

# Communities, Equality and Local Government Committee

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Meeting Venue:  
**Committee Room 2 – Senedd**

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Meeting date:  
**9 November 2011**

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Meeting time:  
**09:15**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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## Agenda

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**09.15 – 09.30 Private Pre Meeting**

- 1. Introductions, apologies and substitutions**
- 2. Inquiry into the provision of affordable housing**

**Community Housing Cymru (09.30 – 10.20) (Pages 1 – 12)**  
CELG(4)–08–11 : Paper 1

Nick Bennett, Group Chief Executive  
Peter Cahill, Chair

**Welsh Tenants Federation (10.20–11.05) (Pages 13 – 27)**  
CELG(4)–08–11 : Paper 2

Steve Clarke, Managing Director

**3. Papers to note (Pages 28 – 30)**  
Supplementary Information from ACPO Cymru  
CELG(4)–08–11 : Paper 3

# Agenda Item 2a

CELG(4)-08-11 : Paper 1



## The National Assembly for Wales Communities, Equality and Local Government Committee-Inquiry into the provision of affordable housing

### Community Housing Cymru

Community Housing Cymru (CHC) is the representative body for housing associations and community mutuels in Wales, which are all not-for profit organisations. Our members provide over 127,386 homes and related housing services across Wales. In 2010/11, our members directly employed 6,500 people and spent over 800 million in the Welsh economy<sup>1</sup>. Members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

Last year CHC formed a group structure with Care and Repair Cymru and the new Centre for Regeneration Excellence in Wales, in order to jointly champion not for profit housing, care and regeneration.

### Current Housing need

Recent statistics<sup>2</sup> show that there are over 90,000 people on social housing waiting lists in Wales and an estimated 284,000 additional homes are required in Wales between 2006 and 2026, which includes 101,000 homes from the social rented sector, to meet newly arising need and demand. First time buyers need higher deposits to secure a mortgage, which they often cannot access, and thus this increases the pressures on social housing.

Prices still remain too high in relation to average earnings for most first time buyers. This is a direct result of the supply side crisis. The rate of home ownership has declined in recent years due to the level of house prices, the need for larger deposits and stricter lending criteria set by banks, and there is a real risk of further falls in home ownership rates and we are already seeing rents rising in the private rented sector due to increased demand.

Housing associations have a track record for delivery - **they exceeded the One Wales target of building 6,500 additional affordable housing units in the third assembly term by 23%, building over 2,000 homes last year.** At the same time, private sector construction has been reduced from approximately 10,000 homes before the credit crunch to about 5,000 homes per annum.

After a period where housing association supply has been on the increase, we need to ensure that we protect supply during the most challenging funding environment for a generation. In 2007, the sector pledged to increase borrowing and investment by at least £112m in return for an independent policy review of its regulation, led by former Finance Minister Sue Essex. Four years on the sector has actually delivered over £300m of additional investment. **This would not have been possible without the Essex Review, particularly the regulatory freedom and the resources it brought.**

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<sup>1</sup> Welsh Economy Research Unit: The housing associations of Wales. Measuring the impact IV

<sup>2</sup> Alan Holmans and Sarah Monk: Housing demand and need in Wales 2006 to 2026



Despite resources becoming scarce, it is essential that the regulatory system in Wales continues to focus on outcomes. It is vital that the regulatory regime remains flexible, responsive and risk based with a focus on outcomes, financially viable with a strong emphasis on good governance.

### **A Target for policy focus**

CHC welcomes the pledge from Welsh Government to increase the supply of affordable housing in the programme of Government, but we regret the lack of a specific supply-based target. A tangible target is even more important at a time when social housing grant is being cut by up to 60% over the next four years, combined with the proposed benefit cuts from Westminster and loan re-pricing by the high street banks squeezing the viability of development. The Community Housing Cymru members have indicated their readiness to invest a quarter of a billion pounds to boost investment in the supply of social housing and care and regeneration projects in Wales. The investment will be dependent on a continued constructive partnership with the Welsh Government over the 2011-15 period.

**CHC would like to see a tangible specific supply-based target set, in partnership with Welsh Government and other key partners so that we can plan together to overcome cuts in public subsidy.**

### **Alternatives to public subsidy**

A study by the Welsh Economic Research Unit has shown that while the number of additional homes brought into use by non-SHG dropped significantly between 09/10 and 10/11 (399 in 09/10; 213 in 10/11), the number of homes brought into use by Social Housing Grant saw an increase of around 8% (1,740 in 09/10; 1,883 in 10/11) over the same period<sup>3</sup>. With the cut in SHG of up to 60% over the next four years, it is imperative that we look for new sources of funding if we are to meet the current supply crisis in Wales. However it's important to note at this point that a cut in Social Housing Grant does have a direct effect on rent levels and whilst 65% of the sector's tenants are not affected by a rise in rents as they receive Housing Benefit, 35% of our tenants are affected. We are in discussions with Welsh Government and are working continually to maximise the opportunities available to replenish the substantial deficit of grant available to build affordable homes.

During 2010, CHC and partners explored the possibility of setting up a Welsh Housing Investment Trust (WHIT) to investigate the option to create a Special Purpose Vehicle which would raise funds from the capital markets with individual associations subscribing for equity. That proposal was not progressed due to a range of technical reasons although there is still much enthusiasm regarding the use of a special purpose vehicle if it can deliver cheaper and smarter financing.

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<sup>3</sup> Welsh Economy Research Unit: The housing associations of Wales. Measuring the impact IV



## 1. The Welsh Housing Partnership

The Welsh Housing Partnership has since been established and is now in pilot phase. This innovative venture comprises of Coastal Group, Hendre Group, Seren Group and Cymdeithas Tai Clwyd who will work together to buy affordable homes for people to rent under one banner, the Welsh Housing Partnership. The aim of the Welsh Housing Partnership is to increase the supply of quality affordable homes to families who can't afford to buy their own homes. The Partnership will offer long term quality rental packages to tenants keen to rent one of these affordable homes in north or south Wales. In this pilot scheme, supported by the Welsh Government and Principality Building Society, the Welsh Housing Partnership aims to buy around 150 homes to rent during its first year.

The £16m project has been financed through a combination of £3m of Welsh Government grant funding, a £12m loan from Principality Building Society's Commercial Division and £1m of equity finance from the investors in the Welsh Housing Partnership.

## 2. Diversification

### Setting up subsidiaries

One other very positive consequence derived from freedoms granted to the sector in the wake of the Essex Review has been the increase in subsidiaries set up by the RSLs to undertake activity that the RSL can't undertake itself. This has allowed our members to diversify the services they provide and create income that supplements their core activities by Gift Aiding surplus back to the parent company.

One such member is North Wales Housing Association who is tackling the reduction in levels of social housing grant, by establishing a commercial subsidiary called Domus Cambria. Its primary purpose is to generate income for North Wales Housing through development activities that cannot be undertaken through NWH directly on account of its charitable status. Profits will be gift-aided to NWH to enable them to continue to provide homes and services for those in need.

Non social housing grant schemes providing intermediate rent units and homes for sale are likely to be the initial core activities for the company. Their first development will be on site within the next 6 weeks - 35 two bed apartments for sale to over 55s in Llandudno.

