



The Housing Associations of Wales: Measuring the Impact

Executive Summary

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WELSH ECONOMY RESEARCH UNIT
Yr Uned Ymchwil i Economi Cymru

Executive Summary

This report has been prepared by the Welsh Economy Research Unit (WERU) at Cardiff Business School for Community Housing Cymru (CHC). It reports the findings of a CHC survey of new homes provided by Registered Social Landlords (RSL) in 2007/08, estimates the economic impacts of housing associations in Wales, including regeneration, and reviews some of the social and economic implications of housing association activity. The work of housing associations is often difficult to quantify, and, as was recognised in the Essex Review, is seldom fully appreciated by the public at large.

Housing Associations (HAs) or Registered Social Landlords (RSLs) are not-for-profit voluntary bodies formed to provide good quality, affordable homes for those in housing need. Improved quality of housing is linked with better health, economic opportunity, access to services and general quality of life for occupiers. Housing Associations also provide modern community facilities, accommodation for students and the aged, as well as rescuing important buildings. Increasingly, they are responsible for innovative projects which go well beyond traditional formula.

Surpluses from the renting or sale of properties are re-invested, providing more housing or maintaining existing stock. HAs are managed by boards of volunteers; comprising professionals, local councillors, and tenants. They also provide employment in highly skilled, management, professional and vocational occupations.

Currently 95,000 homes (or 7.2% of all Welsh homes) fall under the auspices of the 70 housing associations operating in Wales, who also employ around 4,000 people. Around 30 of these HAs are involved in new housing development (source: CHC).

The Welsh Assembly Government One Wales document (2007) set out an ambition of ensuring that *"...all households, in all communities and irrespective of their means, can afford a decent home..."*, with a commitment to increase the supply of affordable homes by 6,500 in Wales by 2011.

In working towards an assessment of progress against the above target, CHC carried out a count of new homes provided by RSLs in 2007/8. In the summer of 2008, the following information was requested from consortia representatives:

- Number of additional homes by local authority area and tenure.
- Number of additional homes by local authority area and Social Housing Grant (SHG)/non Social Housing Grant.
- Number of additional homes by local authority area, which were built, renovated or acquired.

The survey indicated that 1,533 new homes were provided during the year 2007/8 by HAs. The major proportion of this new provision was achieved through SHG (842 new units or 55%), with the remainder non-SHG comprising units built through innovative ventures by the HAs themselves or planning gain (Section 106 agreements).

Based on the findings of this one year, and assuming all other factors remain the same, the *One Wales* 6,500 target over four years would therefore appear to be achievable. However, the downturn in the economy and the continuing effects of the credit crisis present a strong challenge to HAs being able to replicate their 2007/8 performance in delivering new affordable homes, and put the focus on finding ways to overcome this strategic gap.¹

The Assembly Government has committed to increase SHG expenditure through to 2011, creating an expectation that the number of new affordable homes provided through grants, the major component of the overall provision in 2007/8, can be maintained to target. However, non-SHG provision of homes is now bearing the impact of a reduction in the number of 106 agreements coming to fruition. This creates a need to find other ways to increase new affordable home provision, particularly through innovation by HAs utilising their own resources. This would require the implementation of recommendations made in the Essex Report to change the regulatory framework under which the HAs currently operate.

¹ The Tables from this survey can be found at the end of this document.

Table E1 Estimated Gross Spending of Welsh HAs in Wales by Category 2007/8

	£m	Percentage of all Welsh HA spend
Construction	105.8	31.3
Direct Labour costs	94.1	27.8
Maintenance repair	84.9	25.1
Land acquisition	28.3	8.4
Other	13.1	3.8
Finance and business services	4.3	1.3
Transport/post/telecoms	2.7	0.8
Training services	1.6	0.5
Rents and rates	1.2	0.4
Consumables (stationery)	1.3	0.4
Energy/water	0.6	0.2
Hotels/ Distribution	0.03	0.01
Total	338.0	100.0

Turning now to the economic implications of HA activity, in 2007/08 Welsh HAs spent an estimated £407m comprising operational spend, including staff costs, construction spend (derived from the change in housing properties at cost year on year) and commercial property spend. Of this £147.5m or 36.2% was spent on construction, £94.1m (or 23.1%) on labour costs and £89m (21.9%) on maintenance/repair of stock.

