



Terms of reference for inquiry into social housing supply.

CIH Cymru inquiry response

This is a response to the terms of reference for the local government and housing committee's inquiry into social housing supply.

Introduction

Wales is in the midst of a housing crisis. In December 2023 there were 11,200 individuals in temporary accommodation including 3,077 children. There were 136 individuals sleeping rough¹. In 2022/23, there were 12,537 households assessed as homeless and owed the relief duty to help secure accommodation, an increase of 7 per cent on 2021-22. Homeless households were successfully helped to secure accommodation in 30 per cent of cases². Yet this means that 70 per cent of these households were not able to be helped to secure accommodation some of whom will now be experiencing a prolonged stay in temporary accommodation. These prolonged stays in temporary accommodation are having an impact on the amount of money that is being spent on temporary accommodation in Wales this has risen from £5.6m in 2018, to £42.9m in 2022 - a seven-fold increase. There are also 139,000 people waiting for a social home in October 2023.

Research has shown that there is a significant rise in the number of households receiving a no-fault notice in Wales³. A considerable proportion of these households would have sought and secured their own new private rented tenancy in the past. However, there is a significant lack of affordability in the private rented sector. Private rents are on average 29 per cent higher in 2024 than they were

¹ Homelessness accommodation provision and rough sleeping: December 2023. <https://www.gov.wales/homelessness-accommodation-provision-and-rough-sleeping-december-2023>

² Homelessness in Wales, 2022-23. <https://www.gov.wales/sites/default/files/statistics-and-research/2023-08/homelessness-april-2022-march-2023-603.pdf>

³ Homeless boy fears Santa will not find him at Christmas. <https://www.bbc.co.uk/news/uk-wales-67637352>



before the pandemic with predications showing that rents are to remain unaffordable throughout 2024. This increase has been caused by an increase in demand and a lack of supply in the private sector⁴. These increased rental prices have resulted in these households no longer being able to find a home on the open market they can afford and are facing homelessness as a result and increasing demand for social housing which in some areas is the only affordable housing option available. There are now huge pressures on the housing system in Wales and on local authorities and registered social landlords seeking to remedy rising homelessness and meet the increasing demand for a social home.

Recent research by the policy exchange outlined some of the economic impacts housing supply and unaffordable prices are having on the economy:

- Constrained labour mobility as house prices in productive areas have grown faster than wages making housing unaffordable.
- Housing undersupply is having a negative effect on household formation and decreasing home ownership between the ages of 25 and 34.
- Housing undersupply in increasing homelessness, its preventing young people leaving their parents' home and makes it harder for families to save reducing resilience to financial shocks⁵. These indirect benefits come from increased employment and social investment⁶.

CIH Cymru believes that by making housing a foundational mission of government we can improve supply of affordable homes, end homelessness and stimulate economic growth. We are in the midst of a housing crisis yet our analysis of the 2023/24, budget expenditure lines shows that around 4.6 per cent of the total budget is being spent on housing which CIH Cymru does not believe reflects the seriousness of the housing crisis that we are currently navigating as a nation.

⁴ Rental Market Report: March 2024. <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>

⁵ Homes for Growth: How Housebuilding Can Revitalise the UK Economy. <https://policyexchange.org.uk/wp-content/uploads/2023/02/Homes-for-Growth.pdf>

⁶ increasing investment in Housing supply in Wales. https://www.hbf.co.uk/documents/6746/Increasing_investment_in_housing_supply_in_Wales_-_June_2016_FINAL.pdf



There is a need for increased government investment, looking at radical ways in which monies could be generated to ensure this increased investment. Options such as the introduction of land value capture or a land value tax of some sort should be considered as a key part of a suite of options. It's an option that was initially floated in the form of the proposed Vacant Land Tax from Welsh Government as one of the proposals for new taxes when tax-raising powers were devolved to Wales by the 2014 and 2017 Government of Wales Acts. In fact, a Vacant Land Tax was championed by former Forst Minister Mark Drakeford, when Finance Minister in Carwyn Jones's administration. CIH Cymru would welcome a reevaluation of the introduction of such an approach as a way to increase investment into social and affordable housing in Wales.