### **Welsh Housing Bond**

We are close to setting up a Welsh Housing Bond in Wales and hope to have something in place for 2012. CHC recently commissioned a study into innovative methods of raising finance in response to the Welsh Government's decision to reduce SHG by 35% over the next 3 years to around £70m per annum at a time when other pressures on the economy will increase the demand for additional social housing development. An external consultant, along with Finance Directors from housing associations, recommended areas for further exploration including:

- deploying unused borrowing facilities and capacity;
- accessing new sources of commercial funding;

- securing wider public funding support;
- development of partnerships with local authorities
- greater delivery of public services including health and social care.

Please refer to **Annex A** for a copy of the study recommendations<sup>4</sup>.

### 3. Publicly owned land

Making a clear and quantified commitment to make publicly owned land available for affordable housing at reasonable cost or no cost can act as a key form of public subsidy. The Welsh Government, Health Authorities and Local Authorities have a part to play in this and it will require leadership and determination from Government to free up housing providers to create quality, affordable homes, where they are most needed. The Public Sector's existing partnerships with RSLs are the key to creating volume in house building in conjunction with a supportive and innovative planning framework. An element of subsidy, either through land or capital grant will be the trigger for developing more affordable housing and stimulating growth in housing construction with the additional benefits this brings to the Welsh economy. CHC welcomes the commitment in the Labour manifesto to make public land available for affordable housing and it is important that this is translated into action. **We are of the opinion that there are no EU procurement impediments to a new partnership between public authorities and the third sector to make this happen.**

### 4. A Sustainable rents policy

The rent setting policy for social housing rents in Wales has evolved over a number of years and CHC believes that any rent setting policy needs to drive quality and sustainable housing supply to ensure transparency and provide reassurance for tenants that landlords are sustainable. This will also incentivise better housing standards in times of austerity. CHC recognises the uncertainty associated with the current system and the disparity between the rent setting policy for local authorities and that of housing associations. We also see the merits, for both local authorities and housing associations, of convergence with a target rent which still offers flexibility to set rents locally for individual properties.

It was clear from the work undertaken as part of the Essex Review that collectively the HA sector has the capacity to support additional borrowing to fund affordable housing. The key issue, however, was the lack of income to repay that additional borrowing. It was established that a relatively small increase in rents across all rents would generate that income. Based upon the research & financial modelling undertaken at that time (based on CHC's 2008 Global Accounts data) an average increase of £3/wk on all HA rents would generate sufficient income to support the cost of developing approximately 1000 homes without Social Housing Grant.

To give an example, one of our members Cynon Taf Community Housing Group has one of the lowest gearing ratios in Wales, and they have unencumbered assets against which they could borrow. However, the cap on their income (rents) which are the lowest in Wales currently mean that they cannot service any more debt. **This is an inefficient use of their assets, but the**

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<sup>4</sup> David Swallow-REPORT INTO INNOVATIVE FUNDING OPTIONS TO SUPPORT NEW SOCIAL HOUSING DEVELOPMENT

**proposed rent setting formulae merely exacerbates this problem.** Given on-going HRA reform and negotiations with Treasury, it will be important moving forward, to be clear about whether a national framework for rents between the sectors is an achievable and indeed desirable outcome, when matched against the strategic outcomes expected from Welsh Government

## 5. Collaborative Working

Promoting innovation in collaborative activities improves service outcomes and makes scarce resources stretch further. Relationships between RSLs and Local Authorities have been mixed with some working extremely well whilst others only improving slightly. There has been some concern relating to the changing role of the local authority due to stock transfers, from a housing management function to a strategic role in developing assessment of need and supply, and whether there is the capacity within the local authority to deliver on such a role.

However, it has been argued that the role of Local Authorities has also been strengthened so that they decide priorities for new development locally, and they are made more accountable for their decisions by the requirement to produce annual Affordable Housing Development Statements.

### Good practice examples

#### a. GENuS consortium

GENuS consortium comprises Monmouthshire Housing, Seren Group, Melin Homes, Tai Calon and Newport Housing Trust.

Since 2005 the consortium has built over 1000 new homes, bought almost 100 properties for rent, built more than 120 new homes without using public money, spent £175m on new affordable housing, secured loan facilities for £75m, invested almost £50m in bringing homes up to the Welsh Housing Quality Standard, saved more than £2.5 m in efficiencies which were invested straight back into our communities.

ILM scheme has given work experience to more than 100 people, with a further 50 through Future Jobs Fund, 2,800 jobs employed through partners or suppliers, and 30 apprenticeships with local business with a further 4 recruited in September.

Monmouthshire Housing alone since transfer has reduced CO2 emissions through heating and insulation by almost 5,000 tonnes this has to be added to a further 2,300 from other GENuS partners. MHA tenants will save almost £800k per annum as a result and partner's tenants will save £422,000 per annum.

Plans for the future include investment of £105m in affordable housing, build 1,200 new homes and spend well over £100m on meeting the Welsh Housing Quality Standard.

#### **b. Can Do Lettings Agency**

A good example of a local authority and housing association working well together is the Can Do Lettings Agency, which is part of Cadwyn Housing Association. This social lettings agency lets private properties to alleviate social housing waiting lists and is working closely with not only local authorities but also private landlords in managing and maintaining these properties at Local Housing Allowance rent levels. RSLs are operating this type of project in both North and South Wales. For example, Pennaf HA's subsidiary Offa is currently operating a scheme similar to Cadwyn's Can Do Lettings Agency.

#### **c. Gwalia HA and Value Wales**

Gwalia HA has worked in collaboration with Value Wales to introduce an e-procurement system into Gwalia. Gwalia previously had a paper based purchasing system and wanted to move to an electronic system. Funding was obtained via a Knowledge Transfer Partnership (KTP) in collaboration with the University of Glamorgan to fund a Procurement Officer who could investigate the market in this area and present a Business Case for an electronic system. The system Gwalia chose was the XchangeWales e-procurement system and they became the 'Pathfinder' organisation. Gwalia worked with Value Wales and their developers Procsolve to develop the system from March 2008 to our GO LIVE date of 1<sup>st</sup> February 2009. They were the first organisation in Wales to have the system and subsequently it has been rolled out to many local authorities, NHT Trusts, Police Authorities, schools etc.

As a direct result of the collaboration Gwalia has transformed its procurement activity both internally and also it has put them on a national stage. In real terms there have been a number of benefits. The main benefit being that Gwalia drastically streamlined their processes and process savings are indicated in the region of £678,000 (this is based on the number of order processed via the system and the National Audit Office figure of £31.50 savings per transaction). In addition to this there is an additional saving for every electronic invoice processed and this equates to over £200,000. Gwalia no longer needed a team of staff processing pieces of paper and following them around the building. The Procurement department was restructured and Gwalia now have a leaner structure saving the organisation approx. £40k pa on staffing costs. Staff were retrained into more strategic procurement functions again adding more value to the procurement function with Gwalia. Another benefit of the system is the quality of the management information derived from the system and the opportunity it gives you to re-establish relationships with suppliers.

#### **d. Stock transfer associations**

Large Scale Voluntary Transfer organisations generate millions in additional non-grant resources on the back of dowry received in stock transfer. For example this years total for dowry payments is £108m which will see over £430m in private sector investment. The total investment is therefore around £540m. This contributes hugely to the increase in supply of quality affordable homes, positive regeneration outcomes, local trading /enterprise growth, development of apprenticeship programmes, support for social enterprise and massive impacts on the energy efficiency of housing stock lifting many tenants out of fuel poverty.