Table E1 shows how much of this expenditure was *retained* in Wales. It is this significantly high proportion of retained expenditure which then ripples through the economy, amplifying the impact of the initial expenditure.

Table E2 Estimated Economic Impacts of the HAs of Wales on the Welsh Economy 2007/8

	Direct Impact: HA Sector Output/ Employment	Indirect Impact: (Supplier effect + Induced Income effect)	Total Impact
Output £ millions	407	428	835
Gross Value Added (GVA) £ millions	94*	183	277
Employment: Full Time Equivalents (FTEs)	3,300	8,747	12,047

* To provide an estimate of the direct GVA impact total wage spend of Welsh HAs was used. This total should be treated as indicative only.

Welsh Input-Output tables detail transactions between different sectors of the economy and allow the effect of the target sector to be traced through the entire Welsh economy. These indirect impacts (supplier effects plus induced-income effects) are estimated to be £428m of additional output in the region, £183m of additional gross value added, and additional employment to service this extra demand of 8,747 Full-Time Equivalents (FTEs). For every one full time person employed by a HA, another two and a half jobs are supported elsewhere in the economy. The combined direct and indirect economic impacts are shown in Table E2. HAs supported total output of £835m in 2007/8, Gross Value Added of around £277m, and an estimated 12,047 FTE jobs in Wales.

This report also examines the contribution made by housing associations to regeneration. The term regeneration is a wide church and subject to ambiguity, and for this reason the components of regeneration are explicit in this report. As a starting point, the total expenditure on Brownfield development for 2007/08 is estimated to be £100m for 2007/08. Brownfield expenditure by housing associations is a baseline regeneration expenditure.

**Table E3 Estimated Expenditure on Brownfield Development 2007/08
(construction spend only)**

Consortia	£m
Devco	3.5
Integrate	40.7
Syniad	2.6
Genus	5.7
Gorwel	35.5
Undod	12.0
Total	100

In addition to this, HAs undertake greenfield projects which, in many cases, avert market failure by providing much needed accommodation (built to the Welsh Housing Quality Standard), in the absence of private sector investment. For example, projects which increase the stock of modern student accommodation release other housing stock for development and investment, which very often has a regenerative impact. For the purposes of this study it was not possible to make an inventory of each individual greenfield project and then allocate a 'regeneration' status to it. Instead, a high correlation is assumed between projects based on section 106 agreements and greenfield development, and that those projects are non-regenerative. On this basis, greenfield construction project spend which contributed to the regeneration process in 2007/08 was estimated to be £17.5m.

Table E4 Estimated Regeneration Spend (excluding staff costs)

Spending Category	£m
Brownfield construction	100
Greenfield construction assoc with regeneration	17.5
Repair & maintenance	89
Identifiable training budgets	1.7
Community Regeneration projects and other expenditure	2.6*
Total	210.8

*Based on incomplete information and therefore an underestimate

In 2007/08, HAs spent £89m on maintenance and repair work. Without this expenditure, the regeneration process would be arrested and areas would fall into decline. It was also possible to identify spending of £1.7m on training, and a further £2.6m on other expenditure (including community regeneration projects not involving building, and excluding management and other charges and depreciation). Then the total estimated spend on activities which were linked with the regeneration process in 2007/08 was £210.8m.

Conclusion

The nature of housing association expenditure is as important as its scale. Notably:

- Annual gains are reinvested to provide further housing and community infrastructure.
- HAs spend money in areas which are initially unable to attract private sector investment, but through their pump-priming process, they substantially improve the prospects of an area to attract that investment at later stages in the regeneration process.
- The expenditure of housing associations supports the construction industry in Wales, and provides opportunities for companies in a range of size bands, which helps to maintain stability in the sector.
- There was evidence to suggest that HAs through their new consortia arrangements, and through modernisation, were exchanging best practice between each other and between themselves and their suppliers.
- There was evidence of high quality management practices, environmental awareness and initiatives, design sensitivity, partnership working and high level voluntary effort.
- HAs do not just build houses, they help to build communities.

Furthermore, given the difficult economic conditions prevailing when this report was being prepared, there is likely to be a need to review performance targets, explore innovative funding opportunities to ensure stability in the provision of Welsh housing, and maintain efforts to continue modernising the sector; a process which will be aided by consistent and regular exchanges of information and best practice.

