SHG programme, there was common desire expressed through most of the evidence that that this should not be at the expense of traditional social rented housing. A contrast was drawn by many witnesses with developments in England, where existing social rented housing is being turned into intermediate rent when it becomes vacant to meet general housing needs. Professor Wilcox noted that intermediate rent in Wales was only being targeted at households with intermediate incomes and contrasted this with policy in England.

112. CIH Cymru noted that intermediate rent was already present in Wales and, in particular, that the Welsh Housing Partnership:

“...move us into territory where we are looking at above-normal social housing rents.”⁹⁴

113. The Welsh Housing Partnership has provided around 150 homes at an intermediate rent. The project received SHG, but the majority of the finance came from the Principality Building Society. Peter Hughes, Head of Commercial Lending at the Principality, said he was working with the Welsh Government to explore the potential for replicating this project.⁹⁵

114. The Welsh Model for intermediate rent, Rent First, allows an occupier to purchase the property if their circumstances change. Professor Wilcox suggested that once the mortgage market improved it would be better to distinguish between rental schemes and low cost home ownership schemes.

115. Some members of the Committee expressed concern that intermediate rental products would disproportionately benefit parts of Wales where incomes were higher. Professor Wilcox agreed that households that would benefit from intermediate rental products would be distributed unevenly:

⁹⁴ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 19]* 3 November 2011 [accessed 19 December 2011]

⁹⁵ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 14]* 7 December 2011 [accessed 19 December 2011]

“The logical two-tier system is about targeting intermediate housing products, whether they are renting, sharing, shared ownership or whatever, for those households in the intermediate income bands. The number of households that are in those intermediate income bands will vary from one area to another. The relationship between earnings and house prices is variable across Wales. So, that kind of programme would be uneven, but it is logical that it should be uneven.”⁹⁶

116. Witnesses generally accepted that intermediate rental products should have a place within a range of affordable housing options that should be made available to households. CIH Cymru agreed that it should play a role within a ‘toolbox of options’.⁹⁷ Similarly, Shelter Cymru urged a ‘whole system view’ noting in particular ‘frustrated first time buyers’ and the pressure on the private rented sector at the moment.⁹⁸

117. The potential of intermediate rental products to provide another option for would-be first time buyers, and to ease pressure on social housing waiting lists, was acknowledged by Community Housing Cymru who noted:

“On the intermediate housing market product, at least you can see the relationship, in a sense: if you have a waiting list that includes people who are working, who are on low incomes and are unlikely to gain access to social housing based on need, but cannot afford owner occupation — they cannot get a mortgage—there is no doubt that the intermediate market rental product has a place in a housing market.”⁹⁹

118. CHC suggested that intermediate rental products could in future account for around 20 per cent of the market,¹⁰⁰ but went on to emphasise that any focus on intermediate rental products should not be at the expense of a whole system approach.¹⁰¹

⁹⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 88]* 3 November 2011 [accessed 19 December 2011]

⁹⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 25]* 3 November 2011 [accessed 19 December 2011]

⁹⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 110]* 3 November 2011 [accessed 19 December 2011]

⁹⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 12-13]* 9 November 2011 [accessed 19 December 2011]

¹⁰⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 16]* 9 November 2011 [accessed 19 December 2011]

¹⁰¹ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 12-13]* 9 November 2011 [accessed 19 December 2011]

119. The Welsh Tenants Federation also saw a place for intermediate rent, but saw other priorities for the use of SHG.¹⁰²

120. The WLGA suggested that intermediate housing addressed housing aspiration rather than housing need and called for a debate about the role of social housing in Wales.¹⁰³ This was echoed by Shelter Cymru who said in written evidence:

“The current and predicted future pressures on the housing system make it an appropriate time to clarify the purpose of affordable housing. There are a wide range of models of affordable provision, some of which are only slightly more affordable than market rents or mortgages.”¹⁰⁴

121. Gwynedd Council made a similar point:

“...while considering maximizing the use of the [social housing] grant, we will need to ask the question whether we are really targeting those in genuine need of affordable housing by providing intermediate rent units.”¹⁰⁵

122. Professor Wilcox believed that many of the households with intermediate incomes were frustrated first time buyers rather than people who aspired to intermediate rent.¹⁰⁶

