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Delivering More Homes for Wales

Report of the Housing Supply Task Force

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Foreword

The basic economics of housing, like any other area, is the balance between supply and demand. Over recent months the Task Force has developed an appreciation of the delicate, and often competing, balances within the supply side of the equation. The issues often manifest themselves as barriers to developing, delivering and getting people housed. We should guard against underestimating the importance and sensitivity of these issues and the work required to get the balance right



The relationship between housing standards and supply impacts on our understanding that over-investing in the former can result in less of the latter. Levels of public subsidy drive a similar argument as we struggle with the balance of keeping rents affordable with the inevitable need to stretch public subsidy as far as it can possibly go. This set against a backdrop of welfare reform. On a wider level, housing investment is competing with major policy objectives at both local and national levels. Trying to strike a balance poses some big questions, including how we utilise the most definite resource of all – land. Furthermore, infrastructure, funding, affordability and the planning system represent varying levels of challenge depending on a whole range of specific local conditions. The positive outcomes house building brings, such as jobs and skills, is often overlooked and undervalued in this debate.

But we should celebrate that we start from a position of common purpose in Wales. The vital role good quality affordable housing in securing economic and health security is well understood. New housing provides jobs, skills, economic growth and healthier individuals and communities. Changes in key policy areas, such as planning, indicate the intent to move to a system of enabling development. Wales, as a house building nation, is open for business – to meet aspiration and need alike. The case is well made and the evidence overwhelming that we need more, it's just how we get there, together. We know there are changes we need to, and must, make to get Wales building.

The evidence we received from a variety of individuals and organisations was critical to building our understanding and forming our response. We are grateful for their invaluable contribution which has helped us meet our aim to deliver clear advice to optimise:

- Direct development by local authorities.
- Open market housing development.
- Affordable housing development.

It would be amiss of me not to record our gratitude to the Secretariat provided by the Welsh Government. Their professionalism, energy and commitment is thoroughly appreciated and we recognise we would not have been able to deliver without them. There would be no Task Force without its members who so willingly and generously gave their time. They have been highly focussed on what we, as a nation, need to do. Their integrity, knowledge and experience have delivered challenging, yet deliverable, recommendations for the Minister. It has been a privilege, and quite humbling, working with such a talented group. While it would be wrong of me to mention any individual, I feel I should recognise the support and assistance of the vice chair.

I am happy to, on behalf of the Task Force, deliver our findings and make our recommendations. Agree with us or not, I hope you enjoy reading our conclusions.

Robin Staines
Chair, Housing Supply Task Force

Introduction

The context

1. The challenge put to us is based on the principle that increasing the number of homes is a good thing, achieving a number of policy objectives. New homes generate growth in the economy and create jobs. They provide a sustainable boost to the economy by attracting private investment and improving the attractiveness of Wales as a place to invest. HM Treasury¹ estimates that 21 annual jobs are created for £1 million spend (25% more than the average for other infrastructure investment). Not having enough homes restricts labour market mobility, raises business costs and exacerbates inequality, all of which constrains economic growth. This, of course, does not include the social consequences of insufficient or inappropriate homes.
2. We have identified, considered and evaluated actions which might boost the supply of new homes. However we have been pragmatic, realising these compete with other priorities. Deciding on the proper balance between these objectives is, of course, a matter for the Minister. Our role has been to advise him of the options available and to highlight the potential impacts.
3. Since 1998, house building in Wales peaked at 9,334 completions² in 2006-7. This fell away sharply following the 2008 worldwide financial crisis and 'credit crunch' and has remained at around 5,500 homes a year between 2010-11 and 2012-13. Even at its peak, delivery fell some way short of the 14,000 homes a year needed, as identified by Holmans and Monk³. We have to go back to the 1970s to see sustained delivery over 10,000 homes⁴ a year. This also represents the last period during which there was a large local authority building programme. Wales' challenge is comparatively large and the gap is growing quicker here than elsewhere in the UK. The table below shows Wales has the lowest ratio of any of the four nations in meeting the growth in demand⁵.

	Dwelling Change, 1981-2012	Household Change, 1981-2012	Ratio of Dwellings to Household Change
England	4,782,510	4,961,000	0.96
Wales	267,680	327,000	0.82
Scotland	642,310	610,000	1.05
Northern Ireland	321,980	268,000	1.2
UK	6,014,400	6,166,000	0.97

4. There is much debate regarding the accuracy of estimates of housing need. However the scale of the gap, what we know about the demographic projections and household formation, make the debate largely academic. More housing is needed and the dangers of saturating demand with supply are largely insignificant. The result of this growing gap between demand and supply over the last 30 years can be seen within the housing market, its boom and bust tendencies and ongoing affordability issues.

¹ HM Treasury (undated) *Guidance on estimating the employment impacts for planned capital expenditures*. Data cited refer to UK and are in 2009 prices

² Nathaniel Lichfield and Partners (2013) *Future housing delivery in Wales*, briefing note

³ Holmans, A and Monk, S. (2010) *Housing Need and Demand in Wales 2006 to 2026*.

⁴ Nathaniel Lichfield and Partners (2013) *Future housing delivery in Wales*, briefing note

⁵ Nathaniel Lichfield and Partners (2013) *Future housing delivery in Wales*, briefing note

5. The Minister's commitment is to increasing the supply of new homes, stimulating economic growth, creating jobs and meeting housing need. Our findings are made at a time when action is already underway. 'Positive Planning'⁶ proposes a more enabling planning system which supports culture change, active stewardship, improved collaboration and better local delivery. However, the draft Planning (Wales) Bill⁷, sensibly does not fix planning policy which is comprehensively addressed through 'Planning Policy Wales'.
6. Welsh Government is on course to deliver its current target of 7,500 affordable homes. Recent developments in innovative finance and the commitment of additional resources have added to capacity to meet this target. Action has also been taken to improve developer confidence. There are signs that these actions may be well timed to capitalise on improvements in market conditions. This is commendable given that the Welsh Government's ability to meet the challenge has been affected by reduced capital budgets and the impact of welfare reform.

What we found

7. Our overall finding is that more can be done, within the system, to focus on the outcome of more homes and less on the process. In this regard we would concur with the analysis in 'Positive Planning' and its prescription for a more enabling system. We have identified further action to support the proposed culture change and ensure that planning policy is aligned with a development focussed agenda.
8. There are options to squeeze more affordable housing out of existing resources as well as attract new resources, in particular from local authorities. This is based on a more open environment which encourages the party best able to develop in any given situation. A more dynamic and strategic approach could also innovate in the use of resources, such as public land and access to Prudential Borrowing. There is no magic wand, but there are a number of innovative models, which seek to address the constraints that have recently held back local authority development, make better use of their borrowing capacity and incentivise the release of land. Exiting the Housing Revenue Account Subsidy (HRAS) system will create opportunity, but real capacity involves investment, ownership and management models which require significant political will at all levels and commitment to deliver.
9. Social housing development is an equation shaped by the balance between rent levels, borrowing costs and development costs. There are current policy reviews on construction standards and rents that affect both. It is important to get the balance right if we wish to increase our capacity to borrow and build.
10. Development is not always welcomed by local communities and their political representatives. 59% of local councillors (Ipsos Mori)⁸ report that public opposition has been a barrier to new housing development in the last two years. The case for development needs to be owned, articulated and led more widely within the system. This should be based on the understanding and promotion of the wider benefits of development, such as the creation of jobs and rising skill bases.

⁶ Welsh Government (2013). *Consultation Document: Positive Planning - Proposals to reform the planning system in Wales*.

⁷ Welsh Government (2013). *Draft Planning (Wales) Bill*.

