



Llywodraeth Cymru
Welsh Government

Independent Review of Affordable Housing Supply – Welsh Government Response to Final Report

Whilst the Welsh Government has invested heavily in social housing, and in housing more generally in this Assembly term, we do not have limitless resources. We must squeeze every ounce of value from the investment we make available.

This was the challenge that was central to the independent Affordable Housing Supply Review Rebecca Evans commissioned in April 2108. As you may be aware, the Independent Panel published their recommendations in a Report on 1 May 2019.

This has been a timely and important process, and a reflection of the importance we attach to our investment in housing. We must have policies and practices that are fit for the future. Providing warm safe homes is about far more than simply ensuring that we have a roof over our heads. The Panel have looked at a broad range of topics and made recommendations based on a vast amount of evidence.

I am extremely grateful to the Independent Review Panel who has brought their considerable and varied knowledge to the Review, giving up huge amounts of their time to this process.

The Panel has undertaken a very thorough and constructive piece of work and delivered a well considered report. I am also very pleased the Panel engaged so extensively across the sector, including their engagement with tenants. The Panel has been clear in the report that tenants and affordability were at the heart of their recommendations. I commend them for this approach.

The report sets out recommendations which both challenge us as a sector and address the complex housing challenges we face as a country. I know that some of the recommendations will mean moving away from the status quo. Whilst this is not always an easy or comfortable process, we must all acknowledge that change is sometimes necessary if we want to achieve more – to get the best value for money, and support many more people in Wales to access the affordable housing they need.

We are open to new ideas here in Wales – this Review is a real opportunity to innovate and improve how we operate. This is a unique opportunity to deliver more affordable housing in Wales, and I want to embrace this.

So, in response to the Panel's report and specifically the recommendations, I am pleased to be able to advise that I am accepting all but one of the recommendations in the report, and I will respond to the one outstanding recommendation in the autumn.

My officials in conjunction with others will now undertake appropriate further work where required to consider the possibilities and implications of implementing these recommendations. Clearly some of the recommendations can and should be considered and implemented more quickly than others, so as not to create uncertainty in the housing sector.

There will of course be further opportunities for engagement following my response here to the Report, with myself and officials. However, I'm also not advocating another series of external workgroups are established to consult on all matters, although this may be necessary for some areas, such as the new grant model.

I do understand that in accepting these recommendations that there will be some concerns, including those of resources and capacity. However, I have been impressed by the enthusiasm and creativity I have seen across the housing sector and therefore trust that together – in a collaborative way - that we can harness this opportunity to not just build more homes but to build communities too. Through new partnerships we can build a variety of homes, which are good quality, energy efficient and in the right locations - delivered as a result of coming together - building not just more but also better social housing for generations to come.

These recommendations provide an appropriate direction of travel and I look forward to working with the housing sector to strengthen and grow the excellent work going on in Wales, as we look to build on our ambitions to dramatically increase affordable housing in Wales.



Julie James
Minister for Housing and Local Government

09 July 2019

Review Report links:

<https://gov.wales/independent-review-affordable-housing-supply-report>

<https://llyw.cymru/adolygiad-annibynnol-or-cyflenwad-o-dai-fforddiadwy-adroddiad>

Independent Review of Affordable Housing Supply – Welsh Government Response to Final Report

Please note

- not all of the recommendations below will appear as they did in the Review Report as some have been placed under the responsibility of other implementation areas;
- ‘accept in principle’ is defined as ‘the spirit of the recommendation is accepted, however it may not be implemented in the way presented’;
- this document will remain a working document that will change as the implementation phase progresses.