123. A local authority commented in written evidence that it saw some risks in the intermediate rent model, and that the Welsh Government should ensure it is closely monitored:

“... the danger of this product is that housing associations don't use it for its intended purpose, as a mechanism of helping people in to homeownership, but use it as a way of increasing rental income from their developments. A review of all Pilot Intermediate Rent schemes should be concluded by WG.”¹⁰⁷

¹⁰² National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 114]* 9 November 2011 [accessed 19 December 2011]

¹⁰³ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 180]* 23 November 2011 [accessed 19 December 2011]

¹⁰⁴ HSG 29, p1

¹⁰⁵ HSG 20, p1

¹⁰⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 68]* 3 November 2011 [accessed 19 December 2011]

¹⁰⁷ HSG 03, p2

124. The same local authority felt that the pressure for developments to contain a proportion of intermediate rental homes would impact negatively on people in the greatest housing need:

“...those in greatest housing need are in danger of being squeezed by affordable rents that are being devised to make developments viable.”¹⁰⁸

125. The potential for initiatives such as intermediate rent to cross-subsidise other forms of affordable housing was also noted by witnesses.¹⁰⁹

Rent Levels

126. The levels of rent in social housing were noted by a number of witnesses. Higher rent levels would generate more income and allow increased investment in affordable housing. A Rural Housing Enabler noted that increased provision of intermediate rental homes would require less subsidy than traditional social housing. However, they called for clarity from the Welsh Government as to when and where intermediate rental schemes are acceptable.¹¹⁰

127. The City and County of Swansea also noted the impact of rent levels on the supply of affordable housing:

“Clearly if lower rents are specified, fewer affordable homes can be provided for the same level of subsidy but this should be up to the relevant local authority to decide based on a thorough analysis of housing need and supply in the area of the development.”¹¹¹

128. Community Housing Cymru (CHC) called for housing associations to be given more freedom to determine their own rent levels. At present, the Welsh Government exerts significant controls over both housing association and local authority rent levels. Nick Bennett, chief executive of CHC said in oral evidence:

“Some of our members have done some modelling, which was very useful and demonstrated that for [a rent] increase of 3 per cent you could increase supply by 1,000 units. If we are going to see a massive reduction in capital grant funding over the next few years and we are

¹⁰⁸ HSG 03, p2

¹⁰⁹ HSG 12, p2

¹¹⁰ HSG 18, p2

¹¹¹ HSG 23, p2

going to try to sustain the level of supply, what can we throw into the mix?"¹¹²

129. The Welsh Government has a policy of rent convergence, which aims to bring local authority rents in line with housing association rents which tend to be higher. This means local authority rents will be raised more rapidly than housing association rents until convergence is achieved. On this issue, Professor Wilcox commented:

"That is not good news for housing associations that want higher rent in order to subsidise new development."¹¹³

Mortgage Indemnity Scheme

130. A mortgage indemnity scheme is where a portion of the purchase cost of a property is underwritten. This guarantee can be used to cover part or all of a deposit and can enable buyers who can afford a mortgage but who do not have a sufficient deposit to access the market.

131. The difficulties faced by first time buyers were acknowledged throughout the inquiry. The focus of the evidence was not on house prices and income multiples, but rather on access to mortgages and deposits. The current requirements of mortgage lenders for substantial deposits have meant there is now a 'deposit barrier' to home ownership.

132. A number of would-be first time buyers took the time to provide written evidence to the inquiry. One called for more co-operation between government at all levels and the financial and construction sectors:

"I believe both central and local governments should be doing more to tackle the issues mentioned by working with financial institutions and housing developers whose priority at the moment is to shore up balance sheets rather than lend or invest in first time buyers."¹¹⁴

133. Another submission called for restrictions on housing association tenants being able to buy the home they rent to be relaxed.¹¹⁵

134. The CML outlined one of the reasons why such large deposits are required by lenders:

¹¹² National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 57] 9 November 2011 [accessed 19 December 2011]

¹¹³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 69] 3 November 2011 [accessed 19 December 2011]

¹¹⁴ HSG 01

¹¹⁵ HSG 02

“...one of the reasons lenders find it hard to lend above, say, 80 per cent loan to value is that they have to put more capital aside for lending above that level. Therefore, that becomes more expensive for the banks. That cost is then passed on to the borrower, and everyone loses in that dimension.”¹¹⁶

135. One way of overcoming this deposit barrier that was identified in the evidence were mortgage indemnity schemes operated by central or local government. The UK Government recently announced an indemnity scheme in England for up to 100,000 new build homes. This would allow lenders to provide mortgages of up to 95 per cent with the home builders, UK Government and home builders providing an indemnity to lenders.

