

## **Response from the Welsh Government to the report of the Communities, Equality and Local Government Committee: Inquiry into the provision of affordable housing in Wales**

**May 2012**

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I would like to put on record my appreciation of the hard work carried out by the Communities, Equality and Local Government Committee in collecting the evidence and presenting the findings in their report. The work of this inquiry informed the development of the Housing White Paper and the key components to deliver our housing objectives over this term of Government are explained in my responses to the Committee's recommendations, which I very much welcome and support.

A decent and safe home is a fundamental human right and increasing housing supply and choice is a key commitment for this Government. As set out in the Programme for Government, our aim is to provide more affordable homes, better homes, and better housing services and support, particularly for vulnerable people.

There is great pressure to provide affordable housing across Wales and we are aware that there is not enough to meet the need. At the same time as Welsh Government budgets are reducing, the levels of housing need are increasing. Indeed, managing reducing budgets whilst continuing to deliver is a real challenge and it is therefore vital we make existing budgets stretch as far as we can whilst not losing a quality of service. I want to secure alternative ways of bringing new money into the housing sector and also new approaches to housing, such as co-operative housing and innovations such as the Welsh Housing Partnership and wider still to a Welsh Housing Bond.

To demonstrate my commitment to this, I have set housing delivery targets of 7500 additional affordable homes and 5000 empty properties to be brought back into use during the term of our Government. Within this, I also have ambitions for co-operative housing and affordable housing delivered on ex-public sector land. These targets are ambitious. However, it is vital that we provide this much needed housing, which will not only satisfy people's housing requirements, but will also create jobs and training opportunities and help stimulate the economy.

These include, continuing to direct capital investment through the Social Housing Grant Programme, make budgets go further by providing flexibility in grant rates to provide different rent models, continue to support initiatives such as the Welsh Housing Partnership and accelerating our programme for releasing surplus public sector land for housing. I also see new approaches to housing such as co-operative and mutual homeownership and projects such as the Special Purpose Vehicle at Ely Bridge, Cardiff, bringing us broader opportunities to deliver housing where it is needed. I am also working towards securing the best position to exit the Housing Revenue Account Subsidy system.

The recommendations contained in the report fit closely with our policy direction and I am pleased to be able to accept them all in full, or in principle. Full details of actions, both legislative and non-legislative are detailed in the Housing White Paper which I see as a statement of our commitment to housing and how we intend to innovate and

work together to deliver housing that is affordable, of a high standard and which meets people's needs.

The White Paper will address issues across the whole range of the housing sector, not just the availability of affordable homes and I am confident that partnership working, flexibility and determination to find new solutions, will meet the recommendations of this report.

## **Detailed Responses to the report's recommendations are set out below:**

### **Recommendation 1**

The Committee recommends that:

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.

### **Response : Accept**

The National Housing Strategy "Improving Lives and Communities – Homes in Wales" published in April 2010 had three priorities: providing more housing of the right type and offering more choice; improving the quality of homes and communities, and improving housing-related services and support, particularly for vulnerable people and minority groups. The Strategy was developed with the Welsh housing sector and its delivery is supported through them.

The Programme for Government reflects these key priorities and the delivery of these commitments is supported through an approach based on collaboration and co-production with the housing sector, built upon the recommendations in the 2008 Essex report on delivering affordable housing.

These priorities are also at the heart of our Housing White Paper which sets out an ambitious agenda for improvement in the housing sector for the remainder of this Assembly term. The White Paper sets a clear strategic direction and I look forward to receiving feedback from across the housing community and beyond to the challenges it sets out and the actions proposed.

**Financial Implications** – within existing budgets

### **Recommendation 2**

The Committee recommends that:

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.

### **Response : Accept in principle**

I have set a target of 7500 new additional affordable homes to be delivered during the term of our Government. Within this, I also have ambitions for co-operative housing and affordable housing delivered on ex-public sector land and I am setting a target of 500 for each to drive both of these forward.

Building new homes is important but so too is making best use of our existing homes, for example, bringing empty properties back into use. We have invested £10 million in the new 'Houses into Homes' national programme. This enables local authorities to offer interest free, recyclable loans to owners to renovate empty properties and return them to use as homes for sale or rent. I have set a target of 5000 empty properties to be brought back into use during the term of our Government as I believe this will have a real impact on many communities across Wales.