Housing Need Implementation

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|--|----------------------------|--|---|
| <p>The Welsh Government should mandate local authorities (LA) to provide Local Housing Market assessments (LHMAs) based on a consistent timetable, data and methodology across housing tenures. LHMAs should be refreshed every two years and rewritten every five years, and submitted to the Welsh Government. Jointly commissioned LHMAs should also be explored.</p> | <p>Accept in principle</p> | <p>The Welsh Government accepts that there is scope to improve LHMAs and that they should be based on a consistent timetable, data and methodology across housing tenures. It may however be more appropriate for them to be refreshed every three years and then rewritten every five years, in order that they are aligned with the national and regional needs data cycles.</p> | <p>October 2020 – we recognise the importance of developing a new approach over a period of time in partnership with local authorities.</p> |
| <p>The Welsh Government statistical service should work with local authorities to agree data sets for use in the LHMA, Local Development Plan (LDP) and other housing requirements work.</p> | <p>Accept</p> | <p>The Welsh Government acknowledges that greater work on data is required and as such the Planning and Housing Departments will seek approval to jointly fund a post within the statistical service of the Welsh Government to work with LAs etc accordingly on this area.</p> | <p>October 2020 – it is important to consider data sets in partnership, which then inform a new approach to LHMAs.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|--|---------------------------|--|---|
| <p>There is a need to enhance the granularity of the LHMA process to better capture the range of needs which might otherwise be ignored. More attention should be given to the requirements of older and younger age groups, people with disabilities and other needs as well as giving more detailed attention to sub market home ownership, rural housing, small settlements and the demand for community housing trusts and self-build. The work undertaken by Tai Pawb in opening up some of these issues is to be commended and should be built upon.</p> | <p>Accept</p> | <p>The Welsh Government accepts there is a need to improve and enhance the granularity of the LHMA process to ensure the range of housing needs is captured. In turn this will help to ensure the right type of homes are delivered and in the right locations.</p> | <p>October 2020 – it is important to consider data sets in partnership, which then inform a new approach to LHMA's.</p> |
| <p>Further work is required to better integrate the production and reconciliation of the conclusions of LHMA and LDP processes. Housing and planning departments should collaborate further on this in order to bring greater clarity and cohesion to the local assessment of housing requirements and to make better use of limited resources. The potential for greater regional collaboration should be explored.</p> | <p>Accept</p> | <p>The Welsh Government acknowledges that greater work on reconciliation of conclusions between the LHMA and LDP processes is needed. As above, the Planning and Housing Departments will seek approval to jointly fund a post within the statistical service of the Welsh Government to work with LAs etc on this area.</p> | <p>October 2020 – we recognise the importance of developing a new approach over a period of time in partnership with local authorities.</p> |
| <p>The Welsh Government should require local authorities to deposit copies of their LHMA's with them.</p> | <p>Accept</p> | <p>The Welsh Government supports this recommendation. It is important that Welsh Government receives and analyses LHMA's, comparing these to estimates of housing need completed at a national and regional level.</p> | <p>April 2020 – from the start of 2020/21 Welsh Government will ask for LHMA's to be submitted.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|---------------------------|---|---|
| <p>Local authorities should consider whether the right resources are being devoted to the LHMA and LDP processes and whether sufficient skilled staff are in place.</p> | <p>Accept</p> | <p>The Welsh Government supports this recommendation. There is a difficult context of restricted budgets and demand for social housing being high. Local authorities must therefore work in partnership with a wide range of stakeholders including other LAs to share skills and resources to maximise the opportunities for delivering social housing through collaborative working and the production of Strategic Development Plans. The introduction of a land unit / body may release resources and skills from other parts of LAs to assist with this.</p> | <p>October 2020 – as part of the work to update the LHMA and LDP process we will work with LAs to try and understand and support them to have the right resources in place,</p> |
| <p>The Panel fully endorses the recent decision by the Welsh Government to develop a housing need and demand model. This model will be used to generate national and regional estimates and by tenure. It also has the potential to assist with local authority level estimates and the Panel would support further exploration of this option.</p> | <p>Accept</p> | <p>The Welsh Government accepts this recommendation in full. We will continue to explore how the housing and demand model can assist further including the feasibility of producing local authority level estimates.</p> | <p>October 2020 - National and regional estimates of housing need by tenure were published on 5 June 2019.</p> <p>We will review the need for updated estimates of housing need following the publication of updated 2017 based household projections in October 2019.</p> <p>We will assess the feasibility of producing estimates of housing need at local authority level by September 2020.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|--|---------------------------|---|--|
| <p>The Welsh Government must look again at the resources devoted to the analysis of housing needs and demands and the associated areas of data collection. More should be done to make better use of data generated by local authorities and others.</p> | <p>Accept</p> | <p>The Welsh Government accepts that greater resource is needed, and as such the Planning and Housing Departments will seek approval to jointly fund a post within the Welsh Government's statistical service to work with LAs etc accordingly.</p> | <p>July 2019 – advice will be submitted to Ministers imminently.</p> |