⁸ Speech given by Ben Marshall, Ipsos MORI Research Director, September 2013

11. Scheme viability lies at the heart of delivery and the approach to securing planning obligations from development should be flexible enough to harvest the community benefits without blocking delivery. Equally, the planning system and the identification of land supply should be flexible and responsive to the housing market's ability to deliver at the numbers needed.

Delivering the change

12. We believe that delivering new homes requires the right culture at the heart of both the planning system and the strategic housing function (as exercised by local authorities). Both need to promote a more enabling approach, respond more dynamically to opportunities to make development happen and to value housing development against competing pressures, such as that of funding school renewal.
13. The change necessary requires leadership and commitment at all levels. Welsh Government needs to reinforce a clear message with its own focus, resources and commitment. We believe this requires the visibility and engagement of an implementation group led by the Minister. The group should aim to win commitment from relevant parties, build enthusiasm and maintain momentum for the new homes agenda. It should oversee an implementation plan addressing the areas identified within our report and commission delivery groups accordingly. Membership of the group should seek to assure partnership and collaboration from those with a clear role in delivery. This must include local authorities (LAs), private developers and housing associations (HAs) as well as other key partners. The presence of the Minister will be a tangible demonstration of its importance.
14. The group should seek to strengthen the profile of housing development both within local democracy and amongst the public. Action is necessary to communicate a coherent argument for the value of development and to secure a louder voice for new homes. This action should demonstrate the positive benefits in regeneration potential, jobs created, growth and investment. We feel a joint approach to articulating the case between the Welsh Government and partners would carry more weight.

Immediate action

15. The recommendations in this report all stand in their own right but, if accepted, should be implemented with pace and commitment. Some will be more simple to implement, and will reap their rewards more quickly, than others. Annex 2 sets out our view of the relative timelines for implementation for each of the recommendations. There are a number of things which should be acted upon now to maintain the positive momentum the Minister has initiated. Whilst a new homes delivery group can be regarded as an immediate action, it must have an agenda which will need to be delivered over the rest of this Assembly term. The following can also be secured to demonstrate progress;
- The Welsh Government should complete the full public register of Government land, including land on which there is planning permission.
 - Local Planning Authorities (LPAs) should be required to identify an enabler champion, as part of the 'Positive Planning' agenda. It would be beneficial if this officer be given a short secondment, or similar, to a developer in order to increase understanding of the development process.

- The Minister should commit to an annual statement on housing development describing the country's preparedness to build.
- The Minister should continue to provide national leadership arguing the benefits of development and describing the role of partners in making it happen. This is crucial as it is leadership and political will which will drive delivery more effectively than structure or process.

Recommendation 1: That the Minister establishes a new homes delivery group to oversee delivery of housing supply and win commitment from a broad partnership. This group should urgently and clearly articulate the case for housing.

Recommendation 2: That each local authority appoints a new homes champion who will hold a Cabinet position to promote the case. These champions should urgently and clearly articulate the case for housing.

Government land supply

16. The availability of land is fundamental and the lack of incentives for both private and public land holders to dispose of land rather than hold on for hope value inflates prices and reduces supply. This is a challenge that needs to be addressed in the longer term. What is perhaps more amenable to action now is improving the supply of public land for both affordable and market provision. Development on public land is happening, during 2012-13 the number of homes delivered on public sector land increased with 481 delivered⁹ (265 of which were on local authority land). But the scale of public land coming forward for housing is constrained by the expectation of maximising capital receipts and competing policy objectives.
17. There needs to be more recognition that land value is a resource that can be traded for policy objectives in the same way that cash can, as well as more transparency about public sector land holdings. Current action to increase the visibility of public land assets through e-PIMS is welcome. We believe that further expert action is needed to identify the opportunities, bring together complementary land holdings and address barriers which affect more than one stakeholder. This more proactive approach is more than information gathering but is about land assembly and the facilitation of deals, requiring resources dedicated to achieving housing outcomes, including disposal to the private sector.

Recommendation 3: That the Welsh Government builds on its existing resource to work with public land holders, acquire land and undertake remedial work to bring forward more land ready for housing development.

Getting more from housing association investment

18. Any ambition we have to close the gap between supply and demand requires a step change in affordable housing output. The simplest way to secure greater numbers is to increase the levels of capital available. Whilst we would strongly advocate bids for more resources and would support plans for more investment, to provide jobs and growth as

⁹ Welsh Government (2013) *Affordable Housing Provision in Wales, 2012-13 – Revised*, Statistical publication SDR 184/2013(R)

well as meet housing need, we recognise the realities of the financial climate. To that end we have looked at whether existing resources can deliver more. In 2012-13, 2,042 affordable homes were delivered across Wales¹⁰, a fall of 16% compared to the previous year, and the lowest level of affordable housing provision recorded since 2007-08. Housing associations fund development from a combination of three principle sources - borrowing, Social Housing Grant and reserves.

19. The falling number of new association homes reflects reducing Social Housing Grant, which fell between 2009-10 and 2012-13 from £171m to £101m. Contributions such as the Welsh Housing Partnership and Housing Finance Grant have brought in additional resources and will add to delivery, stretching the grant contribution made by Welsh Government.
20. SHG operates at two rates and for two purposes. Social rents attract 58% subsidy while intermediate rents attract 25% (currently with a programme split of 80/20). A small degree of affordable home ownership is also delivered. The proportion of social rent subsidy is falling (from 88% in 2009-10 to 67% in 2012-13¹¹) with a growth in intermediate rents (increasing from 5% to 24% in the same period). Shared equity has remained steady at 7-8% in the period. In addition, since 2009-10 the proportion of homes delivered by housing associations without public subsidy has risen from 23% to 38%¹².
21. In comparison, the Affordable Homes Programme (AHP) in England produces a more variable and competitive grant regime¹³. This is based on bringing the three funding sources together and setting the public subsidy at the minimum necessary to fund any resulting shortfall. The programme is open to a range of providers including private developers. Sources of funding include; housing association own resources from reserves (generated by surpluses) or recycled capital grant, local authority contributions from planning obligations, land or money from the New Homes Bonus and additional borrowing capacity generated by intermediate rental levels. This includes new housing, but existing homes can be converted to intermediate rents as they are re-let.
22. Each of these elements is brought together as a bid to determine the level of the capital grant. The 2011-15 Homes and Communities Agency programme will deliver affordable homes at an average of £18,838 per home or a 14.6% grant rate¹⁴. This contrasts with Wales' full social housing grant rate of 58% at an average of £69,152 per home and the intermediate grant rate of 25% at £29,792 per home, giving a current overall rate of £54,587¹⁵. At these rates the AHP will deliver 2.9 homes for every 1 delivered here for the same budget.
23. The higher delivery levels results from both the emphasis on intermediate rents as well as the impact of competition. It shifts the subsidy from capital grant to the housing benefit (HB) bill, which is paid by the Department of Work and Pensions (DWP), a non devolved service. The average development cost (including land costs) in the AHP is £129,243¹⁶

¹⁰ Welsh Government (2013) *Affordable Housing Provision in Wales, 2012-13 – Revised*, Statistical publication SDR 184/2013(R)

¹¹ Welsh Government (2013) *Affordable Housing Provision in Wales, 2012-13 – Revised*, Statistical publication SDR 184/2013(R)

¹² Welsh Government (2013) *Affordable Housing Provision in Wales, 2012-13 – Revised*, Statistical publication SDR 184/2013(R)

¹³ <http://www.homesandcommunities.co.uk/affordable-homes>

¹⁴ Homes and Communities Agency (2013) *2011-15 Affordable Homes Programme summary: approved offers as at the end of September 2013*

¹⁵ Derived from Welsh Government data

¹⁶ Homes and Communities Agency (2013) *2011-15 Affordable Homes Programme summary: approved offers as at the end of September 2013*

compared with £119,230 here¹⁷. Whilst there are potential savings from involving developers who have cost effective supply chains, efficiencies may be generated less by reducing costs than through competition, ensuring bidders draw on their available assets in order to keep developing.