Housing statistics are gathered and published annually and these can be made available to the Committee as required to provide an update on progress with targets.

**Financial Implications** – within existing budgets

### **Recommendation 3**

The Committee recommends that:

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

**Response : Accept**

I agree with the Committee that partnership working should be effective and consistent and not simply an exercise to satisfy a message of collaborative policy making. I consider the structures such as our Housing Strategy Implementation Board, which has representatives from across the sector, as one such effective approach. New policy directions are normally developed via task and finish groups and ongoing partnerships such as those with the Council of Mortgage Lenders, the Housing Strategy Network and the six regional structures set up for the Supporting People Collaboration Committee.

**Financial Implications** – within existing budgets

### **Recommendation 4**

The Committee recommends that:

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.

**Response : Accept**

I accept this recommendation as the forthcoming Housing Bill will include proposals to introduce a mandatory licensing scheme with added accreditation for all landlords and letting agents that operate in the private rented sector in Wales. I understand that this covers two of the main recommendations in the 2011 report "*Making the most of the private rented housing sector*" and would be happy to update the Committee on the remaining recommendations at a suitable opportunity.

**Financial Implications** – within existing budgets.

### **Recommendation 5**

The Committee recommends that:

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.

### **Response : Accept**

The White paper makes clear my view that government should act as a 'system steward' for the housing system. This "system stewardship" role applies to the whole housing system. We cannot influence all aspects but a whole system approach helps us, and others, to identify where interventions are best made and where limited funds should be spent to best effect. This is important for housing supply, which relies on the contributions of both public and private sectors.

More specifically, we have previously provided updated Practice Guidance on delivering affordable housing using s106 agreements. The overall aim of this is to provide guidance to local authorities on how they can use the planning process to facilitate and bring forward development, whilst ensuring that they continue to deliver the maximum possible amount of affordable housing. This guidance covers issues such as:

- the negotiation and re-negotiation of s106 agreements;
- scheme re-design to bring forward the affordable housing provision (as a short-term measure to maintain development activity);
- reviewing obligations over different 'phases' of a scheme's development (but with mechanisms to avoid the abuse of any concessions granted);
- granting of short-life permissions that include a reduced level of planning obligations (including affordable housing); and
- a deferred payment mechanism.

In addition to this I see the strengthening of our work with local authorities and the Home Builders Federation as detailed in the previous recommendation, our continuing close working with Welsh Government colleagues in planning and looking at innovative ways to deliver housing such as that that has emerged at Ely Bridge,

Cardiff as examples of how we can support the development of affordable housing on sites with planning permission in place.

**Financial Implications** – within existing budgets

### **Recommendation 6**

The Committee recommends that:

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

### **Response : Accept**

This Government has already set up an all Wales Public Sector Property Database called e-PIMS (electronic property information and mapping service). It has recently been established and provides a platform adapted for Wales to ensure that resources and assets are developed and utilised to their full potential. It registers public sector land and buildings using an internet based system, also acting as a vacant property register within the public sector. In this way it should be possible to access vacant and potentially surplus public sector land and buildings; including those from local authorities.

In excess of 13,270 (14,250 including UK Government Estate) property holdings have been recorded in Wales and at present the Welsh Government has secured in excess of 80% participation across the Welsh Public sector.

The Vacant Space function is now directly available from ePIMS Lite which provides the ability to search and list current, future or potential vacant space property holdings.

I am committed to accelerating the land release programme by expanding the dedicated team dealing with land issues and ensuring more 'new' surplus sites come forward from other public agencies. Local authorities have a key role to play in identifying surplus land for housing development.

**Financial Implications** – within existing budgets

### **Recommendation 7**

The Committee recommends that:

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.

### **Response : Accept**

The Welsh Government has produced Practice Guidance to assist local authorities to deliver affordable housing using section 106 agreements. This provides step by step guidance to improving the development, negotiation and implementation of section

106 agreements. We have also published supplementary guidance which looks at how local authorities can use the planning process to facilitate and bring forward development in the current economic conditions, whilst ensuring that they continue to deliver the maximum possible amount of affordable housing.