Housing Quality Standards Implementation

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|----------------------------|---|---|
| <p>The Welsh Government should develop new consolidated and simplified standards for new build grant funded and Section 106 (S106) homes. The new standards should be easier to use and should not have conflicting requirements. The new standards should concentrate on minimum space standards including storage inside and outside.</p> | <p>Accept</p> | <p>The Welsh Government is pleased that the housing sector supports the continuation of quality standards for grant funded affordable homes and that the Review Panel have suggested that this should be extended to S106 affordable homes. Consolidated and simplified standards concentrating on space is a very sensible suggestion.</p> | <p>The new standards will be completed by April 2020.</p> |
| <p>The Welsh Government should introduce a requirement for all new affordable homes to be near zero carbon / EPC 'A' using a fabric first approach from 2021, supplemented by technology (renewables) if required.</p> | <p>Accept in principle</p> | <p>The Welsh Government agrees a step change in energy and carbon performance in new housing is required and that is what the current Building Regulations Part L review is intended to deliver. The review is considering improved fabric performance as well as an increased role for renewables and low carbon heating systems. Housing Associations (HAs) will be early adopters once new regulations are made in 2020.</p> | <p>The new regulations will be made in 2020 and HAs will be required to build homes to the new standard in advance of the actual implementation date.</p> |
| <p>The Welsh Government should set a longer term goal by 2025 at the latest to have the same standards for all homes irrespective of tenure.</p> | <p>Accept</p> | <p>The Welsh Government supports the recommendation that all housing irrespective of tenure must have the same quality standards such as space and energy efficiency. The current Part L review is considering not only what changes we need to make in 2020 but also future thinking looking ahead to the next review and how action now might facilitate further significant step change. In addition, our review is considering what future proofing measures could be included in the 2020 requirements to ensure that houses can adopt future low carbon technologies.</p> | <p>We will work towards achieving the 2025 goal.</p> |

Modern Methods of Construction Implementation

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|--|---------------------------|---|---|
| <p>The Welsh Government should continue to support the trialling of Modern Methods of Construction (MMC) to help establish which methods can contribute to the objective of increasing the scale and pace of affordable housing with the existing resources available.</p> | <p>Accept</p> | <p>The Welsh Government welcomes this recommendation. Currently MMC contributes approx. 1% to housing currently but we believe it has the potential over the next 10 years or so to increase to approx. 20%. To further support this recommendation we will be implementing the panel's recommendation to wrap existing MMC related funding programmes into the new grant model which will include commitment to MMC and provide a clear policy lever, together with greater certainty of long term demand in order to support such investment.</p> | <p>The Innovative Housing Programme continues to fund homes built using modular approaches, and Innovative Housing Programme Year 3 will continue to test modular technologies. A final test programme will be announced in October 2019 by the Minister.</p> |
| <p>The Welsh Government should develop a strategy to map out how Wales could further use off-site manufacturing (OSM) and MMC to deliver near zero carbon homes along with an appropriate timetable for achieving this.</p> | <p>Accept</p> | <p>The Welsh Government fully accepts this recommendation. A strategy has been co-produced with a number of people from across the housing sector. A 'soft' consultation with the wider housing sector (as opposed to a formal consultation) will be undertaken over the Summer to engage further.</p> | <p>09 July 2019 - consultation within the housing sector on the strategy for off site manufacturing and modern methods of construction for house building in Wales to be launched.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|---------------------------|--|---|
| <p>Industry bodies (such as Build Offsite Property Assurance Scheme (BOPAS), National House Building Council (NHBC), Association of British Insurers (ABI), UK Finance) should develop the assurance framework around MMC helping to standardise product warranties and provide accreditation. This will allow lenders, valuers and insurance companies to more confidently finance, value and insure new MMC homes in Wales. Given the market size, adoption of UK-wide assurances and standards should be accepted by the Welsh Government.</p> | <p>Accept</p> | <p>The Welsh Government supports this recommendation and will adopt the UK-wide assurances and standards as they are, without Welsh tailoring, given the size of the market.</p> | <p>Universal definitions will be adopted by December 2019. The Uniform quality marque is due December 2019 and will be adopted by March 2020.</p> |
| <p>Learning from the Innovative Housing Programme should be used as the basis to inform the production of guidance in the roll out of MMC in Wales to provide quality homes which fit with Welsh Development Quality Requirements (DQR) standards, representing value for money, which can be made efficiently by any factory who wishes to make them.</p> | <p>Accept</p> | <p>The Welsh Government accepts that there is learning from the Innovative Housing Programme that can be used as the basis to inform the production of guidance in the roll out of MMC in Wales, to provide quality homes, which represent value for money, and can be made efficiently.</p> | <p>Evaluation of the OSM/MMC schemes on the Innovative Housing Programme will be evaluated by March 2021.</p> |