**For further collaborative success in Wales we believe that the Essex work group conclusions should be implemented fully.**

## **6. Empty Homes**

It is imperative that housing providers and their partners work more effectively to make better use of existing stock such as the 26,000 empty properties and ensure that innovative funding initiatives are fully exploited,

The Homestep + Project is a collaboration between Rhondda Cynon Taff County Borough Council and Cynon Taf Community Housing Group. This project is targeted at first time buyers and empty homes. It uses a revolving pot of money with initial grant from the Heads of the Valleys SRA. Purchasers must be first time buyers who could not purchase without subsidy, and the property has to have been empty for twelve months or more. Money is used to purchase the property and undertake repairs to bring homes up to a reasonable standard that would attract a mortgage. The individual obtains a mortgage of 70% of market value (which substitutes for deposit), the grant meets the shortfall between market value and costs of acquiring empty plus the works and on resale/equity increase the 30% is repaid into the revolving pot to finance more purchases. This project combines a number of policy objectives, including widening the range of tenure choices, reducing demand on social housing registers by providing more appropriated tenure, and bringing empty properties into use.

## **7. Community Land Trusts (CLTs) and co-operatives**

Community Land Trusts can be an effective way of delivering affordable housing, and a number of RSLs are considering this method. For example, Castle Caereinion CLT has recently teamed up with Mid Wales Housing Association, Community Land Trust, Powys County Council and the Rural Housing Enabler to develop local affordable housing solutions. The development is anticipated to consist of 6 family houses and will be built on land at Swallows Meadow in Castle Caereinion which will be donated to the community by Powys County Council who acquired the land through a planning Section 106 Agreement some years ago. There is a specific commitment in One Wales to promote the expansion of Community Land Trusts throughout Wales and CHC would encourage this.

CLTs can offer a solution to help provide a route to affordable housing and inject new investment and opportunity by becoming an integral part of the community in which they are situated. Organisations such as 'Land for People' need to be utilised as they give support and advice to communities in Wales and they are assisting the current development of several CLT projects in Wales.

There is the potential in Wales to explore the cooperative housing model for the delivery of new affordable housing. In the UK, 0.6 per cent of homes are provided by cooperatives. In contrast, for example, Sweden has had a distinct cooperative housing tenure since 1920 and 18 per cent of homes are provided by cooperatives. Whilst there is potential in Wales to explore the cooperative housing model, it is not a solution in itself to meeting housing need across the whole housing sector in Wales.

## 8. Right to Buy

Right to Buy has resulted in a significant reduction in the amount of social housing available for rent in Wales by people in housing need. In some areas, particularly in rural communities, very few properties remain in the social housing stock. The number of vacancies in social housing has also continued to decrease as greater pressure is placed on the decreasing social housing stock. There is a risk that Right to Buy sales may impact on local authorities' efforts to deliver affordable housing in partnership with the Welsh Government. In areas of housing pressure, it is especially important to preserve social housing stock in order to meet the demands of people on modest incomes who are in housing need.

As noted in the explanatory memorandum to the housing (Wales) measure 2011, whilst the power to apply for suspension of the Right to Buy cannot itself create new affordable housing it can ensure that social housing provision is not reduced in areas of housing pressure, while other action is taken to expand it so that it is more closely aligned to demand in a local housing authority area.

### Other Key Issues affecting or affected by the supply crisis:

#### **Welfare Reform Bill**

The Welfare Reform Bill poses significant threats for tenants and RSLs in Wales. The reforms, which we believe will lead to higher rent arrears, increased homelessness and wider long-term social and economic problems, will have a direct impact on frontline housing and support services. Direct payments in particular could seriously threaten landlord revenue streams and their capacity to invest in new housing supply and wider community regeneration programmes. **Direct payment has reassured lenders that their investment in the sector is a relatively safe option - CML has already indicated that borrowing costs for the sector will rise by at least 1 percent if direct payments to tenants go ahead.**

The capacity of the sector to invest in new housing supply is also being threatened by proposals for housing benefit reform. Direct payment of housing benefit to landlords has been critical in enabling the sector to secure private finance from lenders who regard their investment as a relatively safe option.

In Wales, 40,000 social housing tenants are deemed to be under-occupying their property by having one or more spare room. The under-occupation proposal will see tenants receive a cut to the amount of benefit they receive. So where are these tenants going to go? Is there an abundance of one and two bed properties they can relocate to, and why shouldn't tenants have the right to have a home they can grow into? We believe this measure is punitive, poorly targeted and will do little to address the problems of overcrowding.

The combination of HB changes, lack of supply and lack of mortgage lending means that landlords have a pool of people willing to pay more than those on low incomes. One of our members Cadwyn Housing Association runs the Nightingale House hostel, which provides safe, temporary accommodation for homeless families. Statistics from Nightingale House have



revealed that 20% of those who come through their door are working families who are made homeless because they can't afford the rent increases in the private sector. The Welfare Reform Bill therefore has implications for the potential mass increase in HMO's in the private rented sector and it is imperative that the Housing Bill addresses this potential problem.

### **The Ageing Population- the need for greater integration between Health & Housing**

Demographic and global trends mean that demands on services, particularly care and support, are growing and local service providers are finding this demand very challenging. Housing associations and Care & Repair agencies already provide a wide range of support for older and vulnerable people including supported housing, sheltered housing, retirement homes, homes with 'Extracare' facilities, and homes with adaptations. A number of associations are currently providing Residential Homes, Nursing Homes and Homes for Dementia Care. These are all provided without public subsidy.

CHC commissioned 'Kafka Brigade UK' to identify opportunities for the housing sector to support health outcomes within communities in Wales. The report gave a number of recommendations for the housing sector including not for profit nursing care and early discharge into sheltered and extra care schemes. For a full copy of the report please contact [kevin-howells@chcymru.org.uk](mailto:kevin-howells@chcymru.org.uk).

### **Financial Inclusion - Moneyline Cymru**

Moneyline Cymru was set up in 2009 to tackle doorstep and illegal money lending via outlets in Cardiff, Bridgend, Newport, Cwmbran and Pontypridd. It is funded by 16 Welsh housing associations, the Department of Work and Pensions and a portfolio of social investors. Moneyline Cymru has provided over 6,000 loans to those who would otherwise have no option but to borrow from high interest doorstep lenders or illegal money lenders. The Welsh Illegal Money Lending Unit estimate that over 25,000 people in Wales borrow from illegal money lenders. Moneyline Cymru customers have opened over 3,000 savings accounts and save on a regular basis. This group of customers have never saved before but to date have cumulatively saved over £250,000. Moneyline Cymru is also working in partnership with Community Housing Cymru and the Big Lottery to provide money advice from each of the outlets.

**We are concerned that with direct payments and other aspects of welfare reform that there will be a further tsunami of financial exclusion in Wales- and that urgent action is needed.**

### **Conclusions**

Wales is already dealing with a crisis in housing supply; this will only get worse with planned cuts to Social Housing Grant. Whilst there is not an obvious silver bullet we believe a plan can be achieved-this requires a meaningful target and action across rents, innovation, diversification, collaboration, public land and empty properties. For a truly holistic approach policy makers need to appreciate that housing need exists and can be exacerbated by issues such as demographic pressure and financial exclusion. CHC Group is committed to working



with all our partners in developing new not for profit solutions to the challenges facing Wales in Housing, Care and Regeneration.