24. However, such an approach does not come without costs and risks. The most obvious of these is the impact on affordability. We recognise that, although 67% of all recipients of housing benefit are within the social sector¹⁸, welfare reform creates a shortfall that many have to find from their other income. Over 48,500 housing benefit recipients in Wales are estimated to have lost £9 per week on average from the April 2011 reforms¹⁹. The following average figures illustrate how intermediate rents translate to the costs facing Welsh tenants²⁰.

Rent per week (£s)	Social	Intermediate	Local Housing Allowance	Market
1 bed	£66	£86	£79	£108
2 bed	£73	£105	£99	£131
3 bed	£80	£114	£114	£143
4 bed	£91	£169	£144	£211

25. A competitive grant system would also have considerable impact on providers and provision. It works by favouring lower cost developers with stronger balance sheets. This could unsettle the housing association sector, it may lead some to cease developing and increase the pressure to merge. This impact may be intensified should grant be opened to other providers and take up by the private sector be significant. In turn this could reduce associations' appetite to deliver wider benefits as they seek to concentrate resources on development. It may affect the geography of development. Low rent level areas will find it more difficult to construct business plans that support grant rates to match those of higher rent areas. Proper competition would require the current zoning arrangements to be scrapped or amended, opening up more competition for each location and potentially diminishing associations' local identities. It would also require the Welsh Government to develop new assessment processes with different skills, monitoring arrangements and regulatory demands. It would certainly take time to prepare the introduction, and manage the risks, of such an approach.
26. In contrast, the Scottish Government aims to build two thirds of its affordable homes target as social rents²¹ and uses a benchmark grant rate of £58,000 for housing associations, (exceptions are applied for factors such as greener homes [£4,000] or remote rural premiums). The comparable figure for Wales is £69,152. The Scottish programme is open to housing associations and local authorities as well as individuals and private developers, although proportions within this have a ratio. Intermediate rents are delivered without grant through a model known as the Scottish Housing Trust.

¹⁷ Derived from Welsh Government data

¹⁸ Department for Work and Pensions (2013) *DWP Quarterly Statistical Summary* IGS140813SSNOV13

¹⁹ Welsh Government (2013) *Analysing the impact of the UK Government's welfare reforms in Wales – stage 2 analysis. Summary of the key findings.*

²⁰ Social rents are weighted averages taken from Welsh Government (2013) *Social Housing Stock and Rents, as at 31 March 2013* Statistical Release SDR 123/2013. Local Housing Allowances are averages taken from Welsh Government (2013) *Local Housing Allowance (LHA) rates applicable from April 2013*. Market rates taken from http://www.home.co.uk/for_rent/south_wales/current_rents?county=swales. Intermediate rents are estimated at 80% of market rents.

²¹ <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/investment/ahsp>

27. Neither example has developed a track record which can be shown in historical data, but there are projections available. To understand the potential of similar arrangements in Wales we have set out several scenarios based on decreasing grant rates and changing the existing 80/20 split between social and intermediate provision. Scenarios 1 to 3 apply existing grant rates to increased proportions of intermediate rent provision. Scenarios 4 and 5 are based on achieving a lower grant rate of 48% for social rent and 20% for intermediate through a variable grant rate. The rate for social rent assumes that a figure similar to the Scottish benchmark is achievable and for intermediate rent, is conservative in relation to the English figures. The 15% rate of scenario 6 assumes more from the variable grant rate but is higher than the figure achieved in the AHP. Using a consistent distribution of property types²² the scenarios translate into the following illustrative figures:

Distribution scenario	Grant rate	Number social rent	Number intermediate rent	TOTAL	Association borrowing/own resources (£m)
Baseline 80% social 20% intermediate	58% social 25% intermediate	1,144	672	1,816	117
Scenario 1 70% social 30% intermediate	58% social 25% intermediate	1,012	1,004	2,016	141
Scenario 2 60% social 40% intermediate	58% social 25% intermediate	(-132)	(+332)	(+200)	(+£24m)
Scenario 3 50% social 50% intermediate	58% social 25% intermediate	868	1,344	2,212	163
Scenario 4 70% social 30% intermediate	58% social 25% intermediate	(-276)	(+672)	(+396)	(+£46m)
Scenario 5 50% social 50% intermediate	58% social 25% intermediate	724	1,676	2,400	186
Scenario 6 70% social 30% intermediate	58% social 25% intermediate	(-420)	(+1,004)	(+584)	(+£69m)
Scenario 4 70% social 30% intermediate	48% social 20% intermediate	1,224	1,260	2,484	196
Scenario 5 50% social 50% intermediate	48% social 20% intermediate	(+80)	(+588)	(+668)	(+£79m)
Scenario 5 50% social 50% intermediate	48% social 20% intermediate	872	2,096	2,968	254
Scenario 6 50% social 50% intermediate	48% social 20% intermediate	(-272)	(+1,424)	(+1,152)	(+£137m)
Scenario 6 50% social 50% intermediate	48% social 15% intermediate	872	2,796	3,668	337
		(-272)	(+2,124)	(+1,852)	(+£220m)

28. Therefore a change in the distribution scenario, from 20% intermediate to 50% would increase delivery by 584 homes, or 32% annually, in turn increasing the borrowing/own resources commitment by £69 million. Assuming a variable grant rate delivers 48% and 20% rates then a 70:30 split would lead to 668 more homes per year than the current arrangements. The most aggressive assumption (scenario 6) could as much as double delivery, but would require a 188% increase in resources committed by housing associations. Even at current grant rates amendments to the distribution will result in two or more intermediate rental homes being delivered for every social rented home lost.

29. Rent First²³, the Welsh Government intermediate rent grant scheme notionally operates a variable grant rate up to a maximum of 25%. In practice it delivers a fixed grant rate and does not operate with any significant competition to incentivise lower bids. Modelling was initially done to allow intermediate schemes to be delivered across Wales and it

²² The estimates are based on the average costs of delivering four types of dwelling (2 person 1 bedroom flat; 3 person 2 bedroom flat; 4 person 2 bedroom house; and 5 person 3 bedroom house)

²³ Welsh Government (2011) *Rent First – intermediate rents. Guidance for local authorities and housing associations*

must be recognised that the rental market in parts of Wales would not sustain grant rates as low as those in England. It is difficult to model the grant rates which might be achieved by a competitive process for social rents. However, Welsh grant is 16% higher than the benchmark for housing associations used in Scotland. This suggests there is scope for the current rate to be driven lower.

30. There are then, three main options for stretching more from existing grant budgets;
- By introducing a more competitive grant system for housing associations applying to social rents, intermediate rents or both. The implications would be felt within the environment in which associations operate, whilst the limiting factor would be the capacity of providers to adapt their gearing. This would not affect the experience of the tenant, except where the model included re-letting vacant social rents as intermediate, as happens in England.
 - By introducing a competitive system whilst expanding the pool of competitors to include private developers. This may produce lower grant rates by increasing competition further, but with consequential impacts on housing associations. The limiting factor would be the extent of private developers' interest in entering a regulated environment.
 - By changing the proportion of grant used for intermediate rent at the expense of social rent. This approach need not change the profile of providers but would also be limited by their capacity to increase gearing. It would also impact on tenants by decreasing the availability of new property at social rents.

Of course, it is possible to apply a mixture of these options in varying degrees.

