

# Response to the Local Government & Housing Committee's inquiry into social housing supply

April 2024

## About us

Community Housing Cymru (CHC) is the voice of Welsh housing associations, advocating for a country where good housing is a basic right for all. Our members provide affordable homes in communities across the country. Housing associations in Wales:

- are not for profit organisations with social good as their core purpose.
- provide over 173,000 homes to over 300,000 people, housing one in 10 people in every region of Wales;
- build 70-80% of new social homes in Wales; 4,496<sup>1</sup> were built by registered social landlords in the first two years of this Senedd term.

## Key messages and recommendations

There continues to be large-scale support both publicly and politically that more social housing is one of the main routes out of the housing crisis. The Welsh Government's 20,000 social homes target provides an accountability mechanism for its work with the social housing sector. The current record-breaking multi-year funding settlement for new social housing is a demonstration of Welsh Government's confidence in the sector to invest in partnership with it.

There has also been a pragmatic approach to grants to address the exceptional and increasing risks in the development sector driven by the cost of living crisis.

However, we know that the current operating environment is flawed, with deep rooted inconsistencies that lack the joined up approach that is needed. Housing associations stand ready

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<sup>1</sup>[Affordable housing provision April 2022 - March 2023, Welsh Government](#) and [Affordable housing provision April 2021 - March 2022, Welsh Government](#)



to play their part and work with key partners to advance progress. Here, we outline the ongoing barriers to development, accompanied by a series of short and longer-term recommendations that we believe are fundamental to building low carbon, social housing at pace and scale.

### **1. A long-term, joined-up strategy is vital to address the current housing crisis**

**Recommendation:** The Welsh Government should develop a strategy for housing in Wales.

### **2. The overall funding environment must reflect strategic priorities**

**Recommendation:** The Welsh Government should work with social landlords, tenants and key partners to develop a long-term rent policy that ensures affordability for tenants and that offers long-term certainty for landlords, with the ability to flex to local circumstances and communities.

**Recommendation:** The Welsh Government must urgently set out the costs associated with meeting all elements of the WHQS2023 and work with the sector to identify routes to finance this over the longer-term

**Recommendation:** The Welsh Government extends the approach taken to Social Housing Grant in the first half of the Senedd period by providing indicative multi year settlements. The current settlement should be viewed as a floor for future investment levels.

### **3. Systemic barriers to development need to be tackled**

**Recommendation:** The Welsh Government should work with partners to assess the scale of the planning capacity challenge and to develop a long-term plan to make the planning system sustainable, including investment in the recruitment and upskilling of staff within the planning and development system and creating a dedicated improvement/advice service for local planning authorities.

**Recommendation:** Building on existing work, the social housing sector should consider how MMC can best be supported to flourish, including working with Welsh Government to identify where they can support, such as higher grant rates being made available for schemes using MMC.

**Recommendation:** Welsh Government should undertake a light touch review of their strategic approach to land as part of a wider housing strategy, with reference to the recommendations made in the 2019 Independent Review of Affordable Housing supply, and identify key next steps. This should include reviewing the accessibility and availability of data of surplus public sector land available for housing on ePIMS and other systems and creating a central and well resourced central team to support land disposal across the public sector.



**Recommendation:** The Welsh Government should continue to build on its data collection to aid in understanding progress to tackling systemic barriers, including through the work to review the current process for Local Housing Market Assessments.

**Housing associations will** continue to build on their understanding and act upon the views of tenants to ensure the right homes are being developed for specific individuals and communities.

#### **4. Urgent action is needed to address process issues preventing new homes being built in the short-term**

**Recommendation:** The Welsh Government should take short term action to tackle planning backlogs by delivering on the First Minister's commitment to an Affordable Homes Taskforce. This could include targeting resources into planning teams or providing support to applicants to ensure high quality applications.

**Recommendation:** The Welsh Government should continue funding for the Transitional Accommodation Capital Programme (TACP) in 2024/25 and 2025/26 and consider how underspends or constraints on the Social Housing Grant (SHG) can be best utilised to support this. A similar approach to SHG should be taken to support provisional multi year settlements which would provide certainty and confidence to build a strategic acquisitions and redevelopment pipeline.