136. The CML noted that this new scheme in England is relatively low risk to the government, as it is the builders’ indemnity that is called on first. The CML felt that a similar scheme could be introduced to Wales and commented:

“The Government subsidy is, in effect, only called on if the subsidy that is put in by the builder fails to be sufficient. So, in all ways, we see this as a particularly good scheme and one that we think will be sustainable for a good few years.”¹¹⁷

137. The Principality echoed this view:

“We believe that a variant of this scheme could work effectively in Wales, and that it might not be as onerous for taxpayers in Wales. The key criterion is to be able to get house builders onside. Like a lot of lending initiatives, the greater the scale involved, the greater the ability of lenders to resource up and provide products, if they know that there will be a much bigger market for them.”¹¹⁸

138. Professor Wilcox noted that mortgage indemnity schemes such as this are not new, and local authority guarantees for mortgages were common in the 1970s prior to deregulation of the financial sector. He went on to state that:

¹¹⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 20] 7 December 2011 [accessed 19 December 2011]

¹¹⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 16-17] 7 December 2011 [accessed 19 December 2011]

¹¹⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 22] 7 December 2011 [accessed 19 December 2011]

“Where it is the deposit that is the barrier rather than pure income, [an indemnity scheme] is far more appropriate than some form of shared equity or shared ownership.”¹¹⁹

139. The Wales Rural Housing Enabler Network called for more uniform action in this area:

“There is a need for a wider standardised initiative to underwrite or guarantee mortgages for FTB’s, regardless of lender.”¹²⁰

Minister’s View

140. In relation to access public subsidy for affordable housing, in “Meeting the Housing Challenge, the Minister recognises the need for innovation and says that:

“The challenge here is to expand the supply of housing in the current financial situation. With private investment slowing, and UK government pressure on the Welsh Government’s budget a huge factor, and capital budgets slashed, we need to find new ways to respond. The answer has to be that we expand our range of options, when it comes to financing housing initiatives, beyond those traditionally accepted.”

141. On rent levels, the Minister says the following in “Meeting the Housing Challenge”:¹²¹

“It should reflect affordability to the tenant as well as the opportunity for social landlords to invest not only in existing housing but also in new housing stock as one means of addressing the housing supply issues highlighted elsewhere in this paper. This is a tension in itself and there is no easy answer. We have social and intermediate rent within Wales now but we should look further afield to see what we can learn from others, such as the Scottish commitment to 'mid-market rent'. The development of the Housing Bill will involve discussions on rents, which will feed into the work that is already in hand on proposals for a national rents policy”.

¹¹⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 68] 3 November 2011 [accessed 19 December 2011]

¹²⁰ HSG 04, p2

¹²¹ <http://wales.gov.uk/about/cabinet/cabinetstatements/2011/housing/?lang=en>

142. In oral evidence, the Minister was clear his view that intermediate rental products should form part of any strategy to deliver more affordable housing:

“The intermediate rent model is attractive because, of course, we can make public subsidy go further, and the social housing grant can travel a lot further. It also answers the needs of a growing proportion of the population that might not necessarily need the ultimate security of social rented housing, but is still locked out, for the time being, from private ownership, or even forms of market rent, because of the current economic situation and the attitude of mortgage lenders. Intermediate rent is not a threat—it is an opportunity that we need to exploit as much as possible.”¹²²

Committee’s View

143. It is imperative that, in difficult economic times, as much as possible is done to ensure value for public money in delivering policy objectives. We acknowledge and welcome the fact that the Welsh Government is exploring these issues and alternative approaches for the use of public money. We would encourage the Welsh Government, Local Authorities, RSLs and lenders to make this a priority.