31. It is believed that associations have additional capacity for borrowing, but further work is needed to quantify this. This involves the flexing of existing borrowing arrangements and, where applicable, the cost of renegotiating gearing covenants with lenders. However, overall gearing in Wales was 53.7% in 2012²⁴ with a range from over 60% to under 30%. This contrasts with a Homes and Communities Agency forecast of 91.4% gearing in England by 2014²⁵, as the Affordable Homes Programme (AHP) increases reliance on borrowing. Stock transfer associations borrowing largely pays for the upgrading of existing homes, but there remains the potential to generate headroom to develop dependent on their asset management plans. It is important to recognise that rent policy and the impact of welfare reform may present a limiting factor on the capacity of associations to borrow.

Recommendation 4: That the Minister introduces a variable and competitive grant system to deliver more new homes for both social and intermediate rent. That the regime is built on a ratio of two thirds social housing and a third intermediate rent.

Recommendation 5: That the Minister considers opening up SHG to a range of providers to include private sector developers.

²⁴ Community Housing Cymru and Welsh Government (2012) *Global Accounts for the Welsh Social Housing Sector 2012*

²⁵ Derived from Homes and Communities Agency (2013) *2011-15 Affordable Homes Programme summary: approved offers as at the end of September 2013*

Delivering a local authority build programme

32. Wales has not built homes at a rate approaching the overall level of demand since there was last a significant local authority build programme²⁶. Local authorities have three key resources with which to build council houses or make other contributions to affordable housing provision. Firstly, borrowing, either within the Housing Revenue Account (HRA) for council housing, or within the General Fund to support housing more widely. Local authority borrowing is governed by a prudential code which assures that it remains affordable. Intermediate level rents offer a revenue stream which can meet the cost of borrowing, available at competitive rates. Secondly, using planning gain, achieved through s106 agreements or Community Infrastructure Levy (CIL). Thirdly, the disposal of assets, either as a receipt or as subsidy, such as providing land. What has limited their use until now has been the disincentive built into the Housing Revenue Account Subsidy (HRAS) system, the fear of losing newly built properties through the right to buy, and a relative lack of priority for housing in comparison with other demands such as 21st Century Schools. We are now at a moment in time when authorities can be asked to revisit the question, and it is our view that the political will necessary, is growing and can be encouraged and incentivised.
33. The 11 stock-retaining local authorities will exit the HRAS in March 2015. However they will be subject to a borrowing cap of some £1.85 billion²⁷. Authorities are currently submitting their borrowing requirements based on last year's business plans. The process is not complete, but the plans make very little provision for new build with only one authority, so far, submitting any plans to develop. This contrasts with a number of English authorities who have secured significant borrowing capacity, which they plan to use for a council building programme or to enable others. However, the settlement for Wales has not produced this result. When allocated, the cap is expected to be absorbed by existing borrowing, funding the exit settlement with the HM Treasury and to meet the Welsh Housing Quality Standard (WHQS). This may leave very little borrowing headroom. A precise figure cannot be identified until the process has been completed.
34. Rules, agreed with HM Treasury, mean that any new council HRA development would be subject to the cap. For stock-transfer authorities there is the added complication of requiring permission to re-open an HRA. Headroom will increase over time as local authorities' existing debt burden reduces and as WHQS is delivered. However promoting council building is likely to remain constrained by HM Treasury rules, even after the exit from the subsidy system. Flexibility is dependent on local authorities' ability to deliver WHQS more cheaply than business plans provide for, and the asset management assumptions going forward.
35. A potential way of working around the borrowing cap is by authorities ceding ownership to a third party. Innovative models are already being promoted in Wales where local authorities enter partnerships or create arms length bodies. The advantage of these models is that they can borrow cheaply, using prudential principles, and in doing so exploit a dormant resource.

²⁶ Nathaniel Lichfield and Partners (2013) *Future housing delivery in Wales*, briefing note

²⁷ Jane Hutt, Minister for Finance and Carl Sargeant, Minister for Housing and Regeneration. Written Statement - *Reform of the Housing Revenue Account Subsidy system*, 25 June 2013

36. The Scottish National Housing Trust²⁸ model brings this approach into a national scheme. It leverages private sector funding and council borrowing to deliver homes for intermediate rent. Developers are commissioned to build homes to agreed standards and timescales which are then purchased by a Limited Liability Partnerships (LLPs). The members of the LLP are the council, the developer and the Scottish Futures Trust (an independent expert body established by the Scottish Government to support efficiency in public infrastructure investment). The LLP pays between 65% and 70% of an agreed purchase price to the developer upfront. This contribution is funded by participating councils who provide loans to the LLPs in their area, primarily through on-lending borrowing raised from the Public Works Loan Board (PWLB). The remaining 30% to 35% of the purchase price is contributed by the developer as a mixture of loan funding and equity investment. The overall risk is underwritten by a Scottish Government guarantee for up to 10 years and the homes can be disposed of after five years. This model differs from the English one in that it secures the homes for a finite period but operates without central government grant, excepting the costs of the guarantee. It places an additional burden on local authority prudential borrowing but this is relatively cheap and significant capacity exists, where underpinned by a secure rental stream.
37. Homes are available to tenants at an intermediate rent for five to 10 years. Agents manage the homes which are allocated according to criteria agreed with the council. Rental income covers the council's borrowing costs as well as management and maintenance. After six years the properties can be sold to finance the developer's costs. The Scottish Government provides a guarantee underwriting the risks outwith the business plan, such as market price changes. So far, deals have been secured with 13 developers for the delivery of over 1000 homes across 10 council areas. Scottish Government reports²⁹ that this cost £2.8 million in guarantees to release £146 million investment and create 1,300 jobs.
38. A number of special vehicles with similar fundamental attributes exist. The Welsh Government's own Ely Bridge model draws in private finance using government land and money. The Bellerophon model offers access to significant institutional investment funds to housing associations and local authorities in return for an investment through land. The model is currently being used to a modest extent. We have not detected any widespread enthusiasm to adopt these or similar approaches by local authorities. It may be that reflects a lack of capacity in the strategic housing enabling function of authorities, concern about commercial viability or loss of control by the authority. These models should remain within the suite of solutions available and further action through the implementation group will be required to promote them.
39. In 2012-13, the number of additional affordable housing delivered through planning obligations was 432³⁰ (21% of all provision). Some authorities have begun drawing this planning gain to themselves and there are also opportunities to monetise the gain rather than as on-site or even off-site provision. In addition, the Community Infrastructure Levy (CIL) can provide revenue for housing, but this requires a willingness to see affordable housing as a priority. A balanced use of these approaches can maximise council resources and fund regeneration in locations where the market will not support development. However, clumsy use of planning obligations can significantly restrain

²⁸ <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/supply-demand/nht/OrigNHT>

²⁹ Correspondence with Scottish Government

³⁰ Welsh Government (2013) *Affordable Housing Provision in Wales, 2012-13 – Revised*, Statistical publication SDR 184/2013(R)

development, as discussed later, although many developers would welcome the opportunity to deliver planning obligations off-site.

40. Local authority land can make an important contribution. A wider use of the opportunity requires a stronger political priority to be placed on housing. This can be achieved by a stronger presentation of the case but this would be supported by the incentive of new resources. We would argue that shifting resources from the existing Social Housing Grant (SHG) budget would risk “robbing Peter to pay Paul” with uncertainty that the gains would outweigh the cost to the housing association sector and risk the 40% of affordable housing delivered without grant. However, a new grant programme for local authorities using discrete resources could support development within the HRA as well as promote other partnership models.
41. Assuming an average development cost of £120,000, (which mirrors current housing association delivery), a £20 million annual grant scheme paid at a 50% grant rate would deliver 333 homes per year, translating to 840 annual jobs, and require £20 million of local authority borrowing requiring a relatively modest revenue stream. The provision of free land by the authority would extend delivery. Assuming this reduced the average unit cost to £80,000 the numbers would increase to 500 annually. As suggested earlier it is not yet possible to define the level of borrowing that authorities will be able to support under the HRA cap. However any grant budget could be flexed between alternate uses. Using a proportion to fund the guarantees required to create a Welsh National Housing Trust. The HRA model delivering at social rents, whilst the Housing Trust model delivers intermediate rents. Together this would represent a balanced contribution to the overall delivery of affordable housing by local authorities offering them incentives which would reward smart use of the resources available to them.