## Our response

### 1. A long-term, joined-up strategy is vital to address the current housing crisis

Building new social homes is a core purpose for most housing associations in Wales and a critical response to the housing crisis.

However, development does not exist in a vacuum. It must be balanced with crucial maintenance of and investment in existing homes and services for tenants, including support and care services, tenancy sustainment, budget advice, support to access welfare, and to help tenants access the labour market.

Recent years have seen mounting pressure on social landlords in Wales across a number of fronts. The economic environment continues to be turbulent, with inflation impacting both new build and existing services, as well as pushing many more tenants into financial hardship; the funding environment for support and care services has been increasingly challenging; the legislative landscape has undergone a once in a generation reform following the Renting Homes (Wales) Act; and policy ambitions across decarbonisation, standards, building safety and homelessness are understandably high. We support the ambition of the Welsh Government in all of these areas, but a more joined-up, strategic approach is urgently needed to ensure that the sector can continue to deliver effectively and ensure we are not setting ourselves up to fail. This in turn will allow housing associations to plan more effectively for the new homes that are needed. A joined up approach must also be considered as part of the First Minister's commitment for an Affordable Homes Task Force (mentioned further below).

A national strategy would also set the tone for local areas, supporting local housing strategies to be better shared by homelessness prevention teams and planning departments in order to work towards the same end goal. This could be tied into Local Housing Market Assessments (LHMAs) and local needs assessments. A sufficient affordable housing supply is a vital prerequisite of homelessness prevention and alleviation. In order to end homelessness and address the current level of housing need, we will need a holistic, joined up approach across all tenures and all partners.

Housing associations are well positioned to play a vital role as part of a housing strategy for Wales. Their focus on social value means looking beyond simply bricks and mortar, to how good homes can create thriving communities which enhance people's lives, improve their wellbeing and health, and encourage local people to find greater satisfaction in the area.

This is demonstrated in the homes that housing associations deliver and provide already in Wales. They have [built and renovated](#) homes that support individuals and communities, and are more in tune with the environment than ever before. This includes delivering accessible homes for people who need them, better integrated communities through mixed tenure schemes, as well as using innovative design to promote wellbeing and overcome problems such as food poverty.



If we want this innovative work to continue at the pace required to create the level and type of social housing stock needed in Wales, we must look at changing the way we do things. Particularly where some barriers are being baked into the system, we need to look at the housing crisis in a holistic way.

## **2. The overall funding environment must reflect strategic priorities**

To deliver on a long-term strategy, the right kind of funding must be in place at the right time to enable investment in new and existing homes. Housing associations are uniquely positioned to access and leverage private finance to stretch the impact of public investment, with access to £3.5bn in private finance currently, rising to £4.5bn by 2027. This is a vital element of the housing association model, but relies on wider funding stability to enable it to flourish. The two other key elements making up the funding of social housing are government grant funding and income from rents.

Any calls on housing associations therefore must carefully consider the mix of funding between these three elements to ensure that it is deliverable, sustainable and moreover desirable in its eventual outcome. However, we are concerned that this is not always happening.

### *Rent policy*

There is an unbreakable link between rent policy and the wider funding landscape. Rent policy is one of the most important parts of the equation on how housing associations build affordable homes. The rent charged on a property is a fundamental part of the relationship between landlord and tenant, and access to a good quality, affordable home can increase disposable incomes, prevent material deprivation for those who live in the home, and improve work incentives. Housing Associations endeavour to keep their rents as low as possible, while balancing affordability for tenants and the viability of their business.

Having reached the end of the [current social rent and service charge standard](#), we are currently waiting for an approach to be developed on how rents in the social sector are to be set in future. This clearly needs to balance affordability for tenants with adequate income for landlords to invest in homes to the quality and standard expected. Lack of certainty and confidence in future rental income severely limits effective, value for money investment into existing and new homes and services for tenants by preventing long-term business planning. It also risks adversely affecting the confidence of lenders, effectively making the cost of borrowing higher.

### *Decarbonisation and standards*

Decarbonising the social housing stock is the single biggest issue that all landlords in Wales will face in the coming years. There is a clear and urgent case for action to mitigate and prevent the effects of climate change. This is undisputed.



