**Independent**

**Affordable Housing Supply Review**

**Response to Welsh Government**

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**September 2018**

**Introduction**

TPAS Cymru welcomes the Welsh Government review of affordable housing supply and the opportunity to provide a response to the ten workstream areas which have been identified.

We have been supporting social housing tenants and landlords in Wales for over 30 years and have a strong track record in developing effective participation. We have an extensive knowledge of social housing with a focus on issues from the tenant perspective and for tenants’ benefit. Across Wales our work improves the quality of tenant participation through promoting good practice.  This response is an example of our ongoing work to contribute to policy developments and issues, channelling the experience and needs of tenants and landlords to policy makers.

**A summary of our key message to the independent review is as follows:**

* **Tenants and residents’ views and aspirations should be at the heart of any new policy direction on affordable housing. They should inform future standards and priorities.**
* **Yes, we have a housing crisis and a need to accelerate the number of units we deliver. However, the need for quick, cost effective delivery could lead to a lack of emphasis on the “liveability” and ‘lifetime’ of a property and its design quality.**

**The importance of creating homes and communities where people want to live now and in the future is too often forgotten.**

* **In particular, we are concerned that there is a danger of losing the “social” in social housing due to the budget and income pressures putting a greater focus on rental returns. Grant assistance is a key tool in ensuring that landlords are able to stay socially minded. This requires keeping rents affordable and being in a confident position to develop and allocate homes which is essential for the most vulnerable households in Wales.**

We have considered the proposed questions for each of the work stream areas and have provided comments based on the views of our members. Given the nature of our work, we are not able to reply in detail on the technical aspects of housing need data analysis, grant requirements, legal powers etc. Instead, we have provided a broader statement regarding Welsh Government’s potential policy intentions.

1. **Understanding housing need**
2. Do you believe that the current tenure mix of properties being built is correct? Is the balance right between market, social rent, intermediate rent etc, or should it change in the future?
3. How should Welsh Government ensure that both housing need and demand is considered / met?
4. How should Welsh Government use existing housing needs data to better inform policy making and programme delivery? Does the data tell us what the issues are / what are the gaps?
5. How frequently should Welsh Government be updating estimates of need and demand and should the data be more granular, so we have a closer sense of whether planned provision is truly affordable for residents?
6. How far does the planned provision deal with the backlog of unmet need?

Whilst TPAS Cymru are not best placed to comment directly on the methodology for assessing housing need, we know that we are currently in a housing crisis. This is evidenced by the increasing numbers of homeless presentations, occurrences of rough sleeping and complex, vulnerable households. We believe that there should be a greater emphasis on the provision of suitable social housing to ease service pressures. This need may only be in the short to medium term, but firmly sits within a spend to save agenda when considered against the rising costs of temporary accommodation across Wales.

Our tenant members in particular ask “how can there be hard to let social homes when we’re in a housing crisis”? TPAS Cymru see landlords running social media advertising claiming, ‘low or no waiting list’. This leads to empty properties being filled with people from outside of the area and does not solve local housing needs. We believe a review of current social housing provision is necessary to ensure that it is working for the people who need it most.

TPAS Cymru would like to see all social landlords reviewing those homes and making decisions about regeneration, remodelling and redevelopment to ensure that the shortages in housing supply are addressed. Regeneration of the local, physical and economic environment within the area should be explored fully to make these homes and local areas attractive and to meet people’s changing housing needs and lifestyles. Re-designation or in some cases disposal may need to be considered with an understanding that alternative options have been discussed. Inclusion of neighbouring tenants and local communities should be essential when considering possible options. Such innovation may relieve pressures on our housing registers as a under used social home is no use to anyone.

1. **Grant allocation and intervention rates**
2. How could the grant regime best achieve value for money and efficiency and deliver more affordable housing from current resources?

