

# Community Housing Cymru

# New Grant Framework – The Story so far...

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# Context

- Housing Horizons
- Affordable Housing Review recommendations
- Task & Finish Group – Financing Affordable Housing
- Key drivers:
  - Value for money
  - Meeting housing need
  - Reduced complexity

# Our Tests

- **Will the recommendations deliver more homes?**
- **Will those homes be genuinely affordable?**
- **Will those homes be high quality and fit for the future?**
- **Will all associations with ambition and capacity be able to develop?**

# Implementation

- **Standard Viability Model**
  - Rolled out for LAs from April 2021
  - HAs to be included from April 2022
  - 2021/22 – HAs will received indications of level of grant they would receive under new system
- **Zoning to be implemented as soon as possible**
- **Task & Finish group to reconvene on further issues, including SVM assumptions, Terms of engagement on zoning and LA decision making role**

# Zoning

- Our response:
  - Three options
    - Open market
    - Current model
    - Compromise – regional zones
- Members reported frustration with current system – unresponsive. WG & LAs caused delays in adopting new organisations into LA zone
- Regional zones would allow new entrants and innovation
- Open market option unpalatable

# Zoning

- Regional zones – 3/4
- Ministerial concern: Mid & West Wales
- All currently zoned in LA transferred to region
- New applications to WG:
  - Regulatory role to ensure board oversight



# Zoning - Implementation

- Concerns about unintended consequences
- Summer 2020 – CHC Event
- Considerations
  - Cost of land the biggest potential impact; supply and behaviours key
  - Role for senior teams and boards in identifying organisation priorities and specialities
  - Sector to lead in setting standards – nervousness about codified “terms of engagement”
  - WG resource?



# Standard Viability Assumptions

- Operating Costs: £2,500 per home pa
- Voids & Bad Debts: 1%
- Rent Inflation: 3% for 5 years, then 2%
- Cost Inflation: 2%
- Appraisal Period: 50 Years
- Borrowing Rate: 3.8%
- Hurdle Rate: Breakeven NPV

# Considerations

- Key objectives: value for money and responsiveness
- Average grant rate: c.50%
- What does the longer appraisal period mean for businesses who assess over e.g. 25/30 years?
- Without ACGs, how do we understand the market for development costs? What cost control measures should Welsh Government have in place?
- How does challenging development context (COVID-19, decarb, placemaking, wider uncertainty) impact on this?
- What has Welsh Gov learnt from Homelessness Phase 2? How do we learn from LA trial year?

# Influencing & Engagement

- Today's discussion:
  - Reflections on the viability model
  - Discussions about what support and information colleagues need over coming months
- Further discussions:
  - Co-design group to reconvene shortly
  - Discussions still to come on decision making
  - Future engagement with SDGs
  - Regular update from co-design group

# Questions & Discussion

**Diolch.  
Thanks.**

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