At the start of this month an ambitious standard for social homes in Wales was launched without an indication from the Welsh Government of the costs and impacts of meeting the requirements or how it would be funded. We absolutely support the aims of the Welsh Housing Quality Standard (WHQS) 2023, and landlords stand ready to play their part and invest, but the gap between ambition and a clear path for implementation puts social landlords in an increasingly difficult position.

The sector needs support from the Welsh Government to enable them to achieve the ambitions set out in the WHQS2023. This must be underpinned by a clear, joined up strategy that recognises the impact that significant investment in retrofit will have on business plans, especially investment in new homes. As a minimum, the Welsh Government needs urgently to establish a baseline for the costs of all the requirements in the final WHQS, including wider requirements beyond decarbonisation that have the potential to draw significantly on maintenance budgets (e.g. external storage, fencing, flooring, water butts). This should include a comprehensive understanding of what is affordable within existing business plans and leveraging borrowing, and what the gap is that needs to be addressed either through grant or innovative finance models. This is vital, as members continue to be clear that any potential on balance sheet solutions to decarbonisation could subsume available investment and destroy development programmes.

### *Grant funding*

An investment in grant funding for affordable housing is an investment in the Welsh economy. For every £1 spent by housing associations, 85p of it is retained in Wales.

During 2022-23, 79% of all RSL affordable housing provision in Wales were delivered with some form of capital grant funding, up from 67% during the previous year.<sup>2</sup> However, the past few years has brought about material cost inflation and high interest rates which has limited procurement opportunities and ultimately, reduced what government grants can buy. This is a particular challenge for rural communities where scale (for viability) looks different to other areas in Wales. In 2021/22 and 2022/23, the Welsh government provided additional Material Cost Increases funding to help to address cost rises within the life of a home building project. Whilst interventions like this have provided welcome support to the sector, it is clear that additional grant funding will be required to deliver on the joint ambition of 20,000 affordable homes.

A substantial multi-year investment in the Social Housing Grant has been in place since 2022, which has played a vital role in the delivery of new social homes. With the 20,000 target as one of the 6 Key Programme for Government commitment, it will be important to secure a continued provisional multi-year budget in 2025-26, with the current settlement as a minimum, and to consider options for pivoting spend to catalyse acquisitions and modular homes, which may be able to be brought online more quickly.

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<sup>2</sup> [Affordable housing provision April 2022 - March 2023, Welsh Government](#)



### 3. Systemic barriers to development need to be tackled

A range of systemic barriers impact on the ability of housing associations to build new homes at the pace and scale needed. Exceptional cost increases and inflation mean we simply get fewer homes for our collective investment, and overwhelmed planning departments and complex processes make building swiftly extremely challenging. We have also seen contractors leave the market and complicated contracting arrangements can deter others from entering. The Welsh Government has recently commissioned Construction Excellence Wales to undertake a piece of work on this specifically, which we are very supportive of.

This all impacts on the certainty that associations, contractors and subcontractors can have in the pipeline of new homes. This in turn reduces the ability to confidently invest in and scale up Modern Methods of Construction (MMC) and other innovative approaches, which could play a vital role in unlocking new homes.

#### *MMC and capacity to build new homes*

We have seen the costs of construction increase by 36% between 2015-2022.<sup>3</sup> This reflects the impacts of inflation on materials and supply chains; an ageing and dwindling construction workforce leading to shortage of skilled workers; all of which contributing to a declining contractor market. These issues are often acutely seen in rural areas, where anecdotally we hear that contractors/subcontractors refuse to work or add a large premium in order to accept work.

In our response to the Affordable Housing Review in 2018, we stated that to achieve the sufficient scale to drive down the cost of production, it is clear that housing associations and local authorities will need to collaborate. We suggested a clear role for the Welsh Government in facilitating discussions around the standardisation of the homes we build via MMC at a national level to achieve scale and collaboration, and make the achievement of building to zero carbon more realistic.

Since then, we are pleased that the Delivering Net Zero project has begun to take this forward through the development of a pattern book for the next generation of high performing, timber based off-site manufactured homes. Made up of 9 housing associations and 11 councils, and supported by the Welsh Government, we are keen to see how the project progresses in delivering an aggregated pipeline demand for new homes to unlock a strong, sustainable and short local supply chain.