Recommendation 6: That the Minister seeks to secure new monies for a challenge fund for Local Authority building and/or enabling. This includes grant to develop within the HRA and the costs of guaranteeing a National Housing Trust for Wales following the Scottish model.

Rent policy

42. The Welsh Government is introducing a new rent policy for housing associations in 2014-15 and for local housing authorities in 2015-16 (following exit from the HRAS). The new policy, combined with provisions in the draft Housing (Wales) Bill³¹, will ensure that the legislative and policy frameworks are consistent across all social landlords. The recent Ministerial response to the consultation sets out an intention to fix the formula for a period of five years offering welcome certainty for tenants and landlords. The social benefits of providing low rents must be a considerable driver of policy but the change from retail price index (RPI) to consumer price index (CPI) as the measure of inflation, even with a 1.5% real terms increase, could lead to lower income levels for landlords, reducing revenue to maintain properties and service debt. A concordat is in place with the Department of Work and Pensions (DWP) to ensure that local authority rent levels and rent rebates are not disproportionate when compared with England, so action is also constrained for practical reasons, but viewed from a development perspective the appropriate balance for policy should also consider the capacity of social landlords to borrow and invest as far as possible.

³¹ Welsh Government (2013). *Draft Housing (Wales) Bill*.

Recommendation 7: That as part of the proposed Rents and Local Housing Allowance Task & Finish Group's consideration is given to mitigating the impact on social landlord's capacity to develop of any further amendments to Rent Policy.

Empty Homes

43. The 23,000 or so long-term empty homes³² are a wasted resource. New-build remains critical to addressing the supply-side, but making the best possible use of existing wasted homes is logical and important. The Houses into Homes programme is delivering well: over £13m has been paid to local authorities to bring back into use at least 600³³ homes. It is expected that the full £20m could bring back into use at least 900 properties and examples of the economic impacts in supporting local contractors, jobs and training places have already been identified. Welcome as these figures are, it would seem likely that more can be done to exploit the opportunity to bring properties into use at an average cost of £22,222.
44. The challenge increases as local authorities move beyond straightforward cases to the more difficult challenges that will stretch capacity and may require a more developed offer to owners such as longer loan periods. Support to local authorities to develop competence and capacity for more complex cases and a refresh of the scheme rules could pay a significant return by extending the schemes delivery.
45. However, detailed and complex case work is hindered by insufficient capacity and capability in local authorities. Local authorities have wide ranging powers and significant financial resources are not always required to bring wasted homes back into use.

Recommendation 8: Welsh Government undertakes a further review of Houses into Homes to ensure that it targets homes in the most need of attention and the greatest possible impact is achieved with the funding. WG should provide additional support through a job expertise and strategic support.

Delivering through the market

46. Market housing must be central to a government intent on increasing housing supply. During April to June 2013-14, the private sector was responsible for 89% of all new dwellings³⁴. Between 1983 and 1989 private sector completions increased from 5,080 to 9,720³⁵, an increase 91% in the space of 6 years. This shows that the private sector has the ability to increase capacity quickly from a low base. What is required is support to stimulate demand and action to increase the supply of sites through the planning system. Demand reflects affordability as well as housing need and aspirations. The reduction in mortgage availability during the credit crunch has had a significant impact on demand. Help to Buy Wales is therefore welcome and we would not propose any action over and above current plans on stimulating demand.

³² <http://wales.gov.uk/topics/housing-and-regeneration/housing-supply/empty-homes/houses-into-homes/?lang=en>

³³ Will Eadson, Stephen Green, Kesia Reeve, David Robinson and Ian Wilson (2013) *Houses into Homes Second Interim Evaluation Report*, Welsh Government Social Research, 2013

³⁴ Welsh Government (2013) *New House Building in Wales, April to June 2013*, Statistical release SDR 153/2013

³⁵ Nathaniel Lichfield and Partners (2013) *Future housing delivery in Wales*, briefing note

47. As for the supply side, the evidence we heard tells a the story of a development system which is failing to prioritise building homes as the outcome and a planning process which does not deliver enough economically realistic development opportunities. Development plans currently identify 250,000 homes over a fifteen year period³⁶. This would be enough to meet overall projections of need, but in practice only about 2% of those homes will be delivered this year, a rate at which we would deliver only 30% of the target. This reflects the central problem of sites adopted within local development plans (LDPs), with insufficient understanding of their deliverability and despite the existence of alternative, more realistic sites.
48. Whilst there are genuine considerations that should fetter the free market such as regeneration and environmental concerns, these interests are often left to be balanced at the site specific level rather than traded through strategic consideration within the development plan. The case for development contributing to jobs and growth is not always valued and as a result public opposition to development is often translated into inertia, with matters addressed through appeal mechanisms as a matter of course.
49. The Task Force believes the private sector will invest, if it can see a reasonable return for the risk it is taking. Scheme viability is often not well understood and the private market is sometimes distrusted by local authority officers and politicians, with a resultant lack of flexibility and responsiveness. The end result being that development is not happening at the levels needed. The cost of land is inflated by large portfolios held by land agents and by the 'hope' value that many owners seek. This issue cannot be solved by the development planning system without massive collateral damage in the form of lost development.
50. Development is sometimes asked to make financial contributions which do not properly reflect scheme viability and can be counter-productive; squashing any prospect of generating the gain desired. Viability is a question of the relationship between house prices and the costs of development, including land costs, build costs and planning obligations. This makes viability fluid and price sensitive and gives it a geographical representation. Public policy makers should also recognise that house prices reflect choice and preference about where people want to live, in turn reflecting social and economic forces which should be balanced with other policy imperatives.
51. Local planning authorities (LPAs) control the geography of viability mostly through the adjustment of planning obligations. The current system often applies broader policy to the specific circumstance to ensure consistency and accountability. A system which starts with the outcomes turns this question around and starts with viability, securing the maximum contribution possible short of jeopardising delivery.
52. We have found an apparent disconnect between local housing strategy and the planning process with a lack of capability and political leadership of the former most obviously to blame. Many authorities seem content not to develop or grow their areas, perhaps reflecting local public sentiment. Those who already own their own homes are twice as likely to have opposed a local planning application for new housing (20%) and 13% of homeowners said the reason they opposed new homes was because it would cause the value of their house to fall³⁷. Similarly, MORI³⁸ found that 49% of the public disagree that there is a housing crisis locally, and 45% disagreed that new homes need to be built

³⁶ Estimate derived from data within Local Development Plans

³⁷ National Housing and Planning Advice Unit (2010) *Public Attitudes to Housing 2010*. Figures refer to England.

³⁸ Speech given by Ben Marshall, Ipsos MORI Research Director, September 2013

locally. The evidence is that we understand the need for housing more in the abstract than we do in our own backyards.