Another way of increasing investment is by legislating for the progressive realisation of a right to adequate housing. The latest cost benefit analysis outlines that for every £1 spent there will be £2.30 in benefits generated from savings to the NHS, reduced homelessness together with improved wellbeing for those households moving out of homelessness⁷. It will also make housing a foundational mission of government and provide the paradigm shift which would mandate housing to be a key lens through which public policy, legislation and public investment is crafted and delivered in Wales. There are barriers and opportunities to be considered as we seek to increase supply of affordable housing, a vital part of the jigsaw being increasing supply of social housing. We welcome the opportunity to provide evidence to the committee on some of the barriers how these can be overcome together with how we can build on existing opportunities to increase supply and stimulate economic growth in Wales for this generation and future generations. Ensuring that we have an equitable Wales. A Wales where everyone has enough money to live on. A Wales where everyone can afford the essentials. A Wales where child poverty is eradicated. A Wales where everyone can access a safe, affordable, and sustainable home.

⁷ The right to adequate housing in Wales: cost-benefit analysis. <https://www.cih.org/media/ggbbh1df/cba-alma-economics-back-the-bill-final-phase-2-report-eng.pdf>



Progress towards meeting the target of 20,000 low carbon social homes for rent; and the extent to which current and projected levels of social housebuilding are likely to meet housing need.

When the target for 20,000 new low carbon social homes for rent to be developed between 2021 and 2026 was set it was based on the 2019 estimate of housing need which showed that we should be building between 3,049 and 3,878 new affordable homes per annum⁸. So, the target of 20,000 new social homes over five years would exceed the amount outlined by the 2019 housing need calculations. Yet since the target was set in 2021, just 6,045 units of additional affordable housing has been provided in Wales with a further 3,135 projected for 2023/24. Not all these units are new build, some of this provision is through acquisitions or remodelling of existing stock⁹. What is clear from the data is the number of new social homes is falling consistently short of what is needed each year. This is concerning in light of rising homelessness, rising unaffordability of market housing all contributing to increased demand and need for affordable and social homes provision in Wales.

Even though reaching the current target of 20,000 new social homes this Senedd term becomes an increasingly difficult proposition as a result of barriers around the planning system, supply chains and the labour market, we also need to consider whether this is the right number to build towards. Our cost benefit analysis of the right to adequate housing outlined that we needed to build an additional 20,000 social homes over the next 30 years to meet projected levels of homelessness¹⁰. This is in addition to the 20,000 social homes already committed to by Welsh Government during this current Senedd term. Also, in October 2023 there were, 139,000 people waiting for a social home including 34,000 children¹¹.

⁸ Average Annual Estimates of Housing Need in Wales (2019-based) by Variant, Tenure and Region.

<https://statswales.gov.wales/Catalogue/Housing/Housing-Need/2019-based/annualaverageestimatesofhousingneed2019based-by-variant-tenure-region>

⁹ Additional affordable housing provision by location and year. <https://statswales.gov.wales/Catalogue/Housing/Affordable-Housing/Provision/additionalaffordablehousingprovision-by-location-year>

¹⁰ The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru.

<https://www.cih.org/publications/the-right-to-adequate-housing-in-wales-cost-benefit-analysis>

¹¹ Homeless boy fears Santa will not find him at Christmas. <https://www.bbc.co.uk/news/uk-wales-67637352>



The current target of 20,000 new social homes is much lower than the actual number of social and affordable homes needed to meet current levels of housing need as when the current target of 20,000 low carbon social homes was set, we had quite different levels of homelessness and a very different housing market. As such, the answer to this question sets out our views on how housing need is to be calculated, our changing household types and a need for a wider affordable housing target that Welsh Government, in partnership with the housing sector, needs to work towards. Any increase in the number of affordable and social homes needed in Wales cannot solely be met by social housing providers who are already doing all they can to deliver on the current ambition. We need to use all the levers at our disposal to ensure that we are building the right amount and type of homes in Wales, and in the right places, to ensure everyone can access a suitable, safe, and affordable home.