Rent Policy Implementation

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|---------------------------|---|--|
| The Welsh Government should implement a five year rent policy from 2020-21, providing stability for tenants and landlords. | Accept | The Welsh Government agrees that a 5 year rent policy from 2020-21 is the best option for providing stability for tenants and landlords. | The Minister will announce what the 5 year rent policy will be before summer recess 2019. |
| Further flexibilities should be introduced into the Welsh Government's rent formula regime in relation to bungalows (a higher upward differential) in order to better differentiate them from flats and the locational index (a limit on annual adjustment) in line with the recommendations of the Heriot Watt report. | Accept in principle | The Welsh Government accepts that some refinements could be made to the current rent policy model in relation to the locational index and bungalows. However, greater work is needed to ensure this does not result in unintended consequences. | October 2019 – any changes made will be reflected in the Rent Policy tables issued to social landlords. |
| There should be a focus on landlords considering Value for Money (VfM) alongside affordability. An explicit annual assessment on cost efficiencies should be part of the rationale for justifying any rent increase. | Accept | The Welsh Government recognises that value for money and affordability are fundamental considerations to setting rents and agrees that social landlords should justify their rent increases via annual assessments on cost efficiencies. | November 2019 – as part of the 5 year rent policy, social landlords will be required to prepare an annual assessment of affordability, cost efficiencies and value for money as part of their decision on the rent uplift to be applied each year. |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|--|---------------------------|---|---|
| Some landlords do not appear to fully understand or make use of the policy and the flexibility already provided. The Panel agreed with Heriot Watt that the Welsh Government should provide case studies. | Accept | The Welsh Government concurs that there is a lack of understanding by some landlords regarding the flexibilities within the current rent policy and that case studies would be useful to illustrate how these can be better used. | October 2019. |
| The Panel fully endorsed the view that there should be better, more meaningful, engagement with tenants on rents. This was seen as a high priority for landlords and the regulator. | Accept | The Welsh Government fully accepts that tenants must be at the heart of considerations regarding rent setting and that better and more meaningful engagement can and should occur. | 'Hearing the Tenants' Voice', a thematic review of the Regulatory Board for Wales will be issued in July 2019. The Regulator will continue to consider tenant engagement by RSLs. |
| Living rents and other new approaches have potential and housing associations and local authorities should work with Welsh Government to develop these. | Accept | The Welsh Government acknowledges the potential that living rents and other approaches and will work with the sector accordingly to consider further. | December 2019. |
| The Welsh Government and the Regulator should continue to monitor the rent regime on an annual basis and consider the case for further changes before the proposed initial 5 year regime concludes in 2024/25. | Accept in principle | The Welsh Government accepts that the Rent Policy team should continue to monitor the rent regime on an annual basis and consider the case for further changes before the 5 year regime concludes in 2024/25. However, the role of the Regulator here requires further consideration, in part due to the fact that Welsh Government only regulates HAs, as the responsibility for LAs currently sits with the Wales Audit Office. | Ongoing, starting from when the new rent policy is announced. |