## **Annex A REPORT INTO INNOVATIVE FUNDING OPTIONS TO SUPPORT NEW SOCIAL HOUSING DEVELOPMENT-David Swallow**

### **Conclusions of the report**

#### **Securing wider public funding support than Social Housing Grant**

There are opportunities to access public support more creatively where Associations' current activities contribute to other Welsh Government policies such as regeneration, energy, health and social services by pursuing funds proscribed for these areas. Some further desk-top analysis should be undertaken into the potential for accessing other departmental budgets than those designated for housing, the contribution Associations make to those departmental outcomes and the options for developing a shared investment approach with public funders. This could then be followed by Community Housing Cymru leading a strategic discussion on this topic with the Welsh Government and particularly the new Minister for Housing and Regeneration.

#### **Development partnerships with public authorities**

Associations should investigate the potential for working in partnership with public bodies, combining funding resources, to develop surplus public land without initial asset transfer costs. In addition to facilitating more housing development, partnering with public bodies in this way could make a contribution to the Government's 'more with less' agenda. CHC should take this proposal forward for discussion with the WLGA, the Welsh Government and its Efficiency and Innovation Board.

#### **Deploying unused borrowing facilities and capacity**

There appears to be significant available borrowing capacity within the sector in Wales, and some associations have substantial unused lending facilities, whilst others have reached their borrowing limits. From an overall perspective this could be seen externally to imply the sector is not responding sufficiently to address the current crisis in housing provision. Finance Forum should be asked to investigate and recommend suitable mechanisms whereby willing Associations could share or inter-change existing borrowing facilities to increase housing provision. Further examination is needed as to whether acceptable arrangements could be put in place whereby existing unused borrowing facilities could be accessed for the use of other Associations.

#### **Accessing new sources of commercial funding**

The current reliance on bank finance represents a substantial future funding threat to the sector but there is strong appetite and activity from the capital markets to invest in housing through Bond and Collaborative Funding Structures. However the minimum lot size for such investments will require Associations to contract jointly. The Finance Forum should be empowered to pursue discussions with potential investors on behalf of the sector to bring forward appropriate investment opportunities for participation. There is considerable activity in the market already underway developing more flexible Bond and Collaborative Funding products. The study group is in direct contact with a number of these organisations and these conversations need to be



continued. A small group representing Welsh Associations needs to be empowered to work up detailed proposals especially in view of the minimum financial lot size that will be required and the need for collaborative action.

#### Greater delivery of public services

Associations have considerable resource and expertise which could be utilised to take on wider direct delivery of public services, relevant to their role as social landlords and possibly in partnership with third sector providers, who have service capability but insufficient financial strength or wider experience. The opportunity for Associations to respond in this way to the transformation in public services over the next few years is potentially very powerful but will also necessitate structural and operational change which needs careful analysis. National Council should appoint an internal sector study group to undertake an evaluation of the opportunities and challenges and make recommendations on how this could be pursued.

CHC  
October 2011

The Welsh Tenants  
Federation:  
Discussion Paper

Better use of existing  
Resources

Comunitas Equality Local  
Government Committee  
National Assembly for Wales

Welsh Tenants Federation

**Title:** Better use of existing Resources

**Ref:** NMC/NAFW3

**Author:** Welsh Tenants Federation

**Publisher:** Welsh Tenants Federation

**Publication year:** 30<sup>th</sup> Oct 2011

**Size:** A4,

**Cost:** Free.

**Availability:** Public

**Respondent on behalf of WTF:** Steve Clarke, Managing Director

## About Us

The Welsh Tenants Federation is the representative body for tenants in Wales. Formed in 1988 we have over 350 member groups consisting of federations, representative tenant & resident associations and panels. The organisation represents tenants and leaseholders. Our mission is to enhance and promote the rights, housing standards and representation of tenants across Wales. Our membership and support covers the full range of mixed communities, over the past ten years this has included a developing private rented sector.

The WTF would wish to see a greater proportion of Wales's housing needs met by rented accommodation particularly given the risks and recent failures attached to home ownership. We believe this can only be achieved by improving the supply of regulated rented accommodation across all the housing markets. In addition, better rights and better rights enforcement will also add to the confidence to rent.

We also recognise the benefits of the opportunity to purchase a capital stake in the home embedding the family's investment in the community and encouraging thrift and socioeconomic responsibility. We also see stock transfer as an opportunity to improve mutuality and cooperative principles, encouraging the development of social enterprise resulting in more inclusive regeneration and better involvement in community life.

We believe that Wales can lead the way in developing a new less restrictive more vibrant form of renting that extends opportunity while providing adequate protection. The Welsh Government in partnership with the sector can achieve this better if it has sufficient powers and the resources to deliver.

If you require this document on audio CD please contact us

Comments about this document can be forwarded by email to:

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*“Our mission is to enhance and promote the rights, housing standards and representation of tenants across Wales”*

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## This paper relates to the following

<p>National Assembly for Wales - Communities, Equality and Local Government Committee</p>	<p><a href="#"><u>Inquiry into the provision of affordable housing</u></a></p>	<p>The terms of reference for the inquiry are:</p> <ul style="list-style-type: none"> <li>• the effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant;</li> <li>• whether alternatives to public subsidy are being fully exploited;</li> <li>• whether the Welsh Government, local authorities and RSLs are effectively utilising their powers to increase both the supply of, and access to, affordable housing;</li> <li>• whether there sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders;</li> <li>• whether innovative methods of delivering affordable housing such as Community Land Trusts or co-operatives could be promoted more effectively by the Welsh Government.</li> </ul>	<p>07/10/2011</p>	<p>04/11/2011</p>
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## Better use of existing resources

### 1. General comments

- 1.1. The Welsh Tenants Federation welcomes the inquiry into the provision of affordable housing in Wales.
- 1.2. Affordable housing is set out in technical advice note 2 which defines affordable as; *housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers'* <sup>1</sup>.
- 1.3. TAN 2 is often the key focus for subsidy and drives thinking about delivery, while we welcome this focus, and would wish to see the focus remain, housing supply needs to consider a range of other market choices to reduce pressures on the affordable housing element.
- 1.4. Other parts of the market and the choices and opportunities available, and filling gaps between demand and supply means that a 'whole system' approach is required to address the housing needs of Wales. This includes examining owner occupation, private renting, social housing and the gap between them that has become to be known as the intermediate markets. How we make best use of the existing stock to inform choice and increase social mobility is also key, including how we utilise incentives and premiums to inform choices.
- 1.5. The Welsh Tenants Federation would wish the committee to examine the full range of models available and whether the affordable housing delivery model is fully utilising all the available choices that people make in their accommodation. For example people choose to live on Park Homes sites with static bungalows because it's an affordable solution to their housing need. Yet there are very few incentives to support people to do so, while legislation and regulation does not make it easy to do live in these communities once commitment to this form of occupancy occurs. For example residents excluded from benefiting from any energy efficiency measures.
- 1.6. While we accept that it may be timely for a broader review of the purpose of social housing we are firm in the belief that Wales should adopt systems of housing that are specific to the needs and priorities of Wales. The Welsh Tenants Federation has observed that affordable housing provision can be significantly influenced by UK government and policy creep that can emerge from approaches elsewhere in the union. Certain proposals relating to the provision of affordable housing such as '80 per cent market rents' and the introduction of a 'time limited tenancy' while may be attractive for investors and indeed some landlords who have commercial aspirations, we need to remain focused about a sustainable solution that builds social cohesion and social investment in communities. We would hope that these principles are echoed as the review progresses.