144. We acknowledge that intermediate rent can play a role in a “whole system” approach, but recognise the concerns that intermediate rent does not serve those most in need of affordable housing. On that basis, we believe that the Welsh Government should monitor this policy closely to ensure it is an effective use of public funds and to model the impact that this policy may have on the wider market in the medium to long term.

145. We received evidence of the effectiveness of mortgage-indemnity schemes being run by Local Authorities and we feel that this approach should be explored on a Wales-wide basis.

146. We acknowledge the Minister’s view that there is “no easy answer” to the question of rent levels. However, we feel that there is merit in CHC’s suggestion that housing association rent levels should be more flexible, and that wider benefits could be reaped from such measures. We feel that the Welsh Government should explore this option in more detail as it formulates a new rents policy following the consultation it held recently.

¹²² National Assembly for Wales, Communities, Equality and Local Government Committee, *RoP [para 272]* 23 November 2011 [accessed 19 December 2011]

Recommendation 10: The Welsh Government should work with Local Authorities, Registered Social Landlords and mortgage lenders to identify best value from scarce public subsidy and ensure that all options for alternative sources of public funding are explored.

Recommendation 11: The Welsh Government should closely monitor its intermediate rent model, to ensure that it is fit for purpose.

Recommendation 12: The Welsh Government should explore the introduction of a Wales-wide mortgage indemnity scheme, and should report back to the Assembly on its conclusions at the earliest opportunity.

Private finance

147. The inquiry heard of a number of initiatives that could provide access to funding for affordable housing. The Welsh Housing Partnership is already in existence and will provide 150 homes at an intermediate rent. These are existing properties that will be purchased by the partnership. Nick Bennett, Chief Executive of Community Housing Cymru commented:

“...we have high hopes that it will be a success and that it can justify more public investment, because the leverage is so high. For every £1 that it receives, it is leveraging in another £4 of private money, and some not for profit equity has also been put into the scheme.”¹²³

148. Nick Bennett emphasised that the RSL sector is seen as very low risk by potential investors such as pension funds and the life market, primarily because of the new regulatory regime introduced by the Welsh Government.¹²⁴

149. CHC told the Committee that it advocated a move away from traditional loans, to special purpose vehicles and bond issues. Nick Bennett told the Committee that at present 90 per cent of long term borrowing in Wales is with five or six banks, and that there is a need to diversify.¹²⁵ He went on to

¹²³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 24] 9 November 2011 [accessed 19 December 2011]

¹²⁴ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 28] 9 November 2011 [accessed 19 December 2011]

¹²⁵ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 29] 9 November 2011 [accessed 19 December 2011]

tell the Committee that a Welsh Housing Bond is likely to launch early in 2012.¹²⁶ He commented:

“We face a practical problem in Wales in that our housing associations tend to be smaller and more community-facing. In England, some of them are big enough to go on their own to the bond market and go for a £200 million bond issue. We do not have any individual associations in Wales that could head to the bond market and seek that level of finance tomorrow or next week. So, we have to get together a range of associations that are in need of that type of finance and that are going to be hungry enough for that finance at around about the same time.”¹²⁷

150. Cadwyn Housing Association, based in Cardiff, noted the prospect of the Welsh Housing Bond in its written evidence, but felt that it would simply replace what has been lost by the cuts in public subsidy and would not provide additional money.¹²⁸

151. The Committee heard that the housing association sector already has some experience of raising finance through bond issues as it established Moneyline Cymru in this way.¹²⁹ Moneyline Cymru is a community finance development institution (CFDI) which provides loans to financially excluded groups.

152. However, one witness from the construction industry saw housing associations as risk averse, and unwilling to take a long term view of their investment.¹³⁰ This contrasted somewhat with the view from the sector itself which highlighted some of the regulatory constraints within which it operates, including restrictions on what rents it can levy and the amount of grant it can receive for developments.