We at TPAS Cymru believe that the grant regime would be more effective if it concentrated on fewer delivery areas. Specifically, a greater focus is necessary for:

* social rent housing delivery – asking RSL partners to deliver other tenures without grant
* good quality, well designed homes, with low running costs
* ‘future proofed’ homes to reflect changing lifestyles and needs
* creating sustainable and vibrant communities in tandem with building homes to ensure homes remain in demand
1. Should criteria be introduced which links grant allocations to measures of efficiency, KPIs and delivery capability? For example, should there be some form of bidding and eligibility framework to encourage those willing to develop at lower levels of grant to bid under a partnership or framework agreement, either alone or in consortia?

We believe that grant allocations should be linked to current performance. Broadly thinking, we would like to see grant allocations linked to current tenant satisfaction and performance in managing existing housing stock. There should be strong links to the work of Welsh Government’s Regulatory Team so that any RSL that is failing to fulfil their duties as a social landlord should not be considered when offering the grants to build further units.

1. Should the zoning system continue or is there a better way of delivering affordable housing?

The zoning system is a good way to ensure that an RSL remains committed to sustainable development within a local authority area and to the communities within it. Although we’re a small country there is a need to be aware of specific local and cultural needs. We know that it is important to tenants that their landlord has a local knowledge and presence. It is not just about the delivery of new housing but how it will be locally managed and maintained as well as the provision of local landlord services to tenants.

In localities where zoned RSLs are not able to provide the required levels of delivery, it may be necessary to consider collaboration with larger partners. A potential model for larger associations may be to take the lead on delivery but lease stock to smaller partners to ensure local management arrangements.

1. What alternative structures of finance, including private sector finance, could be used to better support the development of more affordable housing in Wales?

Wales is in the strong position of providing grants to Registered Social Landlords in order to deliver social housing. In England, where no grant is available, higher levels of intermediate or affordable rent is being delivered instead. Landlords are now referred to as Registered Providers – i.e. the social element has possibly been lost from their work. It is our opinion that whilst alternative finance models could be considered, the grant element is essential to ensure that we do not lose the “social” in social housing.

TPAS Cymru believes that without grant support there would be a higher dependency on private finance, creating pressure on RSLs to service loans through rental income. Colleagues working in England report that some Registered Providers are increasingly more commercially focused; making decisions about where and what they will build and who they will house based on the best return for their investment. However, TPAS Cymru believes that a purely commercial focus on development and management should be avoided in Wales.

We do believe that work could be done to better co-ordinate the capital funding programmes available from WG through ‘pooling pots’ in certain situations. This would enable RSLs to combine funding streams for greater benefit and could therefore provide better value for money for the public purse. For example, there is potential for the Social Housing Grant to be drawn down alongside regeneration, energy efficiency and even heritage funding streams to provide more homes whilst revitalising communities and existing buildings. However, conflicting funding periods and reporting regimes make this difficult to achieve. This approach could help social landlords to deliver additional affordable homes using existing buildings or brownfield sites. Relying on the SHG does not make this a feasible option.

1. **Rent policy**
2. Should the Welsh Government continue to have a Rent Policy, or should social landlords be responsible and have freedom to set and uplift their own rents?

TPAS Cymru believe that Welsh Government should continue to have a Rent Policy and that this should continue to be published and justified so that it is transparent and accountable.

Rental income is becoming an increasingly important source of finance. Without this policy, there could be pressure for social landlords to uplift beyond current policy thresholds.

However, as a sector we must acknowledge 2 points

1. Recent policy is simply unsustainable. Up to RPI+1.5% + £2 per week has resulted in annual increase this year of 5.5%. Rent rises are far outstripping and wages/benefits
2. Landlords have used the ‘maximum’ rates as a target and many have gone ‘Max’ each year. We have seen examples of landlords blaming/using WG ‘best practice to justify max rises and we have previously supplied examples to WG. We have had senior RSL staff state that they want to ‘max out’ on the rises now as they fear learner guidance in future.
3. Should the Welsh Government Rent Policy consider affordability of rents for tenants or should this be the responsibility of individual social landlords?