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<sup>1</sup>Planning Policy Wales, Technical Advice Note 2: Planning and affordable housing (June 2006) Welsh Assembly Government

## 2. The effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant;

- 2.1. Statistics on affordable housing provision in Wales covering all tenures, delivered across Wales between 1 April 2007 and 31 March 2010 states that the private sector accounted for 84 per cent of all dwellings, whilst the social rented sector had declined to just 16 per cent, from 21 per cent of total stock in 1991-92.
- 2.2. Between 1 April 2007 and 31 March 2010, a total of 6,707 additional affordable housing units were delivered across Wales, which exceeded the 6,500 target set for 2011 by 3 per cent. Registered Social Landlords (RSLs) have made the largest impact, delivering 83 per cent of all the additional affordable housing over the three years. During this period, RSLs delivered more than half of all additional affordable housing in 21 out of the 22 local authorities and in three, Pembrokeshire, the Vale of Glamorgan and Bridgend, RSLs provided 100 per cent.
- 2.3. A total of 4,037 additional affordable housing units were delivered by RSLs via capital grant funding between 1 April 2007 and 31 March 2010 which is 72 per cent of all RSL provision over the period. Affordable Housing Provision through the Planning System stated that between 1 April 2007 and 31 March 2010, 26 per cent of all additional affordable housing units delivered were through planning obligations (1,716 units in total). Around 2 per cent (149 units) of all additional affordable housing delivered during 2007-08, 2008-09 and 2009-10 was through the planning system on rural exception sites<sup>2</sup>.
- 2.4. Subsidy for social housing exists through various tools. Social housing grant enables the upfront costs of acquisition and construction to be discounted. Section 106 enables planning gain from developments over a certain size. Private finance initiatives have also been used to build accommodation on government owned land (homes for nurses for example). Government subsidy is also provided to the non social housing sector in many ways, through mortgage tax relief, single person discount, grants to owner occupiers, etc.
- 2.5. Subsidy can be described as a means to deviate from market conditions, it is required to address market failure; address affordability constraints on tenants and finance constraints on landlords; to achieve economies of scale where personal housing subsidy will overcome large regional or market variations in housing (1940's Beveridge approach); or to address the consequences of new policies imposed on social landlords for example WHQS, climate change, building regulations<sup>3</sup> and fire safety. Where these conditions exist, it can be argued that subsidy is required as a social justice measure to respond and provide access to a basic human need.

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<sup>2</sup>. SDR 99/2011 New House Building and Social Housing Sales, 15 June 2011, National statistics office release March 2011

<sup>3</sup> Housing Market Taskforce, Increasing supply within the social rented sector David Hall and Kenneth Gibb, JRF, Dec 2010

- 2.6. **Switch in subsidy** – government has pursued the policy of moving away from supply-side subsidies (in the form of social capital housing grant) towards demand-side subsidies through increasing rents on re-lets and new build, this has meant the amount of social housing grant has fallen year on year while rents have risen or schemes need to generate greater profitability for the developer to accommodate the social housing element. This has put added pressure on development scheme costs because land acquisition, construction costs along with tougher environmental build standards has risen. The distinction between what is affordable for most has become blurred.
- 2.7. **Land costs** – The cost of land acquisition is a significant element of providing affordable housing. In a country as expansive as Wales it is hard for tenants to understand that land can be such a controlling cost factor. Land use and planning is a hang over from 1950's following the need to mobilise agriculture after the second world war. In giving evidence to the affordable housing review undertaken by Sue Essex in 2008 we expressed our frustration on the land use question suggesting that in order to address the supply of social housing the Welsh government needs to consider how it can utilise the land it owns for social housing purpose. Land supply and cost can be a key subsidy in the provision of affordable homes.
- 2.8. Local authorities are key land owners and while we appreciate the need to realise their assets in tough economic times, we believe that more could be done for community benefit to provide land for housing. Public assets are needed for a public priority. We are pleased to see that the Welsh Government has indicated that they will take a lead on the development of a land registry scheme.
- 2.9. Wales is largely a low earning economy, the work poor therefore require access to homes through subsidy at significantly below market rents to be able to afford housing and access to work. Without government subsidy in one form or another, it is highly unlikely that social housing could be built without having a serious deterrent on the affordability of rents for the work poor in Wales. Traditionally this subsidy has enabled the low paid to live more equitably and with the additional disposable income, enable more opportunities to achieve social mobility. The problem is that higher rents, fuel, transport, food and general cost of living, is significantly curtailing that ambition for many.
- 2.10. People who are vulnerable or have special needs also require special adaptations to enable them to live independently these require subsidy, as schemes would be unaffordable without it. Over the years government has sought to reduce the amount of subsidy it provides to ensure limited public resources go further to meet need.
- 2.11. The Welsh Tenants Federation firmly believe that without significant government subsidy for social housing, the gap between rich and poor will widen ever greater creating a generation of people trapped in poverty on high rents, this will have a

detrimental affect on social mobility neither being able to access affordable social housing or other markets choices.

- 2.12. **Housing benefit and other subsidies** - Housing benefit is a key factor when considering subsidy for affordable housing development schemes as the Department for Works And Pensions constraints on housing benefit determines to a large extent rent levels and therefore cost recoveries for social housing development. Rents cannot rise on scheme costs beyond what the DWP would deem permissible for housing benefit purposes. It is therefore necessary to provide subsidy to ensure a future supply of properties for market intervention purposes.
- 2.13. **Welfare reform impacts and the impact on new developments** - The impacts of the welfare reforms currently making its passage through parliament and the proposed longer term objectives of the universal credit will be considerable for tenants and landlords. Under-occupation rules being proposed for April 2013 state that if a family under-occupy one room they will have to fund 13% of their rent out of their disposable benefits, if two rooms or more, up to 23% or almost a quarter of their rent.
- 2.14. This may have a significant impact on some landlords who may see large increases in their rent arrears. For tenants this would be even more devastating as they could lose their homes. Because they would be deemed intentionally homeless, they would not be able to access the full range of assistance as homeless applicants. In some parts of Wales, landlords have reported that up to 20% of their stock in certain areas could be impacted by these reforms. DWP have also indicated that landlords may be liable for any over-payments, as they should have been aware of whom was living in their homes and their under-occupation status. Many vulnerable tenants working and not working who are among the most disadvantaged in Wales will be hit by these multiple reforms.
- 2.15. Lenders are also extremely nervous of these measures and would add the cost of their increased risk to any further loan charges. The new regulatory regime ensures that robust and regular liaison exists with the housing association sector to ensure any impacts on business plans or debt servicing is minimised. However with many landlords this means that any increases in rent arrears may seriously hinder their ability to finance off balance sheet developments. The potential impact of the reforms may therefore affect future off balance sheet social housing developments. Landlords will therefore will want to take a more cautious approach to lending.
- 2.16. **Supply** - Levels of subsidy has been falling for some considerable time. Despite the efforts of the previous administration to bridge the gap building an estimated 6,700 'affordable housing definition' homes, a significant social housing supply deficit is occurring year-on-year because of right to buy and unspecified amount

to demolition or long term un-occupancy. The fact that the emphasis has been on non-social housing is a cause for worry as the poorest sector's needs are not being met. A study undertaken on behalf of the Welsh Government<sup>4</sup> indicated that we require 5,000 social housing dwellings with a further 9,000 every year to meet broader affordable housing definitions until 2023 to meet current and future demand.

