

General Election 2015

What does it mean for housing in Wales?

Specialist Briefing

Introduction

The 2015 UK General Election results gave the Conservative party a majority of 12 seats in the UK parliament. Following their best performance in 30 years, the Conservatives will now form the next UK Government as a single party.

So what does this mean for housing in Wales?

Welsh housing associations and their tenants will continue to be affected by UK Government policies on welfare and pensions, both of which are non-devolved areas of decision making.

While housing is a devolved function and the National Assembly for Wales has primary law making powers, the results will still have implications for housing policy in Wales.

This briefing provides:

- A reminder of CHC's manifesto asks.
- An overview of the Conservative manifesto pledges on housing, energy, pensions and welfare.
- A brief assessment on the impact for Welsh housing associations and their tenants.

Our Manifesto - what did we ask for?

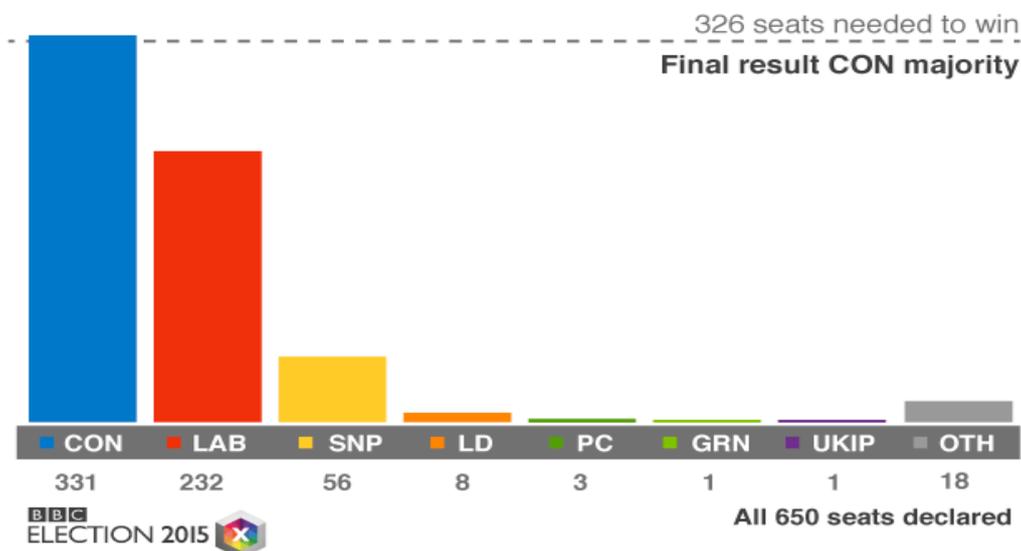
- **Fairer funding**
CHC has asked that Wales receives a fair funding deal from Westminster. As the poorest nation in the UK where GDP remains lower than anywhere else and has an older population, Wales needs its fair share of public funding.
- **Universal Credit**
CHC has asked that Welsh tenants have the same choice as tenants in Scotland and Northern Ireland under Universal Credit by devolving administrative powers to allow direct payments to landlords in Wales.

Community Housing Cymru Group Members:
Aelodau Grŵp Cartrefi Cymunedol Cymru:

- **Repeal the spare room subsidy**

We know this policy has had a disproportionate impact in Wales, particularly in the Valleys where Local Housing Allowance is on a par or lower than social housing rent. While the Welsh Government has put in place a 'Smaller Properties' programme and made £20m available in 2013/14 to support the building of 1 and 2 bedroom affordable homes, we know there are currently only 400 one-bedroom homes available across Wales.

The Results



What does this mean?

As the majority party, the Conservatives will form the UK government. The best guide we have as to what policies they will implement is in their manifesto pledges.

Conservative Manifesto Pledges on:

Housing

- Extend the 'Right to Buy' to 1.3 million housing association homes in England.
- 200,000 homes built for first-time buyers aged under 40, at 20% discount.
- New Help to Buy ISAs for first-time buyers to help them get a deposit for a house.
- Create a £1bn brownfield regeneration fund to unlock sites for 400,000 homes.

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- Reverse Welsh Government plans to scrap 'Right to Buy'.
- Scrap Stamp Duty on all homes up to £250,000.
- Seeking increase in building homes, part of Vision for Welsh Housing.

Welfare

- Make £12bn welfare savings – part of this will be achieved through reductions in Discretionary Housing Payment.
- Maintain the freeze in working-age benefits for two years.
- Household benefit cap cut from £26,000 to £23,000 a year.
- Replace JSA for 18-21-year-olds with a Youth Allowance limited to 6 months, and end automatic Housing Benefit for this age group.

Energy

- Ensure that every home has a smart meter by 2020, and set a goal to insulate a million homes over 5 years.