The Housing White Paper makes clear our commitment to work with the Welsh Local Government Association, the Council of Mortgage Lenders and the Chartered Institute of Housing Cymru to provide further updated guidance for local planning authorities to effectively secure affordable housing via Section 106 agreements that is accessible and fundable for households and responds to the needs of the local population.

**Financial Implications** – within existing budgets

### **Recommendation 8**

The Committee recommends that:

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.

**Response : Accept**

I accept this recommendation. The Housing White Paper states that the Welsh Government will bring forward legislation, via the Housing Bill, to provide local authorities with a discretionary power to levy a higher rate of council tax on properties that have been empty for more than a year. We will consult upon the detail of the proposed legislation, such as the maximum amount of council tax which could be charged.

Decisions on whether to use the discretionary power and what rates to charge will be a matter for local authorities to determine alongside the consideration of their local circumstances. I would hope that authorities would use the extra receipts on addressing the problems of empty homes and other housing purposes. However, it is an established principle that local authorities decide their own priorities for spending council tax receipts.

**Financial Implications** – within existing budgets

### **Recommendation 9**

The Committee recommends that:

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

**Response : Accept**

I accept this recommendation, although this will not mean that we have a separate strategy for empty homes. Our programme for action on empty residential properties has been developed to ensure a strategic approach on this matter. I am pleased to confirm that we recently announced £10 million to support the Welsh Government's

national co-ordinated recyclable loan initiative to deal with empty properties in the private sector. The *Houses into Homes* initiative will provide loans for eligible owners of empty properties to bring them back into use for sale or rent.

The initiative is based on regional collaborative working between local authorities based on six identified areas and for the first time I have set targets for the number of empty dwellings in the private sector to be brought back into use. I will continue to update Assembly Members on progress in this area.

**Financial Implications** – The Welsh Government has allocated £10 million to support the *Houses into Homes* initiative in 2012-13.

### **Recommendation 10**

The Committee recommends that:

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.

### **Response : Accept**

The Wales Infrastructure Investment Plan for Growth and Jobs makes clear our commitment to maintaining investment in housing. It refers to a range of actions already underway to improve the productivity of the public funding available to support housing projects and deliver best value. We are also committed to developing innovative solutions to deliver social housing without grant. Actions to date have included:

- reducing the Social Housing Grant rate from 58% to 25% for intermediate rent projects such as Rent First and an even lower grant rate achieved for the Welsh Housing Partnership pilot this year of 19%.
- accelerating Land Release for housing including resourcing a dedicated team to take this forward.
- supporting Special Purpose Vehicles being used to deliver housing on public sector and Welsh Government land (as seen at Ely Bridge, Cardiff).
- developing new and innovative ways to access housing e.g. co-operative housing and mutual home ownership.
- working towards securing the best position to exit the Housing Revenue Account Subsidy system.
- consideration of a national mortgage indemnity scheme for Wales.

Maximising the benefits of these initiatives is dependent on maintaining efficient partnership working between local authorities, housing providers and funders and we remain committed to this.

**Financial Implications** – within existing budgets.

**Recommendation 11**

The Committee recommends that:

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

**Response : Accept**

The Intermediate Rent model, Rent First, was developed as part of the work flowing from the Essex Review and was developed in partnership with the housing sector. It is part of a whole system approach and is one of a number of ways of providing affordable rented housing. The opportunity for local authorities to include intermediate rent in their development programmes is now available in the social housing grant regime, but the decision to do so rests with the authorities drawing on evidence of need and demand for this type of housing in their area.

Initial take up of intermediate rent supported by social housing grant suggests around 10% of the national programme is being used for this rental product. However, it should also be recognised that a number of affordable housing providers are developing intermediate rent without any public subsidy.

We have also supported the development of the Welsh Housing Partnership, including a further £6 million to expand this initiative as announced recently. This is a collaborative funding vehicle for the delivery of intermediate rented housing. It is a jointly owned “Special Purpose Vehicle” owned by four housing associations that acquire properties and lease them back for intermediate rent. The partnership will deliver up to 450 homes.