153. Wrexham County Borough Council highlighted the potential for tension between the public sector and the financial sector which it felt often had different objectives:

¹²⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 29] 9 November 2011 [accessed 19 December 2011]

¹²⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 34] 9 November 2011 [accessed 19 December 2011]

¹²⁸ HSG 07, p2

¹²⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 29] 9 November 2011 [accessed 19 December 2011]

¹³⁰ HSG 12, p2

“...homebuilders and finance providers are primarily driven by market conditions, and are not necessarily motivated to work in collaboration with the aims of RSLs and local authorities – an example of this is lenders’ perception of greater risk attaching to affordable housing sales leading to reluctance to provide mortgages and requirement for high deposit payments that effectively make properties unaffordable.”¹³¹

154. The view from the financial sector was that there were ample resources ready to be invested from pension funds. Peter Hughes from the Principality commented:

“...the capital market and pension funds have abundant amounts to invest. They see social housing or various forms of housing as a good way for them to invest money. Traditionally, the terms tend to be index linked—rents tend to be index linked upwards—the credit rating for the sector is extremely strong and, bearing in mind that banks are struggling to lend for the long term, tapping capital markets that could provide much longer-term sources of funding is a realistic and sensible way forward for the housing associations and the Welsh Government to promote.”¹³²

Minister’s View

155. The Minister said that the Welsh Government were considering other options for attracting investment including its ‘insurance captive’ idea and looking at models that operate in other countries, including Scotland.¹³³

Committee’s View

156. We feel that private finance is vital in delivering sufficient house building and would encourage the Welsh Government to work with stakeholders and the sector to devise innovative approaches to alternative sources of funding. Recommendation 9 in this Report addresses the issue of alternative sources of funding.

Co-operatives and Community Land Trusts

157. The Minister has already stated his support for co-operative housing solutions on many occasions, and has now formed a task and finish group to

¹³¹ HSG 09, p1

¹³² National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 56] 7 December 2011 [accessed 19 December 2011]

¹³³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 271] 9 November 2011 [accessed 19 December 2011]

explore this policy area. This group's remit is not limited to affordable housing.¹³⁴ There was support from a number of witnesses, including TPAS Cymru who saw co-operative housing as an opportunity to increase the mobility of households:

“It's not about the sale of individually owned properties, and therefore this increases the mobility of households within the sector.”¹³⁵

158. The Wales Co-operative Centre informed the Committee that there are particularly strong co-operative sectors in Scandinavia, Germany, Austria and Turkey.¹³⁶ In Wales, the Committee heard that nearest Wales has to co-operative housing is the Community Housing Mutual model adopted by some of the housing associations created by stock transfers, which are founded upon co-operative principles.

159. Shelter Cymru felt that the development of housing co-ops would be facilitated by a secondary co-op:

“These are standing organisations that have quite a wide-ranging role, from providing advice and support right through to the development of accommodation that is then leased on to smaller local housing co-operatives. There is another layer in the infrastructure. The Wales Co-operative Centre would probably be the first place that someone would ring if they were looking for support. Currently, it does not have a great deal of expertise in this area, but it is well placed to site and signpost expertise. The next step is an advice and support resource in Wales for those who are considering developing a housing coop.”¹³⁷

160. There was a considerable degree of scepticism about the role co-operative housing was likely to play in meeting housing needs in Wales. Community Housing Cymru saw co-ops as playing a relatively minor role:

“Are they significant in the context of the broader strategic issues facing the housing system in Wales? Probably not.”¹³⁸

¹³⁴ [WLGA Housing Update](#), December 2011 [accessed 19 January 2012]

¹³⁵ HSG 24, p4

¹³⁶ HSG 22, p2

¹³⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 155] 3 November 2011 [accessed 19 December 2011]

¹³⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 42] 9 November 2011 [accessed 19 December 2011]

161. The Welsh Tenants' Federation felt that co-ops could be expensive to establish, and unless they were on a significant scale they may find it difficult to attract private finance.¹³⁹ This echoes some of the concerns noted earlier that the relatively small size of housing organisations in Wales makes it difficult for individual organisations to provide the scale that would attract investors.

162. The Principality was wary of committing itself to supporting co-operative housing which it saw as 'enormously complex':

"If I am not able to explain a product to a consumer even though I work in the financial services sector, then that is not a good place in which to be. Some of the solutions that we have found seem to be enormously complex. If things like negative equity begin to emerge, that can be tortuously difficult to unlock in a co-operative structure."¹⁴⁰

163. In a similar vein, the Council of Mortgage Lenders warned of 'initiative overload'.¹⁴¹

164. The Committee took written evidence from Bron Afon Community Homes cautioning against diverting resources without any guarantee of additional affordable homes being provided:

"Community Land Trusts can provide an alternative ownership model but will make little or no difference to the amount of affordable housing in Wales because they will simply divert existing resources to a different form of provision with no additional housing being produced.