- 2.17. **Private rented sector** - The provision of rented homes under local housing allowance rates in the private rented sector is largely made up of single investors with very small property portfolios. A small proportion of these have grouped together to form into a national body. Within that national body a smaller proportion of longer term investors raise equity to build small schemes in the social housing sector. Much emphasis has been placed on the private rented sector to make up the shortfall in supply of affordable homes in the future. However we have concerns that the aspiration may not meet the reality.
- 2.18. The health impacts of the poor condition of the PRS has been estimated at 67million a year<sup>5</sup>. The study shows that the total cost of bringing all poor housing in Wales to an acceptable condition would be around £1.5bn, with approximately half of this associated with addressing cold homes and a further quarter linked to reducing fall hazards. The report concludes that around 20 per cent of homes with the most serious health hazards could be made acceptable for less than £520, and half for less than £1,600.
- 2.19. Reliance on the private rented sector has seen the housing benefit bill escalate with little accountability for the increased public expenditure. Tenants in Wales would like to see more accountability for the public investment tax payers make for example in repairs element of the housing benefit management cost. The Welsh Tenants Federation would for example wish to see some transparency in how private rented sector landlords are using their management and maintenance allowance within the rent payment. We understand that they should be contributing around 16% towards capital improvements based on agreed Local Housing Allowance rises however, little is known about this. We believe that PRS sector landlords who are discovered to have category 1 and 2 hazards should have deductions from their housing allowance to use as recyclable loans to pay for repairs and improvements.
- 2.20. Without a firm investment models being developed the consequences of lack of investment, means that current and future tenants are having to rely on the private rented sector to meet the shortfall. For tenants whom would have ordinarily qualified for social housing, this means stepping back 30 years with less

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<sup>4</sup> Housing Need and Demand in Wales 2006-2026; Cambridge Centre for Housing and Planning Research, Alan Holmans and Sarah Monk

<sup>5</sup> The Cost of Poor Housing in Wales, jointly funded by Shelter Cymru and the Building Research Establishment (BRE) Trust, 2011

security, poorer standards and lack of accountability and redress at higher cost. With the PRS becoming the default social housing provider for new entrants to the market there are also concerns for the detrimental long term affects on Wales overall health, well being and fitness.

- 2.21. The reliance placed on the PRS to meet the shortfall in supply for low income earners and the unemployed is also questionable considering that traditional lending routes have dried up for buy-to-let mortgage finance, which is the staple means of finance for the PRS. Although new routes are being pursued by PRS investors, it is likely that these will be more high risk given the welfare reforms. Consequently PRS are imposing tougher access requirements, higher rents to accommodate the increased risk, indemnity insurance against repair or income loss and no housing benefit applicants.
- 2.22. The Council of Mortgage lenders (CML) has also suggested that pricing its risk is inevitable expressing concerns over direct payments for example could add as much as 0.5-1% on borrowing, costing Wales a further 500m to service debt.
- 2.23. The UK government has embarked on extensive austerity measures that are both radical and wide reaching which are a major concern for tenants. The impact of these reforms will and is, having a considerable effect on many middle to low income earners who are relatively poorly paid but marginally above the welfare threshold. Housing is a basic and necessary human right and one which has impacts on every core aspect of life including health and wellbeing, education, access to work. Subsidy is therefore critical to ensure the government can intervene.
- 2.24. Tackling the long-term deprivation and exclusion that has blighted many Welsh communities since the decline of the traditional Welsh industries remains central to most Welsh policies and strategies. While housing has been devolved the necessary infrastructures that make up its sustainable provision such as targeted capital loan finance systems and the importance of utilisation of existing assets needs to develop further.

### **3. Are alternatives to public subsidy being fully exploited?**

- 3.1. The Welsh Tenants Federation believes that government subsidy has significantly achieved the aims of a subsidy system providing market intervention to address the failing of the market to provide affordable rents for low income workers for many decades although the switch to demand side subsidy has been prevalent over recent times. Extensive supply side subsidy however has helped maintain a consistent supply of social housing in the eighties and nineties and has been a useful tool to ensure broader social objectives are achieved in the form of improved health and welfare for citizens.

- 3.2. **Loan Finance** - In a recent article that interviewed eight of the UK leading bankers in the industry<sup>6</sup> they signaled a cautious yet positive approach to lending to the registered social landlord sector in England, stating they still considered RSLs as especially creditworthy and can expect to receive preferential treatment relative to most other sectors. However, their credit worthiness will be more heavily scrutinised while suggesting that bonds will be preferred over loans for long term funding. They also indicated that Institutional appetite could lead to equity investment in the housing sector. The Welsh Government needs to explore these alternative avenues to raise capital finance.
- 3.3. The WTF believes that a healthy mix of supply and demand side subsidy should be sought with greater focus on attracting private institutional investors to
- 3.4. **Access to mortgages** – With banks being more risk conscious, first time buyers now require significant deposits to access mortgages. Tens of thousands of first time entrants to the market also have poor credit histories making access to loan finance almost impossible. In 2010, it would have taken the average low-to-middle income household 31 years to accumulate a deposit for the average first home if they saved 5 percent of their income each year and had no access to the ‘bank of mum and dad’. In some parts of Wales there has been ‘bidding up’ of private rented accommodation by families to enable them to access good schools in the area where they would have chosen to buy or have some local connection. This can create an artificial distortion in the market which in turn may affect the affordability definition.
- 3.5. Many commentators suggest that we need a significant shift in the type of rental product that the sector offers, suggesting institutional investment to finance build-to-let developments to meet the housing needs of individuals and families on low-to-middle incomes who are unable to buy a home in the medium to long term.
- 3.6. Brining institutional investment such as pension funds and life insurance companies<sup>7</sup> into the private rented sector would allow more rental accommodation to be built at a time when public funds are limited and the buy-to-let market is recovering only slowly. More importantly, it would support a shift in the type of rental product that the sector offers. Longer term contracts, higher quality, more consistent management and the ability to make home improvements would replicate some of the desirable features of home ownership for those who become long-term tenants. This would help to take the pressure off social housing for those in greatest need.