Local Authorities as Enablers and Builders Implementation

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|---------------------------|---|--|
| <p>The Welsh Government should encourage local authorities (LAs) to use the flexibilities that the lifting of the borrowing cap creates to support delivery of new affordable housing supply. Where appropriate, LAs should have the freedom and flexibility to access grant from Welsh Government direct or through wholly owned Local Housing Company structures.</p> | <p>Accept</p> | <p>The Welsh Government will continue to encourage LAs to use the flexibilities that the lifting of the borrowing cap creates to support delivery of new affordable housing supply. We also accept that LAs should have access to grant funding such as Social Housing Grant. However, it is expected that this will be at lower levels given their access to long term low rate finance through the Public Works Loan Board.</p> | <p>Approach linked to development of revised grant regime timescales for operational roll out 2021/22, but work and resources being deployed to encourage take up by LAs, by March 2020.</p> |
| <p>The Welsh Government should encourage LAs and HAs to work in partnership to share skills, capacity and resources, and work collectively, through local and regional procurement frameworks, to support local supply chains.</p> | <p>Accept</p> | <p>The Welsh Government acknowledges the difficult context of restricted budgets and demand for social housing being high. Local authorities must therefore work in partnership with a wide range of stakeholders including other LAs and HAs to share skills and resources to maximise the opportunities for delivering social housing. The introduction of a land body may assist with this, through the access to resource via the hub itself and through the release of resources and skills from other parts of LAs. The procurement aspects are complex and require some work to untangle why there appears to be some issues in some areas but not others.</p> | <p>March 2020.</p> |
| <p>The Welsh Government should issue strengthened LA Housing Revenue Account (HRA) guidance.</p> | <p>Accept</p> | <p>The Welsh Government welcomes this recommendation and has already issued draft guidance for consultation.</p> | <p>Final HRA Guidance Manual to be issued to LAs in November 2019.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|---------------------------|---|--|
| <p>Local authorities should be encouraged to make better use of CPO powers to help bring forward more land for housing, and to facilitate the development of existing public sector land.</p> <p><i>(From Public Sector Land recommendations in Report)</i></p> | <p>Accept</p> | <p>The Welsh Government acknowledges more can be done to bring forward land for housing including the use of existing public sector land and the use of compulsory purchase powers. This includes streamlining of the CPO process for the acquisition of land for housing as per the above recommendation and the publication of advice in an updated Circular on Compulsory Purchase and detailed, step-by-step technical guidance in a CPO Manual on the process of making a CPO.</p> <p>Consideration will also be given to the delivery of a training programme to local authorities on how to use the manual. These resources will provide opportunities for local authorities to improve their confidence and knowledge of the use of their compulsory purchase powers to acquire land for housing.</p> | <p>The consultation on the draft updated Welsh Government Circular on Compulsory Purchase will commence in Autumn 2019.</p> <p>A procurement process to appoint expert services to inform the development of the CPO Manual will be completed by March 2020.</p> <p>Subject to a procurement process, training on EDMOs and CPO process will begin October 2019.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|----------------------------|--|--|
| <p>There should be more power for LAs to increase Empty Property charges and the rate should be increased.</p> | <p>Accept in principle</p> | <p>The Welsh Government notes this recommendation. Welsh authorities have full discretion to apply premiums of up to 100% to the standard council tax charges for long-term empty properties in their areas. The provisions were introduced to enable authorities to tackle issues in local housing supply. Each authority needs to consider local circumstances and assess the potential impacts in deciding whether to introduce a premium and, if so, at what level. These provisions have been in effect since April 2016 and their initial usage is being monitored. The impact of this needs to be assessed before further legislative change is considered.</p> | <p>Powers already exist in relation to council tax premiums. Certain authorities are introducing premiums in stages. Such changes need to be fully implemented before their impact can be evaluated.</p> |
| <p>A set of core / minimum principles should be produced for Section 106 agreements and should include minimum acceptable criteria for such developments.</p> | <p>Accept in principle</p> | <p>The Welsh Government accepts that a set of core / minimum principles for Section 106 agreements that include minimum acceptable criteria for such developments should be produced to eliminate some of the existing issues in this area. S106 agreements are negotiated by local authorities who have the expertise and we will discuss with the WLGA.</p> | <p>Discussions with WLGA will take place in Autumn 2019.</p> |
| <p>Utility providers should be required to make a compulsory input at preplanning stage of LDPs as soon as possible. <i>(From Public Sector Land recommendations in Report)</i></p> | <p>Accept in principle</p> | <p>The Welsh Government acknowledges that there have been some issues with housing developments getting off the ground due to utility matters. As such utility providers making an input at preplanning stage of LDPs would either remove such problems or bring them to the forefront quicker in order that options can be considered in an effort to increase the pace of delivery of affordable housing. However, utility companies are private organisations and the Government's powers and sanctions available to compel them engage in the planning system are limited.</p> | <p>Ongoing. We will continue to liaise with utility companies and monitor the delivery of LDPs.</p> |