"Similarly rental cooperatives will not make any difference to the quantity of affordable housing for the same reason."¹⁴²

165. Another housing association, Cadwyn, echoed these concerns and noted that there was a pressing need for action:

¹³⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 135] 9 November 2011 [accessed 19 December 2011]

¹⁴⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 49] 7 December 2011 [accessed 19 December 2011]

¹⁴¹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 53] 7 December 2011 [accessed 19 December 2011]

¹⁴² HSG 05, p3

“To build interest will take significant marketing resources and a sustained long term plan. The housing crisis is with us now.”¹⁴³

166. Pembrokeshire Coast National Park also recognised the difficulties in establishing a Community Land Trust, but advocated more support from the Welsh Government rather than abandoning the concept.¹⁴⁴ Powys Affordable Housing Partnership saw partnerships with housing associations as the way to deliver truly affordable homes through Community Land Trusts.¹⁴⁵

167. The City and County of Swansea saw Community Land Trusts making little impact at a ‘macro level’.¹⁴⁶

Committee’s View

168. We feel that the development of co-operatives and land trusts are a good idea in principle and can form an important part of a “whole-system” approach, but note the evidence we received that they will not have a significant impact on the provision of affordable housing.

Recommendation 13: The Welsh Government should continue its work around co-operatives and land trusts, and report back to the Assembly on progress.

¹⁴³ HSG 07, p2

¹⁴⁴ HSG 08, p1

¹⁴⁵ HSG 11, p3

¹⁴⁶ HSG 23, p3

5. Welfare Reform

169. The impact upon the housing market in Wales of the UK Government's welfare reforms was mentioned by numerous witnesses.

Direct payments

170. Housing associations had particular concerns that the incorporation of housing benefit into a new universal credit in 2013. Nick Bennett from Community Housing Cymru articulated these concerns:

“One of the most critical issues for us with regard to welfare reform is the proposal from the coalition in Whitehall to pay rent directly to tenants, and to remove the current preference of 90 per cent of tenants for their rent to be paid directly to the landlord. According to the lenders, this will increase risk and they would have to charge 1 per cent more for finance. Now is not the time to be creating additional costs for private finance.”¹⁴⁷

171. The Council of Mortgage Lenders lent weight to this view:

“Although we had a broad assurance that lenders' revenue streams would be protected and that the scheme would be designed in that way—and those assurances continue to be given—we are, nevertheless, concerned about the impact of the way in which welfare reform and universal credit is being set up, and the fact that tenants, in effect, will be paid monthly in arrears and will not have the same access to direct rent payments as they have now.”¹⁴⁸

172. The CML went on to suggest that only the larger housing associations would be able to get the very best rates from the bond market in future if direct payment to tenants went ahead.¹⁴⁹ This may present difficulties for Welsh housing associations which some witnesses have said are too small to go to the bond markets on an individual basis.

173. The Welsh Tenants' Federation said that it believed a lot of tenants were happy for their housing benefit to be paid directly to their landlord, and that

¹⁴⁷ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 58] 9 November 2011 [accessed 19 December 2011]

¹⁴⁸ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 63] 7 December 2011 [accessed 19 December 2011]

¹⁴⁹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 66] 7 December 2011 [accessed 19 December 2011]

this helps with household budgeting.¹⁵⁰ This view was supported by the Minister who stated:

“...I cannot fathom why there is such a commitment on the part of the UK Government to tear up the current situation.”¹⁵¹

174. The Department for Work and Pensions did not provide evidence to the inquiry, but has acknowledged concerns within the housing sector about effects on revenue streams:

“There are advantages in paying the housing component to individuals, rather than the current system of payments direct to landlords. This would encourage people to manage their own budget in the same way as other households. However, we also recognise the importance of stable rental income for social landlords to support the delivery of new homes and will develop Universal Credit in a way that protects their financial position. Options for achieving this could include some ongoing use of direct payments to landlords, use of direct debits, and a protection mechanism which safeguards landlords’ income. We will work closely with the devolved administrations, providers and lenders in developing the new system.”¹⁵²