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<sup>6</sup> Meet the bankers, Inside Housing, March 2011

<sup>7</sup> Making a Rented House a Home, Resolution Foundation, Vidhya Alakeson, August 2011

- 4. Are the Welsh Government, local authorities and RSLs effectively utilising their powers to increase both the supply of, and access to, affordable housing;**
- 4.1. **Empty homes** – There are 23,000 empty homes in the private rented sector, the campaign and research undertaken by Shelter Cymru the Empty Homes Agency and supported by the sector has been given welcomed prominence in the housing strategy. Living next to an empty property can devalue a home by 18 percent<sup>8</sup>. Unsightly properties can also deter further investment in an area.
- 4.2. The studies also show that the average cost of returning empty homes to a habitable state is between £6,000 and £12,000 per property. Around 2,000 empty homes could be brought back into use for £20m. The WTF welcomes initiatives to make better use of the grant systems such as the ‘revolving loan guarantee’ schemes piloted by Carmarthenshire County Council while partnering with the housing association sector to provide equity release schemes is also supported. We understand that these schemes have been piloted in Carmarthenshire and elsewhere with some success, however these models require significant financing to receive economies of scale in order to have a major impact on the volume of empty homes in Wales.
- 4.3. **Rural housing enablers** – There has been significant work undertaken to develop homes and assist people to access homes in rural areas. Many tenants have been able to secure affordable homes for example when tied accommodation has come to an end. Working in partnership across organisational boundaries has enabled the scheme to achieve significant success in areas where housing access is limited.
- 4.4. **Empty homes in the HA and LA sector** – Our members report that there are significant numbers of empty homes in the existing registered social landlord sector. Many of these properties are currently empty because they are too costly to bring into use to the WHQ standard. We believe that more could be done to bring these up to WHQS and get them occupied. These are primarily steal construction homes that require extensive work to bring back into use. Arbed has helped here and there is a case for Arbed to be widened to target individual properties that fall under this category.
- 4.5. **LSVTs** – There are a large number of empty homes and parcels of land that have been transferred over under stock transfer covenants. The WTF believes that the land exists to build new social housing schemes however there is insufficient social grant to make these schemes viable in the current climate, while some landlords want to hold onto these for future gain.
- 4.6. **Public sector equity release schemes** – There are an estimated 25million empty rooms across the UK<sup>9</sup> which can be put to use as conversions to one or two

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<sup>8</sup> Empty Properties - Making the most of the existing stock, Empty Homes Agency & Shelter Cymru, 2009

<sup>9</sup> Hoarding of Housing: The intergenerational crisis in the housing market. Intergenerational Foundation, 2011

bedroom flats. It is far more environmentally sustainable to convert existing dwellings than build new ones. Local authorities in partnership with social letting landlords, HA's and LA's are ideally positioned to support house conversion schemes to enable capital rich but cash poor owner occupiers to make better use of their under-occupied properties while also developing new social housing units. The use of the existing owner occupied sector should not be underestimated in the whole system approach.

- 4.7. **Priority move-on** – The WTF believes there are thousands of tenants trapped in under-occupied social housing because they do not have the means to release their homes for family accommodation. They neither have the means to undertake removal or compensation schemes are not sufficient to enable them to consider giving up their homes. Tenants have a right to exchange or transfer under both secure and assured tenancy agreements and under the tenants guarantee<sup>10</sup>. The anxiety of tenants have increased significantly following the UK government proposals to penalise tenants for under-occupying their home. This will create significant hardship for many poor families already hitting multiple deprivation indicators such as fuel poverty and unemployment.
- 4.8. Compensation schemes are on offer, but they vary widely across Wales from £100 to £2,500. Schemes vary within a single landlords stock and can be based on the condition of the property, size of the rooms being freed up and its location. However existing schemes lack consistency, fairness and transparency. They depend hugely on whether the property being vacated is indeed desirable to exchange. This can unfairly penalise tenants who live in poorly maintained housing on sink estates.
- 4.9. While we welcome initiatives such as that launched by the Minister for Housing Regeneration and Heritage, to encourage landlords to support downsizing and exchange schemes through for example HomeSwap Direct, there is a case to be made to actively encourage move on through compensation schemes freeing up under occupying tenanted properties and making more efficient use of the stock. The WTF will be recommending that tenants who under-occupy should receive 'Priority Move-On' status on allocations above that of homeless applicants to encourage landlords to make better use of their stock.
- 4.10. **Existing debt HRA subsidy scheme** – Recent reports suggest that economies of scale on existing debt can also be improved by demolishing some homes. The WTF has concern about this proposal particularly if the capital grants are not available to replace them. While this may improve the liquidity by reducing the debt repayments of LSVTs we are concerned about the loss of the properties as ordinarily like-for-like replacement rarely occurs when we demolish homes.

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<sup>10</sup> Homelessness, downsizing and Priority Move-On, Welsh Tenants Federation, 2008 updated 2011

**5. Is there sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders;**

- 5.1. The Welsh Government has provided the framework for how local authorities and other institutions should work across organisational boundaries. There is evidence that local authorities and RSLs are working collaboratively in a number of areas for example on *rural housing enablers; supported housing; affordable homes delivery; empty homes and explorations of economies of scale*.
- 5.2. In such critical times collaborative working across geographic and organisational boundaries is not only desirable but necessary. Systems of working are also being extensively challenged through lean systems thinking and innovative ways to better target limited resources.
- 5.3. Commentators and lead bodies with more knowledge than the WTF in this regard have highlighted the need for more collaborative working to develop innovative models to raise finance and develop more innovative ways of utilising existing assets and raise capital to develop new inspiring schemes. Working with financial institutions is being explored by for example Community Housing Cymru, in particular exploring ways in which a Welsh Investment Bond can be developed. The WTF have raised concerns about previous schemes where it was uncertain how for example the WHIT (Welsh housing Investment trust) would be regulated and the impact on security for tenants if things went wrong. But by and large we endorse explorations to raise additional capital provided there are sufficient regulatory controls and safeguards for existing tenants.
- 5.4. We understand that the very group of organisations raised in the question are working together on the former Perelli site to develop a co-operative solution to the provision of affordable homes with part sale, homeshare and rent. While we have little further information to offer, collaborative working on schemes such as this should be welcomed if they deliver new forms of efficient and effective ways of raising capital finance and creating places where people want to live – and affordably.

**6. Whether innovative methods of delivering affordable housing such as Community Land Trusts or co-operatives could be promoted more effectively by the Welsh Government.**

- 6.1. The Welsh Tenants Federation believes that social housing supply helps stabilise the housing system as a whole providing affordable alternatives to those excluded from home-ownership or the private rented sector. Governments investment in social housing is also a matter of public health, helping to alleviate homelessness and overcrowding while achieving the wider social objectives of educational and health benefits attributed to investment in good-quality

affordable housing. Investment in housing also has wider benefits, securing employment and other outcome multipliers. Continued investment by the Welsh Government is therefore necessary and produces significant social and economic dividend.

- 6.2. **Co-operatives** – Elsewhere governments have been successful in bringing together private finance to build innovative shared co-operative schemes with for example over 250 co-operatives developed in England. However smaller schemes are expensive and are becoming difficult to finance due to the banks reluctance to lend to new start ups, loans being too small, small loan resourcing being resource intensive and a preference to lending to regulated entities.
- 6.3. A joint report on the financing of mutual models<sup>11</sup> suggested a strategic co-ordinated approach to raising capital through a single aggregated solution to raise a bank facility with longer term bond financing which would allow recycling of the initial facility. The report follows a major commission on the advantages of co-operatives to provide intermediate solutions for people requiring housing and mutual support<sup>12</sup>.
- 6.4. The report highlighted that the UK falls significantly behind other countries with 0.6 percent of housing as co-operatives or mutuals, in Sweden it's 18 percent, 15 percent in Norway, 8 percent in Austria, 6 percent in Germany and 4 percent in Ireland. The 19 actions contained in the report are helping to address the promotion and expansion of co-operatives as a viable intermediate market solution. It concludes that the housing system would be an ideal policy arena in which co-operative and mutual approaches could be expanded to bring the UK in line with most other European countries which have far more developed sectors.
- 6.5. The Welsh Tenants Federation understands (as stated) that pilots are being considered and piloted to take forward the co-operative housing model. The WTF believes that cooperative housing has many benefits and can be eminently suitable to provide sustainable mutual forms of housing for a variety of age groups. It also has the added advantage of providing mutual self help and support and in certain developments enhances the self-help sustainable living agenda.
- 6.6. We would therefore welcome the promotion and development of models of cooperative that bring Wales up to the levels enjoyed by the international community.