#### *Planning*

Delays in planning and consenting, such as for SuDS, highways and phosphates are impacting the speed at which new homes can be delivered whilst lack of join up between different functions is exacerbating the problem. The Competition and Markets Authority (CMA) has recently concluded

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<sup>3</sup>[Output prices index for new UK constructions 2014-22, Statista](#)





that the nature and operation of the planning system in Wales is a key driver of the under-delivery of new housing.<sup>4</sup>

Some local development plans are either not in place - making development harder overall, or are generally not up to date, meaning that land cannot be brought forwards. In addition to this, the ongoing review of Local Housing Market Assessments should seek to create an accurate representation for the diverse needs of different people and communities, particularly for rural and less densely populated areas.

These issues can be attributed to overall budgetary pressures on local authorities, along with a number of specialist planners and developers having retired or left the profession, which has resulted in a shortage across Wales. For example, many of our members report waiting for over a year for SAB approval, even once planning consent has been received. This is also impacting on the ability to access Welsh Government grants at the right time. Taken together, this can have a significant impact on the financial performance of schemes and in turn business operations of RSLs, with knock-on implications for contractors. Uncertainty of pipeline is one of the key reasons for financial difficulty and even insolvency within the contractor market, leading to a vicious circle that is reducing the development potential in Wales.

A pipeline of experienced and skilled officers to deliver the 20,000 homes target is critical. Housing associations have undertaken a number of initiatives to encourage new staff into the sector, equip them with vital construction, planning and development skills, and highlight career opportunities to help kickstart house building.

While our members seek to improve things locally, partnership working is key. CHC has been supporting the work of CIH Cymru in scoping the role and viability of a social housing development academy in Wales.

As this proposal develops further, the Welsh Government has an important role to play to direct policy and investment to reverse current trends. They can act in an important convening capacity as part of a coordinated and national promotion programme to upskill new and existing staff in line with changing requirements; and to ensure improvement/advice services are in place for local authorities. A key challenge is siloed working within local authorities, which can be particularly challenging when it comes to more complex schemes and is often a symptom of resourcing pressures. More support for local authorities can aid with this by ensuring that they have clear coordination, vision and the ability to deliver a flexible approach within the parameters of planning policy.

In addition to the above, consideration should be given to the recommendations made by the CMA to improve and support reforms to the planning process. In particular:

- Clearly defining and rationalising statutory consultees to reduce the delay caused by the statutory consultation process.

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<sup>4</sup> [Summary of CMA market study final report into house building Wales summary, 2024.](#)





- Effective monitoring and enforcement of deadlines for statutory consultees so as not to unnecessarily delay the planning process.
- Improving capacity and resources by raising planning fees to a cost reflective level and ring fencing those fees.

### *Land*

Underpinning these systemic issues is the fundamental fact that land, a key ingredient in building new homes, is finite and subject to increasing competition. Land is also the biggest variable cost in development, dictating the viability of many schemes. Given the level of land held by the public sector, it is essential that we consider how the public sector can bring forward more of its own land for affordable housing.

Public land infrequently comes to market with limited preferential treatment for affordable homes when buying from local authorities or the Welsh Government. Ensuring that public bodies are able to release land for housing even when this doesn't represent 'best value' is also important, as well as options for affordable housing providers to have a right of first refusal for suitable land within their areas.

We welcome the Welsh Government's recent work around land and investment in exemplar sites. They can now build on this work to facilitate a strategic approach to this precious resource and explore different routes to releasing public sector land for affordable housing. This should include reviewing the accessibility and availability of data of surplus public sector land available for housing on ePIMS and other systems and creating a central and well resourced central team to support land disposal across the public sector. There is an opportunity for the Welsh Government to utilise the ongoing work of Unnos as an enabler and facilitator for this.

As outlined in the 2019 Independent review of Affordable Housing Supply, an arms length body could be instrumental in this by combining resources and expertise, including the use of Compulsory Purchase Orders. This could involve the Welsh Government/an arms length body taking a greater role in land assembly; master planning; releasing public sector land; and facilitating join up for mutual benefit, such as homes for health staff on under utilised NHS sites.