Pensions

- Retention of the state pension triple lock under which the pension rises in line with whichever is higher - earnings, inflation or 2.5%.
- The introduction of the single-tier pension from April 2016.
- The maintenance of current pensioner benefits including winter fuel payments, free bus passes, free prescriptions and, for pensioners aged 75 or over, TV licences.
- Implementing a 'temperature test' for winter fuel payments so that those expats living in warmer countries no longer receive it.

Impact in Wales - Housing

Reverse Welsh Government plans to scrap Right to Buy

As housing is devolved, any decisions about the Right to Buy in Wales will be made by Welsh Government. If, however, Welsh Government agreed to reverse its decision on the Right to Buy, this would seriously deplete what is already a limited supply of social housing in Wales.

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Since the Right to Buy legislation was introduced in 1980, 138,548 council homes have been sold in Wales. Of these:

- 135,868 were local authority sales.
- 2,680 were RSL sales.
- 96,716 homes were sold between 1980 and 1996.

This had an enormous impact on the supply of good quality affordable housing in Wales. In recent years, there has been a dramatic slowdown in Right to Buy sales as, even with the discount, this option is still unaffordable for many tenants living in social housing. Between 1 April 2013 and 31 March 2014, a total of 438 social rented and non social rented dwellings were transferred into the private sector through the sale of 179 local authority dwellings and 259 RSL dwellings, via Right to Buy, Right to Acquire and other schemes.

The Legislative Competence Order 2009 allows Welsh Ministers to allow councils to refuse Right to Buy requests in areas where there is high demand for affordable housing. This has also increased the slowdown in Right to Buy sales. However, if the RTB is encouraged again and the discount is increased, then this will exacerbate what are already acute pressures on a limited supply of social housing.

An estimated 284,000 additional homes are required in Wales between 2006 and 2026 to meet housing need and demand. 183,000 of these are in the market sector and 101,000 in the non-market sector (this is where RSLs sit). These estimates average 14,200 dwellings a year - 9,200 in the market sector and 5,100 in the non-market sector. In addition, there is a current backlog of unmet housing need which is estimated at 9,500 households.

Removing Stamp Duty on Homes under £250,000 in Wales

Stamp Duty is devolved, therefore we are unclear on whether this will apply in Wales. Currently Stamp Duty is a maximum of 1% for homes under £250,000. However, the gap between house prices and wages in Wales is increasing and people are unable to access mortgages, therefore we don't anticipate this having a big impact on supply. The current house price to earnings ratio is 1:9.

Seeking increase in building homes as part of the Vision for Welsh Housing

Although this pledge is welcomed, it will need to be matched with increased Social Housing Grant. In the RSL sector, we are averaging fewer than 2,000 homes a year and there's a clear need for investment in the supply of new housing. CHC has signed a Housing Supply Pact with Welsh Government and will continue to work with members and Welsh Government to deliver the affordable housing target of 10,000 homes by 2016.

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Welfare

Make £12bn welfare savings on top of the £21bn already delivered

- In Wales, a greater proportion of social housing tenants claim Housing Benefit than in either England or Scotland. 73.7% of social housing tenants in Wales claim Housing Benefit compared to 69.7% in England and 63% in Scotland.
- A greater proportion of Welsh social housing tenants who claim Housing Benefit are affected by the spare room subsidy: 20.4% in Wales, 19% in England and 15.3% in Scotland.
- In the first six months of the spare room subsidy, housing associations in Wales saw a 25.8% increase in rent arrears. 36% of landlords have seen a significant increase in their costs for managing rent arrears. According to the Wales Audit Office, current housing association tenant arrears increased from £12.406m to £15.643m between April and October 2013.¹
- In 2013, the Welsh Affairs Select Committee also published evidence highlighting how the 'bedroom tax' had been a 'policy failure' in the Welsh Valleys where, effectively, a social housing tenant moving to a smaller property in the private rented sector would cost the taxpayer more money.
- While HAs have worked hard to lower levels of arrears from 2008 to 2012, since then arrears have slowly started to climb. Statistics for Wales show that RSL tenancies in arrears now stand at 32.4%, an increase from 31.8% prior to the 'bedroom tax' / RSRs.² Those in arrears of 13 weeks or more increased to 2.2%, which previously stood at 1.6% prior to the introduction of the 'bedroom tax' / RSRs, Personal Independence Payments and Universal Credit. Further cuts are likely to see further climbs in arrears for RSLs.
- We know that DHP is currently being used to subsidise the worst effects of the 'bedroom tax' - 75% of tenants believe that DHP is their only option.
- Early evidence from work conducted by CHC's Your Benefits Are Changing team shows that Universal Credit claimants are in rent arrears of £607 on average, which is 8 weeks of rent payments.
- Leaked documents revealed that the DWP plans to make savings by cutting disability benefits. The Disability Living Allowance, Personal Independence Payments and Attendance Allowance would no longer be tax free if these plans took effect. Again, this will disproportionately impact tenants in Wales due to the high levels of sickness and disability, particularly in old mining communities stretching across the Valleys.
- Child poverty is increasing in Wales and the UK. A further reduction to families' welfare support would drive more children into vulnerable situations.