175. There was also concern from local government, not simply because their income streams could be affected, but because of the impact it could have on other local services, such as rising homelessness. Steve Thomas, chief executive of the WLGA, also highlighted the current proposal for the housing element of universal credit to be administered centrally, so local government will no longer have an administration role.¹⁵³ That specific point was echoed by Community Housing Cymru who were concerned that:

“Local accountability and verification, and the partnership working between associations and local government will disappear.”¹⁵⁴

¹⁵⁰ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 141] 9 November 2011 [accessed 19 December 2011]

¹⁵¹ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 310] 23 November 2011 [accessed 19 December 2011]

¹⁵² Department for Work and Pensions, [*Universal Credit: A new approach to welfare*](#), November 2010, p20

¹⁵³ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 208] 23 November 2011 [accessed 19 December 2011]

¹⁵⁴ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 61] 9 November 2011 [accessed 19 December 2011]

176. However, the inquiry took evidence from Professor Wilcox from the University of York who dismissed concerns of social landlords. He said:

“On direct payments, there are two issues. First, there will be a default mechanism in that when a tenant moves into arrears, direct payments will then be made to the landlord, which will cap the exposure of landlords to rent arrears. Secondly, the universal credit offers landlords the prospect of a better safety net than the housing benefit scheme. In the housing benefit scheme, if there is a deduction from the housing benefit, because of the size of the property or because of non-dependant deductions, it is only the net housing benefit that can be paid directly to the landlord. In the context of universal credit, it would be possible for the full amount of eligible rent to be paid to the landlord, with the claimant left to manage reductions related to non-dependent deductions or size limits. This is still problematic for claimants, but it is more manageable in terms of the business plans of social landlords. In broad terms, there are important issues for households around wealth benefits, but not so much for landlords”.

Underoccupation and Downsizing

177. Another potential threat to the revenue streams of housing associations is the reduction in housing benefit for people of working age who under-occupy social housing. This proposal has been referred to as the ‘bedroom tax’. Shelter Cymru provided some more detail about its potential effects:

“The introduction of under-occupancy cuts to Housing Benefit in 2013 will cut the income of 42 per cent of working age claimants in the social rented sector.”

178. Making better use of existing homes by freeing up under-occupied homes was mentioned by a number of witnesses. There was some overlap with discussion of housing benefit reforms that will penalise under-occupation of social housing by working age claimants.

179. The Welsh Tenants’ Federation has been campaigning for a fairer scheme for downsizing since 2008. They advocate a scheme with a degree of flexibility, rather than one that will simply meet the immediate needs of the occupier, e.g. providing a spare bedroom for visitors.¹⁵⁵

¹⁵⁵ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 126] 9 November 2011 [accessed 19 December 2011]

180. Shelter Cymru also supported a fair scheme for downsizing, but as with the WTF, were opposed to any form of compulsion. They suggested that a compensation scheme similar to that which operates for compulsory purchase could provide the necessary incentive.¹⁵⁶ As downsizing is an issue that appears to primarily affect older people, Sue Essex suggested in written evidence that it should be looked at as part of a wider assessment of older peoples housing needs:

“There is a need across Wales to bring forward a comprehensive approach to older peoples housing both to better fit the needs of older people but also to help voluntarily release under-occupied affordable housing. Many local authorities are preparing their older peoples housing strategies but there will need to be considerable focus as to how these can be taken forward if change is to be achieved.”¹⁵⁷

Minister’s View

181. The Welsh Government has undertaken some research on the impact of welfare reform on the people of Wales.¹⁵⁸ This research was prepared for the Ministerial Task and Finish Group for Welfare Reform, of which the Minister for Housing is a member. Phase 1 of the research has been completed, with a second phase to report in due course.

Committee’s View

182. The Committee welcomes the proactive approach of the Welsh Government in keeping the impact of the reforms under review. We would encourage the Welsh Government to continue to do so, and to continue to keep this Committee and the Assembly updated on progress. We would also like to see the Welsh Government closely monitor the impact these changes could have on the revenue streams of social landlords.