### *Data*

In order to support delivery, the Welsh Government has recently taken a range of valuable steps to build a much stronger evidence base on the programme to understand barriers and delays, such as on planning and fluctuating costs. The investment that has been made so far to the homes and places portal has been a helpful intervention and one that we would like to see continue. We would like to see the Welsh Government continue to build on this to ensure that relevant data is available to support policy and strategies. The work taking place to update LHMA's is a key part of completing this data picture and ensuring that local prospectuses reflect changing needs in all its forms.

### *Tenant engagement*



The social housing sector recognises the importance of listening to, understanding and acting upon the views of tenants, and housing associations have tenant participation strategies in place to improve service delivery and business efficiency.

Housing associations use a multitude of approaches that work well in regard to tenant participation. For example, making available a wide range of engagement methods, inspiring a culture change throughout the whole organisation and making every contact count, building a rapport with tenants, seeking out the tenant by conducting estate walkabouts, encouraging discussion rather than just asking questions and re-engaging with tenants by telling them what the housing association delivered based on their feedback.

TPAS Cymru's 2023 tenant survey<sup>5</sup> is testament to this, highlighting a strong level of security in a social housing tenure, as well as feelings of pride and wanting to stay in social housing. However, we know there are still improvements to be made, particularly where tenants of older housing stock feel neglected where newer stock is being developed nearby. The sector is committed to ensuring that no one gets left behind through rebalancing programmes by buying Right to Buy's back, as well as targeted home upgrades where new housing developments are taking place, making use of funding from the Optimised Retrofit Programme. Housing associations will continue to advance their communication with tenants through tenant participation groups, as well as working with partners such as TPAS Cymru and Tai Pawb to ensure that everyone has an equitable opportunity for engagement on the things that matter to them.

#### **4. Urgent action is needed to address process issues preventing new homes being built in the short-term**

Building new social homes is a necessarily long-term ambition, and many of the barriers require strategic action that will not bear fruit in the short-term. However, this should not stop pragmatic action being taken now to go further, faster.

##### *Addressing planning backlogs*

As part of the new First Minister's manifesto, we know that one of his key commitments is to tackle the housing crisis by slashing planning backlogs through an Affordable Homes Taskforce. In the short-term, this could super charge affordable house building by focussing planning capacity to unblock the backlog. This could include pooling resources and expertise at a regional or national level to fast track and unlock vital developments, or providing national consultative support on specific areas. This could quickly address serious delays and capacity issues within planning and consenting systems with a limited investment. We stand ready to support the Welsh Government with this and are eager to understand the next steps in due course.

##### *Acquisitions*

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<sup>5</sup> [All Wales annual tenant survey, TPAS Cymru, 2023](#)



Whilst building new homes is crucial, Wales has also recognised the need to maximise all homes available to ensure they continue to fulfil their core purpose of providing affordable homes to the people that need them. This has seen the sector finding increasingly [creative ways](#) to redevelop existing buildings into high quality, safe and affordable housing.

The Transitional Accommodation Capital Programme (TACP) aims to do this by working with social landlords to create additional accommodation capacity through remodelling, conversion and using modular accommodation. This scheme has already allowed housing associations to access over £80 million of funding to create housing capacity and maximise the use of existing homes, whilst work can continue in the meantime to address systemic barriers around house building set out above

Many housing associations have relayed the positive impact that the TACP has made to increasing the supply of affordable housing stock. Comments included:

- Good flexibility of the programme that provides a solution for all types of buildings.
- It is helpful in getting things moving, allowing quick access to funds.
- The TACP has helped to reconsider disposal strategies for some strategic voids where large investment is needed to improve energy efficiency standards.

The ongoing success of the TACP demonstrates the positive outcomes that can be achieved when Welsh Government and housing associations work in partnership. We are aware that the Welsh Government is currently working to secure the budget for the next round of the TACP. As part of this, we would like to see this scaled up and retaining a broad scope of property types for acquisition. Our members have also relayed that they would like to see the application process brought forward earlier in the year in line with their own business planning.