Public Sector Land Implementation

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|--|----------------------------|---|--|
| <p>An arms-length body should be established by the Welsh Government to act as a hub for public sector land management and professional services. This body should work alongside individual departments / bodies to provide capacity and resources to accelerate development of public land assets and support greater consistency and efficiency in managing those assets.</p> | <p>Accept in principle</p> | <p>The Welsh Government supports in principle the creation of a land body to help bring public land forward for development. It is acknowledged that there are capacity and skills gaps in parts of the public sector which are impeding their ability to bring land assets forward at pace, particularly where there are complex issues. A hub of professional services to provide such resource would be hugely beneficial. The composition of this body is to be determined however.</p> | <p>Work on the business case for a newly created land body will commence in August. It is expected that a report will be submitted to Ministers before summer recess 2020.</p> |
| <p>The Welsh Government should mandate the mapping of all public land and require owners to publish the development potential for the land they own.</p> | <p>Accept in principle</p> | <p>The Welsh Government accepts that whilst there is the ability to map public sector land currently through the use of e-PIMS (Electronic Property Information and Mapping Service) that this is optional and best practice only. In addition, the technology would need to be improved in order to maximise sharing of development potential.</p> | <p>At present we are going to proceed on the voluntary route but will review during 2020 if this is not proving sufficiently successful and mandating becomes a requirement.</p> |
| <p>Consideration should be given to the body having land ownership and Compulsory Purchase Order (CPO) powers to help fulfil its objectives.</p> | <p>Accept</p> | <p>The Welsh Government will consider this as the land unit is established.</p> | <p>This will form part of the business case consideration which is due to be completed before summer recess 2020.</p> |