CHC Count of Additional Homes provided by HAs 2007/8

Table A1	Additional Homes provided 2007-2008 by Tenure												
	Integrate		Gorwel		DEVCO		Syniad		GENuS		Undod		Total
LA Area	Rent ed	LCHO	Rent ed	LCHO	Rent ed	LCHO	Rent ed	LCHO	Rent ed	LCHO	Rent ed	LCHO	
Isle of Anglesey							19	4			11	9	43
Gwynnedd											12	25	37
Conwy							18				3	5	26
Denbigh								1			6	9	16
Flintshire	2						6				7	6	21
Wrexham	1						9	16		5	2	2	35
Powys							4				10	3	17
Ceredigion				15									15
Pembs	71	23	4	8									106
Carmarthenshire			53	18	24								95
Swansea	72		104	15									191
Neath Port Talbot	8												8
Bridgend	7	5			101	55	20				2		190
Vale of Glam							9						9
Cardiff	204				9		32	31	6	1			283
Rhondda C T					46	31							77
Merthyr					1	10							11
Caerphilly	50	8							6	34			98
Blaenau Gwent	10	5			1								16
Torfaen	5								29	34			68
Monmouthshire									33	10			43
Newport		12			3			44	40	29			128
Totals HAs	430	53	161	56	185	105	108	96	114	115	51	59	1,533
Total	483		217		290		204		229		110		1,533

Total rented	430		161		185		108		114		51		1,049
Total LCHO		53		56		105		96		115		59	484

Source: CHC

Table A2		Additional Homes provided 2007-2008 with and without grant											
LA Area	Integrate		Gorwel		DEVCO		Syniad		GENuS		Undod		Total
	SHG	NON-SHG	SHG	NON-SHG	SHG	NON-SHG	SHG	NON-SHG	SHG	NON-SHG	SHG	NON-SHG	
Isle of Anglesey							19	4			20		43
Gwynnedd											37		37
Conwy							18				5	3	26
Denbigh								1			13	2	16
Flintshire	2						6				13		21
Wrexham	1						9	16			2	2	30
Powys							4		4	1	13		22
Ceredigion			15										15
Pembs	94		12										106
Carmarthenshire			71			24							95
Swansea	69	3	39	80									191
Neath Port Talbot	8												8
Bridgend	12				20	136	20			2			190
Vale of Glam						9							9
Cardiff	41	163				9	32	31		7			283
Rhondda C T					42	35							77
Merthyr					5	6							11
Caerphilly	58								15	25			98
Blaenau Gwent	15					1							16
Torfaen	5								41	22			68
Monmouthshire									41	2			43
Newport		12				3		44	21	48			128
Totals HAS	305	178	137	80	67	223	108	96	122	107	103	7	1,533
Total	483		217		290		204		229		110		1,533

Total SHG	305		137		67		108		122		103		842
Total Non-SHG		178		80		223		96		107		7	691

Source: CHC

Table A3 Additional Homes provided in the financial year 2007-2008																			
LA Area	Integrate			Gorwel			DEVCO			Syniad			GENuS			Undod			Total
	Built	Renovated	Acquired	Built	Renovated	Acquired	Built	Renovated	Acquired	Built	Renovated	Acquired	Built	Renovated	Acquired	Built	Renovated	Acquired	
Isle of Anglesey										19	4					11		9	43
Gwynnedd																14		23	37
Conwy										12	6						2	6	26
Denbigh																		15	16
Flintshire	2										6					2		11	21
Wrexham	1									12	9	4				1			27
Powys										2		2			5	9	1	6	25
Ceredigion				15															15
Pembs	71		23	12															106
Carmarthenshire				71					24										95
Swansea	69		3	119															191
Neath Port Talbot	8																		8
Bridgend	5	2	5				137		19	20						2			190
Vale of Glam									9										9
Cardiff	88		116						9	32		31			7				283
Rhondda C T							18	7	52										77
Merthyr									11										11
Caerphilly	50		8										6		34				98
Blaenau Gwent	10		5						1										16
Torfaen	5													27	36				68
Monmouthshire													11		4				15
Newport			12						3	44			29	4	64				156
Totals HAs	309	2	172	217			155	7	128	141	25	38	73	4	152	37	3	70	1,533
Total	483			217			290			204			229			110			1,533
Total built	309			217			155			141			73			37			932
Total renovated		2						7			25			4			3		41
Total acquired			172						128			38			152			70	560