We believe the Welsh Government should be the body responsible for the affordability of both social and intermediate rent levels. It is not influenced by the business pressures of social landlords, including the Living Wage, development finance costs or component replacement plans. Affordable housing must be just that, otherwise it loses its whole purpose.

1. How can a Welsh Government Rent Policy encourage social landlords to maximise affordability for tenants, given in some areas market rents are currently lower than social rents?

We appreciate that the social rent policy considers issues of locality, including market rent data from the Rents Officers Wales. However, the data used to set the 2017-18 policy dated back to 2013-15.

In some areas the private rented sector is booming, and rents are rising rapidly whilst in others they are stagnant. It is our opinion that social rents should always be the most affordable in any market.

Social rent setting should pay regard to market rent levels, but be based upon robust, timely data. Greater use should be made of the Local Housing Market Assessment data produced by each Local Authority.

The existing policy states “it is recognised that property values and other market characteristics vary within local authority areas, and this is one of the reasons for leaving landlords with the responsibility for setting the distribution of rents within their own stock.” We recommend that there is a mechanism for Welsh Government to approve instances where social rents are set higher than the market.

Service charge levels should also be monitored, as although a rent may be affordable, the extra costs associated with communal facilities and upkeep can mount up.

1. **Standards / Development Quality Requirements (DQR)**
2. What standards, if any, beyond building regulations should there be for affordable homes in the next decade?

Welsh Government should engage with the thousands of households on Welsh social and affordable housing registers as part of this review. We recommend that they are asked what is important to them as future tenants and what are their key issues? For example, a recent survey we carried out of our Tenant Pulse database showed that a large majority of tenants had concerns about the running costs of their homes in addition to concerns about their rent.

Kerb appeal should be as important in affordable housing design as it is in market housing. However, all too often the small touches that give properties character are lost. This may be to ensure budget isn’t affected, or in some cases to achieve additional standards which are imposed on social housing design. A tenant member recently gave us the example of something which the Secure by Design Officer had required to prevent crime. This made the property harder to live in on a daily basis and made the tenant feel more isolated from neighbours and community which actually increased their fear of crime and living alone.

There is a danger that through rigid guidance we “over-design” affordable housing by making it larger and standardised than market neighbours. As a result, this simply makes it more obvious that it is owned by a social landlord.

Design guidance should be an area where tenants and prospective tenants should be consulted so that they can identify design priorities for now and in the future.

1. Can the additional cost of the current Development Quality Requirements be justified, or are there more cost-effective alternative means of delivering choice and flexibility?

With the current shortage of affordable housing, it is hard to justify the cost of the “nice to haves” which are not being delivered by the private market. They ultimately result in greater spend per property and may reduce delivery rates.

1. Should all new grant funded homes or homes built on Welsh Government land to be designed to be zero carbon (EPC A\*) or energy positive?

As above, regrettably high sustainability ratings also come at a cost. When we talked about this with our tenant members, they emphasise that sustainability is important, but they rated it below measures which cut household costs and prevented fuel poverty. Whilst the two aims can often go hand in hand, tenants felt that some sustainable technologies can be difficult to use and understand. They asked for easy to use, trusted technology.

1. How should Welsh Government ensure all new grant funded homes or homes built on WG land create sustainable places and quality homes?

Welsh Government should do more to gauge the satisfaction levels of new tenants living in homes that have received grant funding or have been built on WG land. This can be implemented through an independent process or by requiring social landlords to use a standardised satisfaction questionnaire. We suggest the need to contact tenants 12 months following moving in to their home in order to understand their thoughts regarding what is important to them. Over time this research could be used to provide examples of good practice and to inform future policy development.

1. **Local Authority building**
2. What in your view needs to be changed or improved, in relation to regulation / finance / planning / policy, to enable local authorities to deliver new homes at pace and scale?
3. What is the role of non-stock owning local authorities in housing supply? What support could Welsh Government give / what are the key factors and practical issues?
4. The latest business plans for the stock retaining local authorities show an unused borrowing capacity of over £100m. What support could Welsh Government provide for this to be used to deliver new housing supply?