Financing affordable housing Implementation

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|----------------------------|---|--|
| <p>The Welsh Government should reform grant funding to introduce a new flexible long term five year Affordable Housing Supply Partnerships model which combines grant funding certainty and flexibility whilst testing grant VfM. The new funding model should be based on principles of fairness, quality, and grant VfM transparency.</p> | <p>Accept in principle</p> | <p>The Welsh Government accepts that maintaining the status quo is not appropriate. A move away from flat rate grant rates to a more flexible system of gap funding, where some schemes receive less subsidy than currently, whilst others then have the opportunity to come forward by providing a greater level of subsidy to make them viable is absolutely the right approach. Longer term funding certainty and a more robust assessment of value for money is also accepted as all investment decisions must be fully justified. Furthermore, a grant system based on the principles of fairness, quality, and transparency are also agreed. However, we will consider if the approach the panel have promoted in their report is the most appropriate option. The team established to look at the new grant model will work with the sector to consider.</p> | <p>The team established to look at the new grant model will present options to the Minister by March 2020 in order for a final decision to be made.</p> <p>New grant framework to be operational from 2021/22.</p> |
| <p>A number of current funding pots should be consolidated to focus capital and revenue funding on core tenures determined nationally reflecting needs assessments at national, regional and local levels.</p> | <p>Accept in principle</p> | <p>The Welsh Government acknowledges that there are a number of housing funding pots and there may be scope to consolidate some of them, however it may not be appropriate to combine all of those suggested in the report.</p> | <p>The team established to look at the new grant model will present options to the Minister by March 2020 in order for a final decision to be made.</p> |
| <p>The new model should test the contribution of private finance and alternative finance models to stretch grant resources to maximise output and demonstrate grant VfM.</p> | <p>Accept</p> | <p>The Welsh Government supports the recommendation to test the contribution of private finance and alternative finance models through the new grant model in order to stretch the grant funding available, whilst maximising output and demonstrating VfM.</p> | <p>The team established to look at the new grant model will present options to the Minister by March 2020 in order for a final decision to be made.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|----------------------------|--|---|
| <p>The design of the new grant system should consider the use of both grant and equity funding interchangeably within the overall capital investment pot, in order to facilitate both new and existing financing models which are capable of demonstrating the necessary regulatory oversight required for public investment.</p> | <p>Accept</p> | <p>The Welsh Government accepts that a new grant system that considers the use of both grant and equity funding, in order to facilitate both new and existing financing models which are capable of demonstrating the necessary aspects required for public investment should be built in.</p> | <p>The team established to look at the new grant model will present options to the Minister by March 2020 in order for a final decision to be made.</p> |
| <p>Further consideration should be given to the need for a housing infrastructure and regeneration fund to sit alongside the main grant programme to unlock larger more complex sites.</p> | <p>Accept in principle</p> | <p>The Welsh Government acknowledges that there are larger more complex sites that require greater infrastructure and regeneration. We will consider if funding to assist with this can be made available.</p> | <p>March 2020.</p> |
| <p>Access to grant and equity funding should be made available to Local Authorities able to contribute low cost finance to deliver grant VfM.</p> | <p>Accept</p> | <p>The Welsh Government accepts LAs should have access to grant funding such as Social Housing Grant. However, lower levels of grant should be needed given the removal of the borrowing cap and LAs access to long term low rate finance through the Public Works Loan Board.</p> | <p>The team established to look at the new grant model will present options to the Minister by March 2020 in order for a final decision to be made.</p> |
| <p>Welsh Government should change the current 'zoning' system to apply regional zoning, thus recognising delivery across LA boundaries.</p> | <p>Accept</p> | <p>The Welsh Government supports this recommendation of applying regional as opposed to local zoning to recognise delivery across LA boundaries. This will also make partnership working and collaboration easier in the pursuit of delivering more affordable homes.</p> | <p>The team established to look at the new grant model will present options to the Minister by March 2020 in order for a final decision to be made.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|---|----------------------------------|--|---|
| <p>The Panel recommends that the Minister supports the investment in sufficient resources in the Welsh Government housing department to work up and implement the new grant framework, whilst continuing to resource the current framework.</p> | <p>Accept</p> | <p>The Welsh Government accepts that there will need to be sufficient resources in the housing department at Welsh Government to work up and implement the new grant process. A team has already been established to develop a new approach, which will ultimately allow us to ensure our significant investment in affordable housing is used as effectively as possible in the places it is needed most.</p> | <p>July / August 2019.</p> |
| <p>The Panel recommend the continuation of the Help to Buy – Wales scheme but with improvements in targeting via a lower price cap and a focus on first time buyers so that it is more evidently part of the affordable housing supply mix. Certainly the price cap should not be uprated in line with current or future house price inflation.</p> | <p>Neither accept or decline</p> | <p>We are not in a position to either accept or decline this recommendation until we are provided with the details of Wales’ consequential funding from the UK Government in the Autumn. We will therefore respond to this recommendation then.</p> | <p>To be confirmed if recommendation is accepted.</p> |
| <p>The Welsh Government should link collaboration to grant distribution to assist with capacity, whilst having the benefit of supporting local key strategic priorities. Greater collaboration between HAs and LAs would result in the delivery of more affordable homes. <i>(From Local Authority recommendations in Report)</i></p> | <p>Accept</p> | <p>The Welsh Government acknowledges the difficult context of restricted budgets and demand for social housing being high. LAs and HAs must therefore collaborate in order to share skills and resources to maximise the opportunities for delivering social housing.</p> | <p>The team established to look at the new grant model will present options to the Minister by March 2020 in order for a final decision to be made.</p> |