53. 'Positive Planning' sets out an agenda which reflects much of what we have heard. In particular, the proposals for a National Development Framework and Strategic Development Plans are welcome. We believe that these must be delivered in a way that provides real leadership for development and sets out a convincing spatial understanding of the needs. Development plans must not only identify viable land, but should also actively tackle regeneration and economic development imperatives, addressing the infrastructure and investment that push up demand and house prices thereby making land newly viable.
54. There are very few mechanisms to incentivise or dis-incentivise development. There is a lack of financial incentive as any growth in Council Tax base is effectively negated through the Revenue Support Grant mechanism. The New Homes Bonus in England has provided resources which have funded new initiatives but the National Audit Office³⁹ has concluded that: "While it is too early for the scheme to have had a discernible impact on the number of new homes, the signs are not encouraging." Underperforming LDPs are reviewed but the timescales do not force a clear focus on delivery and there are no consequences to a plan that does not deliver to the numbers identified. The failure to adopt LDPs in many parts of Wales is providing a barrier to development. However, this should not be addressed by rushing through poor quality plans. The LDP process should allow for a comparative assessment of sites on the basis of deliverability. Establishing that a plan is 'sound' is only part of a test of its ability to deliver its purpose.
55. The bureaucratic burden of the planning system is often cited as a barrier. This can be overstated and the proposals contained within the 'Positive Planning' address this with a promise to rationalise and speed up the process. However, there are additional actions we believe will support delivery.

Recommendation 9: The proposals for pre-application public engagement and the development of place plans should be supported. The Minister should also consider enabling the use of planning gain to financially compensate individuals who are adversely affected by a development.

Recommendation 10: The development of the planning competency framework within 'Positive Planning' should include increasing the understanding of development finance amongst local officials and members.

Recommendation 11: We consider active stewardship to require the setting of housing targets by Welsh Ministers. This should be based on a revised modelling of housing need which is co-produced to achieve a greater consensus over numbers

Recommendation 12: The Planning Policy Wales review should include the updating of TAN 2 to ensure a flexible response to balancing scheme viability against planning gain. We would further advocate the establishment of an expert service to support parties to achieve a shared understanding in relation to specific schemes.

³⁹ National Audit Office (2013) *The new homes bonus*, HC 1047

Recommendation 13: The test applied by Planning Inspectorate Wales to Local Development Plans (LDPs) should be reviewed to allow comparative assessment of identified sites. This should be further supported by a requirement to review Joint Housing Land Availability Studies (JHLASs) annually based on the delivery of target levels of development based on identified need rather than past build rates.

Recommendation 14: There should be scope, within the finance and planning systems, to develop mechanisms to reward and encourage local government to deliver more homes. We recommend that the Minister further explores these options.

Standards

56. Every pound spent on delivering standards, either in new build or through refurbishment, is a pound less to spend on new development, the reverse also being true. Choosing the right balance between standards and development is a matter of fine judgement properly exercised by an elected official. Standards affect density, internal space, specifications and the condition/modernisation of fixings. We are fully supportive of high standards in each of these and would certainly not want to take any backward step. However, we should recognise that the current product in both social and private sectors is popular and that many of the development failures of recent history are most attributable to failures in design and in the creation of communities around the home rather than the quality of build and internal space. Good design can save costs, we believe that standards, which incur costs for development, should justify that cost with demonstrable benefits.
57. The Minister's recent decision⁴⁰ on Part L of the Building Regulations has set a positive tone which gives confidence to developers. It must be stressed that confidence is key, as many developers have a choice of jurisdictions in which to operate and Wales would suffer if it were perceived to be losing a de-regulatory competition. This confidence has also been bolstered by the Minister's action on fire sprinklers. Now that the policy is set we can look at mechanisms to implement it. Wales forms less than 5% of the UK's house construction sector⁴¹, but we are reliant on new supply chains to deliver reliable and cost effective sprinkler systems. We believe there may be a need to build on the welcome proposals for Welsh Government pilots with more research and engagement with suppliers.
58. The current review of Development Quality Requirements (DQR) has given the Minister the opportunity to ask. "What is it that justifies a standard over and above that which would be secured through building regulation" There are clearly answers which will meet that challenge and the profile of social housing tenants justifies having certain differences. However, it is important that the review cuts out the simply desirable to end up with the necessary. Evidence from developers suggests that DQR housing costs 20% to 25% more than that built to building regulations and reduces density on the typical development by 15% to 20%. There is also the question of the application of DQR. The nature of affordable housing is shifting with intermediate rents increasingly being used to meet the needs of a different group, people on low income who find it increasingly difficult to access the private rented sector (PRS). This group is broader than that

⁴⁰ Carl Sargeant, Minister for Housing and Regeneration. Written Statement - *Stimulating Home Building in Wales*, 17 July 2013

⁴¹ Nathaniel Lichfield and Partners (2013) *Future housing delivery in Wales*, briefing note

prioritised for social housing. There is an argument that standards in the private and intermediate new-build markets need not differ and that DQR should not apply to intermediate rental property delivered by social landlords.

59. March 2013 data⁴² shows 75% of housing association and 39% of local authority dwellings being compliant with the Welsh Housing Quality Standard (WHQS). We are a long way through the programme and it would be inappropriate to fundamentally shift the goal posts. However, we did hear a number of examples of spend deemed to be delivering limited value to the tenant, such as kitchens and bathrooms renewed after 15 years whilst still in good condition and without strong demand from the tenant. Welsh Government guidance does allow for good condition kitchens and bathrooms not to be replaced, however, the tone set by the guidance may be translating to presumptions that are wasting resources. Welsh standards contain detailed specifications, including the 15 year guide. In comparison Scottish guidance details fewer items and does not give a date guide whilst the English guidance offers a more general, less prescriptive, approach offering a 20 year date. Standards need not necessarily be compromised for Welsh guidance to be clarified in a way that reduces costs.
60. This is important. Local authorities anticipate spending £833 million between April 2011 and March 2017⁴³, whilst housing associations will spend £1.33 billion in the period⁴⁴. Small percentage gains can translate to big numbers, which could be utilised within the HRA borrowing cap or create headroom for stock transfer associations saving. Modelling by a housing association of the impact on their business plan of extending the renewal periods by 5 years creates £27 million of headroom, reduces peak debt from £111.84m to £84.13m and brings it forward from 2029 to 2019.

Recommendation 15: That the Minister considers appropriate research and work with suppliers to develop cost effective technical solutions for sprinklers.

Recommendation 16: That the Minister seeks a full impact assessment costing the recommendations of the DQR review referenced to its impact on supply.

Recommendation 17: That national and local asset management strategies and standards are reviewed in order to focus on maintaining quality while enabling development.

Getting the infrastructure right

61. Having the right infrastructure is fundamental to development and adding to it can open up places which were previously unviable. It is important that development planning is capable of shaping infrastructure plans to meet regeneration or economic development objectives. This means that local development plans (LDPs) must talk to other plans effectively and must be proactive about infrastructure development to encourage building in previously unviable areas. We previously discussed costing Community Infrastructure Levy (CIL) so as to produce a manageable planning obligation burden on development. However, careful use of CIL to fund infrastructure which increases house prices or reduces development costs can offset that affect.

⁴² Welsh Government (2013) Welsh Housing Quality Standard, Statistical Release SDR 169/2013 (R)

⁴³ Wales Audit Office (2012) *Progress in delivering the Welsh Housing Quality Standard*

⁴⁴ Wales Audit Office (2012) *Progress in delivering the Welsh Housing Quality Standard*

62. We found particular issues relating to Dwr Cymru Welsh Water. There are particular challenges in assuring water pressure for sprinklers and many regard the costs of funding new infrastructure as falling too heavily on the developer. Additionally the administrative regime has been criticised. There are clear signs that Dwr Cymru Welsh Water is improving its engagement with developers. However, the regulation of Dwr Cymru Welsh Water is based on improving standards and keeping customer bills down, It would be helpful if the regulatory approach of Ofwat also included a responsibility to 'enable development' in line with Government objectives. This would allow Dwr Cymru to pool the burden of new infrastructure investment over the whole system. The current review of the Water Strategy provides an opportunity to state this purpose clearly. There is a challenge for public policy makers to more effectively combine planning cycles for the LDP and water investment plans which operate to different timescales.