TPAS Cymru are pleased that council houses are starting to be built again and believe that there is the appetite to deliver more. As with any development, there will be practical hurdles to overcome in terms of permissions, land conditions etc. Many councils will be upskilling officers or employing new specialist teams. We are also aware that some non-stock owning councils are considering the establishment of arms-length development companies to deliver on their own land, something which we think should be encouraged. We also like to see Councils using the expertise and experience of local RSLs as a delivery partner.

Similar to our response for question 2. d), there is an opportunity to aid wider community regeneration here and development decision should be based upon where the need is greatest, rather than where the highest return can be made and ensuring rents will remain ‘affordable’ int the longer term.

1. **Construction supply chain including modern methods of construction**
2. How can modern methods of construction, including off-site manufacturing, contribute towards speeding up the delivery of affordable housing, without reducing quality?
3. How could Welsh Government best support local authorities and RSLs to ensure homes are built in sufficient numbers using modern methods of construction to drive down the cost of production?
4. What other parts of the housing supply chain could be supported and improved to enable the delivery of more housing? What barriers are preventing this currently?

TPAS Cymru are keen to see innovation in the construction sector and the use of modern methods of construction. However, we are in danger of affordable housing becoming the test-bed for the latest innovation in low-cost, speedy construction. The history of social housing is littered with design experiments which cost considerably more in the long term to remedy, e.g. war time pre-fabs. The spirit of the Future Generations Act requires us to provide sustainable homes for the long term, not just quick fixes to solve our current supply crisis.

Tenants groups have also expressed concerns about offsite manufacturing taking value of out of local economies by removing local supply chains.

A key gap in the housing supply chain is the availability of skilled labour. There could be potential opportunities here for some tenants who would benefit from an opportunity to gain employment in the construction industry. There are many good examples of social landlords creating these opportunities as part of their financial inclusion work. However, there is no consistency in this provision and it depends upon who your landlord is, or where you live in Wales.

There is potential for greater collaboration in this area and a pan-Wales approach to shared apprenticeship opportunities. We believe that this is something which WG could encourage and enable.

1. **Public sector land**

1. What in your view is the most effective mechanism for bringing forward public sector land for house building to enable the delivery of affordable homes?

In our experience, every piece of public sector land has the potential to be a battle line between affordable housing and the need to fill holes in public sector budgets. This is a key example of where budget pressures compete with opportunities to maximise benefits for the wider community.

Ultimately, if affordable housing can’t be prioritised on public sector land, where can it be? It is hard to impose affordable housing obligations for private sector developers if the public sector is not seen to be doing its share.

TPAS Cymru suggests that Welsh Government could have the power to “call in” disposals of public sector land where affordable housing provision has not been prioritised.

1. What are the best examples, in Wales or elsewhere, of public sector land being used to deliver imaginative / innovative housing developments which transform communities?

TPAS Cymru is aware of innovative examples of long lease arrangements, as well as arms-length company structures to allow greater control of ownership and receipts for the public land owner. These have not yet become commonplace in Wales.

1. What standards for homes and communities should Welsh Government require for housing developments on public sector land?

In terms of standards, we would reiterate our view that it’s not just about building homes, but also creating workable, connected communities which work for their residents. One of the criticisms of the wider housing sector is that it builds home without infrastructure. It is these residents who are best placed to advise on the standards which should be required. See 4. a) and d).

1. **Capacity of public sector and Registered Social Landlords (RSLs)**
2. What organisational efficiency, skills and financial capacity constraints exist within RSLs and local authorities?
3. How can Welsh Government help address capacity constraints?
4. What measures can the sector take, including partnerships and collaborative working models, to share skills and combine resources in pursuit of increased supply?
5. What other barriers, such as regulatory, infrastructure, services, if any, exist which impact on the capacity of these organisations to deliver more affordable homes at pace?
6. What are the best examples of collaboration being used to collectively deliver affordable housing schemes?