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|--|---------------------------|---|--|
| <p>The Welsh Government should wrap existing MMC related funding programmes into future grant frameworks and including commitment to MMC and related objectives as a desired outcome within the evaluation criteria for the proposed Grant Partnerships. This will provide a clear policy lever and greater certainty of long term demand in order to support investment. Within this, Welsh Government can consider the extent to which local solutions, supply chains and employment (subject to cost and quality considerations) can be favoured in order to maximise the impact on the Welsh economy and meeting the needs of occupants.</p> <p><i>(From Modern Methods of Construction recommendations in Report)</i></p> | Accept | <p>The Welsh Government welcomes this recommendation. Currently MMC contributes approx. 1% to housing currently but we believe it has the potential over the next 10 years or so to increase to approx. 20%. Wrapping the existing MMC related funding programmes into the future grant model ‘mainstreams’ this activity. It also provides a clear policy lever whilst providing greater certainty of long term demand in order to support such investment. In developing the new grant model Welsh Government will consider the extent to which local solutions, supply chains and employment (subject to cost and quality considerations) can be favoured in order to maximise the impact on the Welsh economy and meeting the needs of occupants.</p> | <p>The team established to look at the new grant model will present options to the Minister by March 2020 in order for a final decision to be made.</p> |
| <p>The Welsh Government should consider whether any changes should be made to the regulatory regime in the light of the recommendations made in this report, particularly around the new grant approach.</p> | Accept | <p>The Welsh Government acknowledges that consideration will need to be given as to whether any changes to the regulatory regime and associated resources are required in light of the recommendations in this report. However, it must be noted that Welsh Government only regulate HAs, as the LA side responsibility currently sits with the Wales Audit Office.</p> | <p>The scheduled review of the regulatory framework, during Summer 2020, will consider and reflect, as appropriate, the consequences of the recommendations.</p> |

Dowry and Major Repairs Allowance Implementation

| Recommendation | Welsh Government Response | Comments | Delivery Timeframe |
|--|----------------------------|--|-------------------------------------|
| <p>The Welsh Government should commission an independent financial review of the Welsh Large Scale Voluntary Transfers (LSVTs) in receipt of Dowry and the Housing Revenue Accounts of local authorities in receipt of MRA. The Review should scrutinise business plans post the achievement of Welsh Housing Quality Standard (WHQS) in 2020, including financial metrics together with cost KPIs to examine whether continued receipt of Dowry / MRA on a rolling 5 yearly review period basis can be justified.</p> | <p>Accept in principle</p> | <p>The Welsh Government accepts that a return on the investment in Dowry and MRA must be demonstrated to justify the funding post WHQS achievement in 2020, and given the scarcity of public funding. Given the recommendation below, the clear justification is the delivery of an accelerated programme to decarbonise existing homes. As such the Welsh Government will work with the sector to develop this programme and will only initiate this Review if plans suggest that an accelerated programme will not be delivered.</p> | <p>Not applicable at this time.</p> |
| <p>LSVTs and local authorities should be required to demonstrate an accelerated programme of decarbonisation of existing homes in return for an ongoing commitment to Dowry and MRA.</p> | <p>Accept</p> | <p>The Welsh Government accepts in full. We will also look at funding to assist traditional housing associations to also accelerate their decarbonisation of homes along side other social landlords.</p> | <p>March 2020.</p> |
| <p>The Panel recommends that as part of the independent financial review that, where an inability to refinance was a potential barrier to effective delivery within reasonable financial parameters, then the use of other options such as contingent debt guarantees be considered.</p> | <p>Accept in principle</p> | <p>The Welsh Government will consider this should the further review be initiated at a later date.</p> | <p>Not applicable at this time.</p> |