Recommendation 18: That the Minister seeks the co-operation of the Minister for Natural Resources and Food to reflect these issues within the Water Strategy.

Recommendation 19: That this co-operation supports discussions with Ofwat to ensure promoting development is contained within their regulatory approach.

Jobs, training and skills

63. Estimates of the additional jobs generated by moving to meet the targets set out in Holmans and Monks range between 5,770 full time jobs per year to 12,300⁴⁵. Wales has a relatively high proportion of its workforce that is home-grown, with only 9% of workers coming from other regions and nations⁴⁶. It is also more local than the average, around a fifth of workers live within 19 miles of the site on which they are currently working⁴⁷. Wales has a higher than average proportion of its workforce who received their first construction qualification here⁴⁸. We found a sector that is nervous about the capacity of the labour market to respond quickly to any growth in demand, with particular concerns about the match of the college curriculum to workplace needs. We also found a sector that is already delivering a number of community benefits, such as apprenticeships, but there is capacity to do more and demonstrate what is happening more transparently.

Recommendation 20: The Minister should develop partnership working with training providers, the Construction Industry Training Board (CITB), developers and local authorities to review the training offer to ensure it offers up to date skills as well win a wider commitment to deliver community benefits.

Recommendation 21: The Minister should seek the co-operation of the Minister for Education and Skills in ensuring college courses reflect the current needs of the industry.

⁴⁵ Estimates based on data in HM Treasury (undated) *Guidance on estimating the employment impacts for planned capital expenditures* and in Welsh Economic Research Unit (2013) *Year 6: The Socio-Economic Impact of the Welsh HA and Community Mutual Sector*, report for Community Housing Cymru

⁴⁶ Babcock Research (2012) *Workforce Mobility and Skills in the UK Construction Sector 2012 Wales*, report for CITB-Construction Skills

⁴⁷ Babcock Research (2012) *Workforce Mobility and Skills in the UK Construction Sector 2012 Wales*, report for CITB-Construction Skills

⁴⁸ Babcock Research (2012) *Workforce Mobility and Skills in the UK Construction Sector 2012 Wales*, report for CITB-Construction Skills

Setting Targets

64. We believe that there is merit in having a target for market housing, because of the positive tone it reflects for development and developer confidence. This is likely to translate into delivery now. Such a target would demonstrate ambition and send out a clear message to local authorities that more needs to be done and that they must remain focused on supply. This would chime with the messages coming from the Minister around 'Positive Planning' even though its direct impact would take longer to be felt. It would also reflect the impact that can be expected from Help to Buy Wales and other initiatives.
65. The timescale for 'Positive Planning' and other actions to promote supply should allow more robust projections to be developed and we would anticipate more challenging targets should be possible at this stage.
66. For affordable housing, implementation of many of our recommendations would not be translated into delivery of homes on the ground during this Assembly term. A competitive grant regime will take significant work to develop with the field and existing forward plans should probably be protected. A council build programme could be possible during 2015-16 but would require new resources and the creation of a Welsh National Housing Trust would have a similar timetable. Work on land can begin immediately, but lead-in times are also long.
67. Current projections show that the existing social housing target will be exceeded. This would facilitate setting a stretch target which would set a tone for housing associations that have the opportunity to develop more without grant now. This target should be set in a range based on current projections to 2014-15, what we can know about delivery from grant during 2015-16 and what associations will deliver from their own resources. The precise target will depend therefore on the level of expectation that the Minister can secure from housing associations. Full year statistics will not be available by the end of the administration, but we believe it will be possible to set a target to this year that can be reported on the basis of official statistics.
68. Full implementation, by 2015-16, of the recommendations made in this report would be likely to increase annual delivery of affordable housing by a further 2,000 units p.a. These could further increase a target being set at that stage.

Recommendation 22: We would suggest setting an expectation for an increase of 20% private sector completions by 2015/16⁴⁹

Recommendation 23: We would suggest setting a target within a range between 10,800 and 11,300 affordable homes during the term of this administration. This would represent a 44% to 51% increase from the existing target.

⁴⁹ Baseline of 2012/13. Data shows 4,720 private sector completions in 2012/13. Welsh Government (2013) *New House Building in Wales, April to June 2013*, Statistical release SDR 153/2013

Annex 1: Glossary

Affordable Homes Programme 2011-15 (AHP) aims to increase the supply of new affordable homes in England.

Bellerophon model A model in which public land is used by local authority to purchase equity in a Limited Liability Partnership, consisting of the local authority, a housing operator and an investment company (such as Bellerophon) to finance the development of new affordable housing.

Community Infrastructure Levy (CIL) is a levy that local authorities can choose to charge on new developments in their area. The money can be used to support development by funding infrastructure that the council, local community and neighbourhoods want.

Consumer Price index (CPI) is the official measure of inflation of consumer prices of the United Kingdom.

Development Quality Requirements (DQR) are the standards that Registered Social Landlords' housing must meet

Department of Work and Pensions (DWP) is the UK Government Department responsible for welfare and pension policy

e-PIMS is the central database of Government Central Civil Estate properties and land.

Homes and Community Agency is the national housing and regeneration agency for England. It is the regulator for social housing providers in England.

Housing Revenue Account Subsidy (HRAS) System was originally established to enable the UK Government to determine the amounts needed by local authorities for their housing and to identify whether they required subsidy support. The subsidy is driven by a formula and if spending was greater than assumed income, the UK Government paid HRAS to make up the deficit. If spending was less, the local authority paid the surplus to the UK Government. This surplus is known as negative subsidy. The effect of the system was to re-distribute revenue received by local authorities so that rents paid by tenants throughout England and Wales was similar.

Over time, the result has been that all eleven stock retaining local authorities in Wales pay negative subsidy. These currently amount to some £73 million per annum. The current system is not influenced by the efficiency of local authorities and Wales is the only nation where the system remains in place. The system also acts as a disincentive for local authorities to build new housing as new properties would have to be included in the calculation of the subsidy.

Following agreement with Her Majesty's Treasury in June 2013, the Housing (Wales) Bill will abolish the Housing Revenue Account Subsidy system and will bring an end to the transfer of housing revenues from Wales to the UK Government. There are two elements to the agreement. The first part will involve local authorities buying themselves out of the existing subsidy system through a one off lump sum and local authorities will take on new debt to fund the settlement. These reforms will generate a total of £33 million in savings to the 11 stock retention local authorities each year. The second element, which is a condition of the agreement, will involve the imposition of a housing related borrowing cap.

Intermediate rents are above the level of social rents, but below market housing rents, and are generally 80% of market rents although Local Housing Allowance might cap the maximum intermediate rent. In England, under the Affordable Housing programme, intermediate rents are referred to as affordable rents.

Joint Housing Land Availability Studies (JHLAs) provides an agreed statement of residential land availability for development planning and development management purposes; and set out the action to be taken in situations where an insufficient supply is identified. Local planning authorities must ensure that sufficient land is genuinely available to provide a 5 year supply of land for housing

Large Scale Voluntary Transfer (LSVT) organisation is a housing association to which has been transferred the ownership and management of a local authority's housing stock

Local Development Plan (LDP) is the statutory development plan for a local planning authority area.

Local Housing Allowance Each year Rent Officers Wales calculates the Local Housing Allowance Rates based on rent levels in each area of Wales. These rates help Local Authorities decide how much they will pay in Housing Allowance for each type of property.

National Housing Trust Model This operates in Scotland and leverages in private sector funding and council borrowing to support the delivery of homes for intermediate rent.