An evaluation of the Partnership by an Independent Researcher is underway to assess its potential to grow and be replicated.

**Financial Implications** – the evaluation of the Welsh Housing Partnership is being funded from within existing budgets.

**Recommendation 12**

The Committee recommends that:

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.

**Response : Accept**

The Welsh Government is in the process of evaluating a mortgage guarantee scheme for Wales. We are looking at a scheme which would enable households who can afford mortgage repayments but not the high deposit, to purchase a property at a



higher loan to value ratio than would otherwise have been the case. It will be important that the detailed terms of any scheme are designed to suit Welsh circumstances. We recognise the importance of such schemes to boost confidence in the housing market and to stimulate the construction industry and relieve pressure on the social rented sector.

Further details are in the Housing White Paper and we will consider further details as part of the consultation process.

I am aware in addition that two local authorities in Wales have joined the Local Authority Mortgage Scheme which is administered by Capita. This allows a participating local authority to indemnify mortgages by placing money in an account as a guarantee in the case of the homeowner defaulting on the loan. This enables eligible house holds to access higher loan to value mortgages.

**Financial Implications** – Further analysis is being undertaken on costs and benefits as part of the development of this scheme in Wales.

### **Recommendation 13**

The Committee recommends that:

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

### **Response : Accept**

I have previously provided an update on this work to the Communities, Equality and Local Government Committee resulting from my General Scrutiny appearance on Thursday 29 March and will happily provide the committee with further updates on progress as required.

We have firm commitments in our Programme for Government to look at how we can support co-operative housing, including a new form of co-operative home ownership and have made a commitment in the White Paper to enable a new co-operative housing tenure.

There is a rich history of co-operative housing in Wales, going back to the Garden Village movement at the turn of the century and more recently the formation of community mutual's resulting from a number of large scale voluntary stock transfers.

We have brought together key stakeholders from both the housing and co-operative sectors to agree how we will approach this work and we have set out criteria that we think co-operative housing should meet in Wales. This includes how it will provide democratic and community based involvement, provide choice and flexibility as well as demonstrating the quality of place through social, economic and environmental sustainability.

The group has also been the conduit for a number of key pioneer co-operative housing schemes that range in size, location and type coming forward and we are working in conjunction with the Wales Co-operative Centre and a number of other key

stakeholders to explore how we can support these pioneer schemes, to bring forward delivery as soon as possible.

Some of these pioneers could make efficient use of surplus public land, including our own Welsh Government surplus land and alongside work we are doing to try and secure new sources of longer term funding for equity based co-operative housing, I am hopeful we can be innovative in our approach and provide a new affordable and sustainable way for people to live.

**Financial Implications** – are being considered as part of developing this approach to housing in Wales as different co-operative housing models may require different levels and types of Government intervention. Proposals will need to be considered in light of available resources.

### **Recommendation 14**

The Committee recommends that:

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.

### **Response : Accept**

Housing benefit is a non-devolved matter and remains the responsibility of the Department for Works and Pensions. The UK Coalition Government embarked on a programme of reform in April 2011, which culminates in the introduction of Universal Credit from October 2013. As a result of the April 2011 changes alone, 99+% of all housing benefit claimants in Wales will be worse off by an average of £9.00 per week.

From January 2012, single people under 35 will have their housing benefit restricted to the rate for a single room in a shared house. Approximately, 4,000 young people in Wales will be worse off on average by £24.00 per week. In addition to this, from April 2013, local housing allowance rates will be increased annually using the Consumer Prices Index, a benefit cap will be introduced and working age claimants in the social rented sector who are considered to have too many bedrooms for their use will have their benefit reduced.

The Welsh Government is continuing to be proactive in our approach to these issues and have embarked on a number of differing programmes to mitigate against the impacts including the First Minister's Ministerial task and finish group which will assess and monitor the implications of Welfare Reforms and consider the cumulative impacts across all Welsh Government policies.

**Financial Implications** – Revenue funding has been made available in the form of a Welsh Government contribution of £120,000 to a national research programme to understand more detail of the impact of the reforms in Wales.