We know that RSLs are already struggling with the burden of Welfare Reforms on their rental income. As mentioned in section 2., we are concerned that decision making may become more business driven and less “socially” minded as financial pressures continue.

Welsh Government should promote effective collaboration so that development risks do not place burden on smaller RSLs and that larger associations do not become too distant from the people the communities they service. See 2.c)

Welsh Government should also monitor the diversification of RSL activities beyond their core services and client group. There is the danger that aspirations are not met by capacity, or that the focus of attention moves onto areas that dissociate from the importance of providing good quality homes and management services.

1. **Use of existing powers**
2. How do we maximise the use of existing legal powers (of Local Authority, RSLs, Welsh Government / Welsh Ministers etc) to deliver affordable housing?
3. Are there areas where you believe they are not being used to full effect, and what would be your suggestions?
4. Should more be done to ensure existing empty homes are brought back into use to increase affordable housing supply?

TPAS Cymru are not in a position to comment in detail on existing legal powers and their use.

We would however like to express the view that there should be a significant shift in priorities to ensure that empty homes and properties are utilised to increase the affordable housing supply. Speaking to developing landlords, we understand that refurbishment projects of this nature are often regarded as being too risky or costly. It seems that where schemes are viable, they often do not meet the requirements of DQR. This can be on issues as minor as an internal step, a garden that is half a metre too small or a sloping ceiling in a bedroom.

Previous examples of empty buildings that had lost their purpose have been transformed into beautiful, characterful and affordable homes. These unusual, quirky homes are loved by their tenants and regenerate redundant corners of our communities. They also sustainably reuse the carbon footprint which has been spent building them in the first instance. These examples demonstrate that this is a feasible and practical opportunity that WG should encourage.

There are empty spaces in nearly every community, above shops, within redundant heritage buildings or closed schools. We believe that there is much to be done to make use of these opportunities and to develop the links between affordable provision and wider community regeneration.

This can be extended to include the use of existing homes to raise the affordable stock. We understand that in areas where land supply is an issue, the Homebuy equity loan scheme has been a useful tool. It enables first time buyers to purchase an existing property that is being sold on the open market. However, the Help to Buy scheme only focuses on new builds which we believe poses an issue. Welsh Government should consider widening its use to existing homes.

1. **Leveraging the investment potential in stock transfer and LA organisations**
2. What is Major Repairs Allowance and Dowry delivering currently in terms of output and value for money?
3. What can Welsh Government do to encourage / incentivise changes to the existing arrangements in relation to Major Repairs Allowance and Dowry?
4. What, if any, are the barriers to reforming the current arrangements for Major Repairs Allowance and Dowry?
5. Social landlords are on track to achieve WHQS by 2020. What requirements should be in place to ensure the quality of the existing stock is maintained post 2020?

TPAS Cymru don’t feel we are in a position to make informed comments on investment models and arrangements due to it being a specialist area. Instead we will focus our thoughts on the final question within this section:

It is now six years since the original deadline to achieve WHQS. This deadline fundamentally changed the Welsh housing landscape and prompted the transfer of stock from 50% of Welsh councils to newly formed social landlords.

Achieving “the standard” should not be deemed as a one-off event. All property needs repeated maintenance and upgrade. We believe that the monitoring of stock condition should be a continual process. We propose that a regular stock condition survey should be a requirement of every social housing landlord. This should be reported to both tenants and regulators to ensure accountability. Welsh Government should report on a regular basis whether WHQS has been maintained.

We have held tenant discussions where we have asked ‘do we need WHQ2 to define new standards for the next 15 years?’ The suggestions usually focus on greener homes, fuel poverty and future living, rather than recommendations of new technical standards.

It should also be noted that there has been a shift in society since the current guidance was revised in 2008. People and technology have evolved with innovation and aspiration, which simply emphasises the importance of reviewing and preparing “the standard” for the 2020s and beyond. Specifically, to rethinking the connectivity of our social homes in terms of the internet and public transport, as well as considering the impact of electric cars and the need to provide charging stations.