New Homes Bonus is a grant paid by central government to local councils in England for increasing the number of homes and their use. The New Homes Bonus is paid each year for 6 years. It's based on the amount of extra council tax revenue raised for new-build homes, conversions and long-term empty homes brought back into use. There is also an extra payment for providing affordable homes.

Part L of the Building Regulations covers the requirements with respect to the conservation of fuel and power.

Planning Inspectorate is an Agency of the Welsh Government and the Department for Communities and Local Government. Its work in Wales in relation to functions devolved to Welsh Ministers is funded by the Welsh Government. Work includes processing planning and enforcement appeals; holding examinations into local plans and community infrastructure levy charging schedules.

Public Works Loans Board (PWLB) is a statutory body operating within the United Kingdom Debt Management Office, an Executive Agency of HM Treasury. PWLB's function is to lend money from the National Loans Fund to local authorities and other prescribed bodies, and to collect the repayments.

Registered Social Landlords (RSLs) are housing associations that are registered with and regulated by the Welsh Government.

Retail Price index (RPI) is a measure of inflation published monthly by the Office for National Statistics. It measures the change in the cost of a basket of retail goods and services.

S106 agreements Planning obligations under Section 106 of the Town and Country Planning Act 1990 (as amended), commonly known as s106 agreements, are a mechanism which make a development proposal acceptable in planning terms. The common uses of planning obligations are to secure affordable housing, and to specify the type and timing of this housing; and to secure financial contributions to provide infrastructure.

Social Housing Grant (SHG) is a grant given to registered social landlords (RSLs) by the Welsh Government. The grant aims to provide new affordable housing for rent or low cost home ownership. It funds housing schemes that meet local needs and priorities as identified by local authorities. Since the 1980s nearly all new social housing has been provided by RSLs.

Social Rents At present different rent policies apply to local authorities and RSLs. For local authorities, the Welsh Government set guideline rents, which are notional rents for the purposes of calculating housing revenue account subsidy. Whilst local authorities are free to charge actual rents which may be above or below the guideline rent there are financial disincentives for doing so. For registered social landlords (RSLs), a rent benchmarking system applies which means that the 'maximum rent' charged for six key property types, when averaged, should be at or below the set rent benchmark. The system also sets the maximum rent that can be charged for a three bedroom five person home. The Welsh Government is introducing a new rent policy for RSLs in 2014/15 and for local housing authorities in 2015/16, following exit of the HRAS. The new rent policy, combined with the provisions in the Housing Bill, will ensure that the legislative and policy frameworks are consistently applied across all social landlords.

Stock Transfer Authorities Local Authorities which has transferred the ownership and management of their housing stock to a Housing Association.

Welsh Housing Quality Standard (WHQS) was introduced in 2002 to ensure that social housing is of good quality and suitable for the needs of existing and future residents. This standard requires all registered social landlords (RSLs) to improve their housing stock to the WHQS as soon as possible but in any event no later than 2020.

Annex 2: Prioritising Task Force Recommendations

1. The Minister for Housing and Regeneration asked that the Task Force prioritise their recommendations. We have considered our recommendations against two issues:
 - Timeliness – identifying recommendations that can be taken forward **immediately** (in the next 6 months); over the **medium term** (over the next 12 months); and over a **longer time period** (over the course of this administration)
 - The extent to which a recommendation will have a direct or indirect impact on affordable or market housing “delivered on the ground”.

	Recommendation	Priority
1	There is also a need to articulate the case for housing more clearly and the Minister should establish a new homes delivery group to oversee delivery of housing supply and win commitment from a broad partnership.	Immediate
2	That each local authority appoints a new homes champion who will hold a Cabinet position to articulate the case for housing more clearly at a local level	Immediate
3	That the Welsh Government builds on its existing resource to work with public land holders, acquire land and undertake remedial work to bring forward more land ready for housing development.	Immediate
4	That the Minister introduces a variable and competitive grant system to deliver more new homes for both social and intermediate rent. That the regime is built on a ratio of two thirds social housing and a third intermediate rent.	Medium term
5	That the Minister considers opening up SHG to a range of providers to include private sector developers.	Medium term
6	That the Minister seeks to secure new monies for a challenge fund for Local Authority building and/or enabling. This includes grant to develop within the HRA and the costs of guaranteeing a National Housing Trust for Wales following the Scottish model.	Medium term
7	That as part of the proposed Rents and Local Housing Allowance Task & Finish Group’s consideration is given to mitigating the impact on social landlord’s capacity to develop of any further amendments to Rent Policy.	Medium term
8	Welsh Government undertakes a further review of Houses into Homes to ensure that it targets homes in the most need of attention and the greatest possible impact is achieved with the funding. WG should provide additional support through a job expertise and strategic support.	Immediate
9	The proposals for pre-application public engagement and the development of place plans should be supported, including a role to further enable the use of planning gain to financially compensate individuals who are adversely affected by a development.	Long term
10	The development of the planning competency framework within ‘Positive Planning’ should include increasing the understanding of development finance amongst local officials and members.	Long term
11	We consider active stewardship to require the setting of housing targets by Welsh Ministers. This should be based on a revised modelling of housing need which is co-produced to achieve a greater consensus over numbers	Immediate
12	The Planning Policy Wales review should include the updating of TAN 2 to ensure a flexible response to balancing scheme viability against planning gain. We would further advocate the establishment of an expert service to support parties to achieve a shared understanding in relation to specific schemes.	Medium term

13	The test applied by Planning Inspectorate Wales to Local Development Plans (LDPs) should be reviewed to allow comparative assessment of identified sites. This should be further supported by a requirement to review Joint Housing Land Availability Studies (JHLASs) annually based on the delivery of target levels of development based on identified need rather than past build rates.	Medium term
14	There should be scope, within the finance and planning systems, to develop mechanisms to reward and encourage local government to deliver more homes. We recommend that the Minister further explores these options.	Long term
15	That the Minister considers appropriate research and work with suppliers to develop cost effective technical solutions for sprinklers.	Medium term
16	That the Minister seeks a full impact assessment costing the recommendations of the DQR review referenced to its impact on supply.	Medium term
17	That national and local asset management strategies and standards are reviewed in order to focus on maintaining quality while enabling development.	Medium term
18	That the Minister seeks the co-operation of the Minister for Natural Resources and Food to reflect these issues within the Water Strategy.	Medium term
19	That this co-operation supports discussions with Ofwat to ensure promoting development is contained within their regulatory approach.	Medium term
20	The Minister should develop partnership working with training providers, the Construction Industry Training Board (CITB), developers and local authorities to review the training offer to ensure it offers up to date skills as well win a wider commitment to deliver community benefits.	Medium term
21	The Minister should seek the co-operation of the Minister for Education and Skills in ensuring college courses reflect the current needs of the industry.	Medium term
22	We would suggest setting an expectation for an increase of 20% private sector completions by 2015/16	Immediate
23	We would suggest setting a target for affordable homes during the term of this administration, based on a range between 10,800 – 11,300.	Immediate

Overall summary

Immediate - 7 recommendations

Medium term - 13 recommendations

Long term - 3 recommendations

Annex 3: Task Force Membership

The following people made up the membership of the Task Force

Chair: Robin Staines, Director of Housing, Carmarthenshire County Council

Vice Chair: Stephen Cook, Valleys to Coast Housing

Sasha Davies, Strategic Director for Economy and Place, Conwy County Borough Council

Geoff Petty, Chief Finance Officer, South Wales Police

Andy Jones, Relationship Director – Wales and the South West, Barclays

Jane Carpenter, South Wales Planning Director, Redrow Group Services

Richard Price, Home Builders Federation.