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<sup>11</sup> Financing co-operative & Mutual Housing, Lambert, B. 2010

<sup>12</sup> Bringing Democracy Home' Commission on Co-operative and Mutual housing, 2009

## 7. In conclusion

- 7.1. Although affordable housing and capital finance is not a specific expertise within the Welsh Tenants Federation, the impacts subsidy has had can be generally assessed by us as a positive one.
- 7.2. While we accept that new models of finance can be developed to meet specific profiles of housing need these should not be exclusively based on affordable housing provision. Many sustainable, attractive, models of meeting housing demand can be developed for people who are searching for an alternative to owner occupation and should be encouraged. However we would also wish to see a focus on developing affordable homes for those in greatest need such as those least able to help themselves, the elderly who have made little provision, former armed forces personnel and other categories who we believe should be considered over and above others.
- 7.3. The Welsh tenants Federation also believes that more could be done to make better use of our existing housing stock including owner occupied stock, land and other assets to deliver housing solutions. We firmly believe that while a whole system approach may be timely to develop and costly to initiate, it will provide more lasting solutions.
- 7.4. Clearly private finance and the use of institutional investors will be required as supply side subsidy decreases. However we should not (in our opinion) wholly revert to a demand side subsidy where rents have to pay for future supply, as this will trap people in poverty.
- 7.5. Wales needs a balanced approach which seeks to maximise the benefit of what we have, while exploring new and innovative ways to attract capital finance to deliver the solutions that we know exist.
- 7.6. The UK government has embarked on extensive austerity measures that are both radical and wide reaching. The impact of these reforms will and is, having a considerable effect on every strata. Housing is a basic and necessary human right, and one which has impacts on every core aspect of life. Tackling the long-term deprivation and exclusion that has blighted many Welsh communities since the decline of the traditional Welsh industries must remain central to how we tackle housing in Wales.

## CELG(4)-08-11 : Paper 3

### Welsh Government - Communities, Equality and Local Government Committee

#### Supplementary Information / Note

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ACPO Cymru: Chief Constable Ian Arundale

Date: 25<sup>th</sup> October 2011

Subject: Funding anomalies / Council tax equalisation 2006/7 to 2011/12

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#### **1.0 Introduction and Background**

- 1.1 At the Welsh Government's Communities, Equality and Local Government Committee meeting of the 5<sup>th</sup> October, 2011 reference was made by Mark Isherwood AM to the issue of police council tax precept equalisation which was a major barrier in relation to Force Mergers when this was considered by Government in 2005.
- 1.2 This paper sets out the current position in relation to precept across Police Authorities in Wales.

#### **2.0 2005 Mergers Debate – A recap**

- 2.1 One of the major difficulties involved in establishing a single 'Strategic Force' for Wales in 2005 resulted from the significant differences in precepts that were charged by Wales' four Police Authorities. Baseline police council tax precepts for 2006/7 are summarised in the Table below:

Authority	Council Tax at Band D 2006/7	Tax- base	Total Precept Income
	£		£M
Dyfed – Powys	150.21	198,794	29.861
Gwent	152.32	197,676	30.110
South Wales	126.42	447,230	56.538
North Wales	166.89	269,749	45.018
<b>Average/ Total</b>	<b>145.07</b>	<b>1,113,449</b>	<b>161.527</b>

Source: CIPFA "Council Tax Demands and Precepts 2006/7"

- 2.2 The rules imposed by Treasury at the time meant that equalisation of precept had to take place over a period of no more than five years within a maximum 5% precept increase cap in any one year. In effect given the baseline position this meant freezing council tax in Dyfed Powys, North Wales and Gwent Authorities for the period and increasing the precept in the South Wales Police area until this "caught up". In the interim period this would result in a recurring annual loss in police precept take estimated at some £27.8 million over the period to 2012/13 compared with the status quo.

### 3.0 Police Council Tax in Wales – the current position

3.1 Increases in council tax precept since this time have done little to address the differential in council tax which is still apparent today. The increases since 2006/7 by Authority are summarised in the table below:

Authority	Council Tax at Band D - £					
	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12
	£	£	£	£	£	£
Dyfed – Powys	150.21	157.68	165.51	173.7	181.44	189.09
Gwent	152.32	159.94	167.14	174.66	181.38	188.09
South Wales	126.42	132.74	139.38	146.35	153.67	161.35
North Wales	166.89	178.16	186.18	195.49	201.33	209.34

Authority	Council Tax at Band D – Increase since previous year					
	2006/7	2007/8	2008/9	2009/10	2010/11	2011/12
	%	%	%	%	%	%
Dyfed – Powys	0.3	5.0	5.0	4.9	4.5	4.2
Gwent	4.3	5.0	4.5	4.5	3.8	3.7
South Wales	4.1	5.0	5.0	5.0	5.0	5.0
North Wales	4.9	6.8	4.5	5.0	3.0	4.0

Source: CIPFA "Council Tax Demands and Precepts 2006/7 – 2011/12"

3.2 Undertaking a similar precept equalisation process now under the same restrictions as imposed by the Treasury at the time of the amalgamation debate would result in a recurring financial loss of around £33 million by the end of 2016-17. This remains a substantial barrier to any future amalgamation under such circumstances.

3.3 In this context it is important to note that the formula funding allocation of police grant is particularly urban focussed when compared with Health and Local Government allocations in Wales. Thus the position in relation to overall funding per head of population taking account of government grant plus precept also needs to be taken into account. These issues are illustrated in the tables below.

Table 1: Allocation of Government Police Funding (excluding precept) compared to using Local Government and Health distributions for each area 2011-12

	Actual Police Government Funding per Head of Population 11-12	Reallocated based on Local Government Distribution in Wales	Reallocated based on Health Distribution in Wales	Difference to Local Govt. Per Head	Difference to Health per Head
Dyfed – Powys	£114	£138	£137	£-24	£-23
Gwent	£148	£141	£136	£+7	£+12
South Wales	£146	£134	£133	£+12	£+13

North Wales	£122	£133	£138	<b>£-11</b>	<b>£-16</b>
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Table 2: Allocation of Overall Police Funding per Head of Population (Including precept) compared to using Local Government and Health distributions for each area 2011-12

	Actual Police Government Funding per Head	Police Precept Per Head of Population	<b>Total Funding Per Head of Population - Police</b>	<b>Reallocated by Local Govt. Distribution - Wales</b>	<b>Reallocated by Health Distribution - Wales</b>
Dyfed – Powys	£114	£78	<b>£192</b>	<b>£210</b>	<b>£207</b>
Gwent	£148	£69	<b>£217</b>	<b>£215</b>	<b>£207</b>
South Wales	£146	£59	<b>£205</b>	<b>£203</b>	<b>£203</b>
North Wales	£122	£86	<b>£208</b>	<b>£202</b>	<b>£210</b>