¹ Managing the Impact of Welfare Reform Changes On Social Housing Tenants in Wales

² Social housing vacancies, lettings and rent arrears, 2013-14

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Maintain the freeze in working-age benefits for two years

Working age benefits are to be frozen for two years from April 2016, with exemptions for disability and pensioner benefits, maternity allowance, statutory maternity pay, statutory paternity pay, statutory adoption pay and statutory sick pay.

In-work poverty is a growing problem, and freezing statutory pay rises for working families who are raising children will increase poverty levels.

Household benefit cap cut from £26,000 to £23,000 a year with continued exemptions from the cap for those receiving Disability Living Allowance or Personal Independence Payment.

Despite suggestions that this will primarily affect tenants in London and the South East of England, we know that the cap will also adversely affect tenants living in Wales, with 300 households in Cardiff affected. The cap will impact upon families and their ability to pay high private rents and there will be increasing pressure on the social rented sector as a result.

Replace JSA for 18-21-year-olds with a Youth Allowance limited to 6 months, and end automatic Housing Benefit for this age group

There are 17,718 under 25s claiming HB in Wales (including PRS). Of these:

- 9,204 are in the social housing sector
- 6,083 are our members' tenants
- 3,324 have parental responsibility / families, 1,127 are claiming ESA (so too sick or disabled to work) and 199 are working (low pay or apprenticeships).

These individuals will effectively become homeless without benefit payments. Some housing associations have schemes specifically for under 21 year olds. Some also have schemes designated for 16-18 year olds, and these would shut should this policy be introduced. This would leave these individuals homeless and place financial pressure on the housing associations reliant on the rent from these schemes.

CHC welcomes the creation of apprenticeships and traineeships similar to those currently provided by RSLs. However, ending entitlement to benefits which support those learning programmes will impact those vulnerable young adults who have left care, been in abusive families and so on.

Community Housing Cymru Group Members:
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Energy

Ensure that every home has a smart meter by 2020, and set a goal to insulate a million homes over 5 years

CHC welcomes energy efficiency investment, but we also believe that we need a much larger national retrofit project targeted at the most vulnerable people in society. This would help to ensure that people have the correct skills and that we have the correct systems and procedures in place to deliver high quality energy efficiency retrofit works. According to the Wales Fuel Poverty Projection Tool released in 2013, 31% of social housing tenants in Wales still lived in fuel poverty in 2012, equating to 70,000 households, which is a rise of 6% from 2008 indicators. High energy prices in Wales are compounded by the energy inefficiency of Welsh housing and lack of access to mains gas in rural areas. Investing in energy efficiency has clear economic, environmental and social benefits.

Although CHC generally welcomes the intention for the rollout of smart meters, it must be ensured that the cost of the roll out does not place the most vulnerable at risk of becoming even more affected by energy costs. The anticipated behaviour change associated with smart meters might only make a small difference to energy bills. A much bigger difference could be achieved through other forms of education and behaviour change, insulation and other household energy efficiency measures.

Pensions

With over 50% of social housing tenants being over 55, increases in pensions are welcomed. However, this will need to be supported by extensive social housing builds to support an ageing community.

What is CHC doing next?

CHC will be developing views and positions on how policies can be implemented in Wales which will alleviate some of the issues that our members and their tenants will be affected by. We will be reiterating our manifesto calls:

- For a fairer funding system. Stephen Crabb, Secretary of State for Wales, has already said: 'We are committed to following through on this historic commitment to bring fairer funding to Wales.'
- For Welsh tenants to have the same choice as tenants in Scotland and Northern Ireland under Universal Credit through the devolution of the administrative powers, as has been offered to Scotland, which would enable the National Assembly of Wales to give tenants the choice to have their landlords paid directly.
- Repeal the spare room subsidy.

Community Housing Cymru Group Members:

Aelodau Grŵp Cartrefi Cymunedol Cymru:



We'll also need to keep an eye on Westminster where there is a possibility that there will be a Housing Bill within the first 100 days. This will, at the very least, impact on the debate and the view of lenders and investors on the housing association sector across the UK.

Community Housing Cymru Group May 2015

**Community Housing Cymru Group Members:
Aelodau Grŵp Cartrefi Cymunedol Cymru:**