Recommendation 14: The Welsh Government should continue to monitor the impact of welfare reforms and ensure that the Ministerial task and finish group fully considers the impact of these changes upon housing in Wales.

¹⁵⁶ National Assembly for Wales, Communities, Equality and Local Government Committee, RoP [para 126] 3 November 2011 [accessed 19 December 2011]

¹⁵⁷ HSG 31, p3

¹⁵⁸ <http://wales.gov.uk/topics/educationandskills/publications/reports/analysingreforms/?lang=en>

Witnesses

The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at

<http://www.senedd.assemblywales.org/ielIssueDetails.aspx?IId=2043&Opt=3>

03/11/2011

Keith Edwards, Director	Chartered Institute of Housing Cymru
Victoria Hiscocks, Policy and Public Affairs Manager	Chartered Institute of Housing Cymru
Professor Steve Wilcox	Centre for Housing Policy, The University of York
JJ Costello, Head of Strategy and Development	Shelter Cymru
Joy Kent, Director	Cymorth Cymru
Sue Essex, Chair	Review into the delivery of affordable housing during the Third Assembly

09/11/2011

Peter Cahill, Chair	Community Housing Cymru
Nick Bennett, Group Chief Executive	Community Housing Cymru
Steve Clarke, Managing Director	Welsh Tenants Federation

23/11/2011

Richard Price, Planning and Policy Advisor	Home Builders Federation
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Andrew Crompton, Regional Land Director at Persimmon Homes	Home Builders Federation
Dr Roisin Willmott, National Director	Royal Town Planning Institute
Steve Thomas, Chief Executive	Welsh Local Government Association
Cllr Dyfed Edwards, WLGA Housing Spokesperson and leader of Gwynedd CC	Welsh Local Government Association
Sue Finch, WLGA Housing Policy Officer	Welsh Local Government Association
Huw Lewis AM, Minister for Housing Regeneration and Heritage	Welsh Government
Ceri Breeze, Head of Housing Directorate	Welsh Government
Rhidian Jones, Senior Affordable Housing Officer	Welsh Government
<i>07/12/2011</i>	
Peter Hughes	Council of Mortgage Lenders
Peter Morton	Council of Mortgage Lenders

List of written evidence

The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at

<http://www.senedd.assemblywales.org/mglIssueHistoryHome.aspx?lId=2043>

<i>Organisation</i>	<i>Reference</i>
Mathew Richards	Hsg 01
Paul Jones and Nichola Carr	Hsg 02
Caerphilly County Borough Council	Hsg 03
Wales Rural Housing Enablers Network	Hsg 04
Bron Afon Community Housing	Hsg 05
Seren Group	Hsg 06
Cadwyn Housing Association	Hsg 07
Pembrokeshire Coast National Park Authority	Hsg 08
Wrexham County Borough Council	Hsg 09
Rural Housing Enabler, Monmouthshire & South Powys	Hsg 10
Powys Affordable Housing Partnership	Hsg 11
Leadbitter Western Housing Division	Hsg 12
Mid-Wales Housing Association	Hsg 13
Mid Powys Rural Housing Enabler	Hsg 14
Snowdonia National Park Authority	Hsg 15
Pembrokeshire Housing	Hsg 16
GENuS Consortium	Hsg 17
Ceredigion Rural Housing Enabler	Hsg 18
Diverse Cymru	Hsg 19
Gwynedd Council	Hsg 20
Savills (L&P) Limited	Hsg 21
Wales Co-operative Centre	Hsg 22
City and County of Swansea	Hsg 23

TPAS Cymru	Hsg 24
Professor Steve Wilcox, University of York	Hsg 25
Cymdeithas yr Iaith Gymraeg	Hsg 26
Age Cymru	Hsg 27
Chartered Institute of Housing Cymru	Hsg 28
Shelter Cymru	Hsg 29
Cymorth Cymru	Hsg 30
Sue Essex	Hsg 31
Community Housing Cymru	Hsg 32
Welsh Tenants Federation	Hsg 33
Home Builders Federation	Hsg 34
Royal Town Planning Institute	Hsg 35
Welsh Local Government Association	Hsg 36
Minister for Housing Regeneration and Heritage	Hsg 37
Council of Mortgage Lenders	Hsg 38
Institution of Chartered Surveyors	Hsg 39