Calculation of housing need

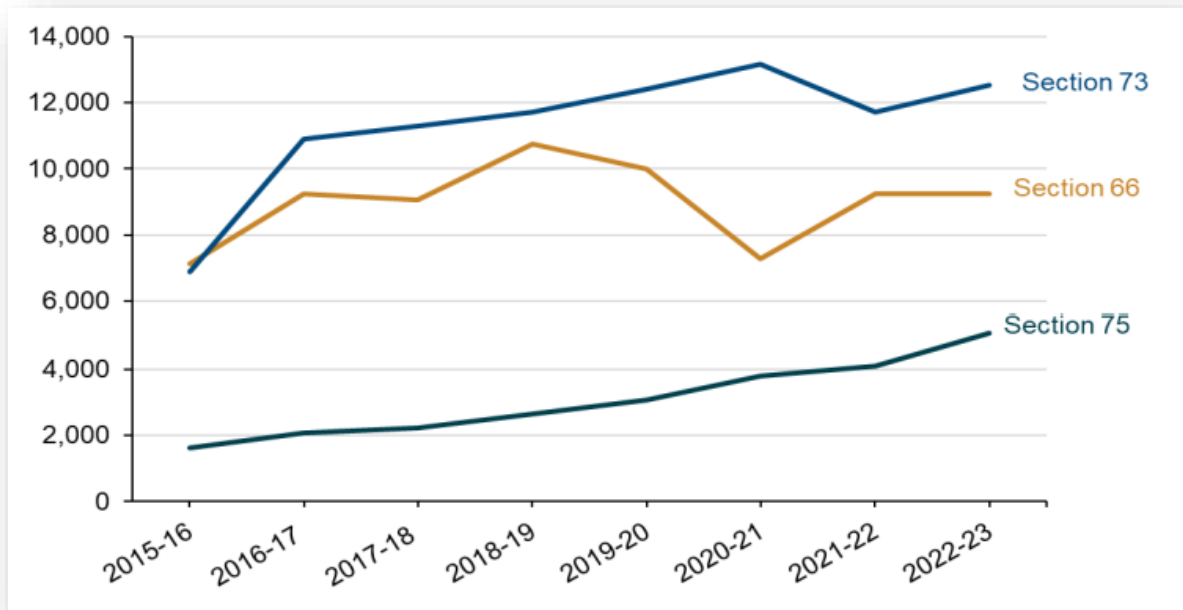
As previously outlined, the current target for 20,000 additional social homes was set based on 2019 estimates of housing need using 2018 household projections. Additional housing need estimates considers the unmet housing need which includes those households in temporary accommodation together with overcrowded and concealed households. This is further analysed to establish the number of households who can afford market housing. Those who cannot afford a home at market price would then need an affordable home. The guidance for the Local Housing Market Assessments is clear that affordable housing need should provide the number of intermediate rents needed and the number of social homes needed in the local authority area¹². Whilst we fully understand that the current target for social homes was set at the start of this programme for Government, the housing market and levels of homelessness are now significantly different to what they were in 2019 when the housing need calculations were

¹² Undertaking Local Housing Market Assessments (LHMAs). https://www.gov.wales/sites/default/files/publications/2022-03/local-housing-market-assessment-guidance-2022_0.pdf



completed. Figure one shows how the levels of homelessness have increased since 2019.

Figure one: Households threatened with homelessness (Section 66), owed a duty to help secure accommodation (Section 73) and in priority need (Section 75), 2015-16 to 2022-23¹³



This clearly shows an increase in the number of households becoming homeless in Wales and as such should be factored into calculation of housing need. These increased levels of homelessness are also likely to be a factor in the numbers of people currently waiting for a social home in Wales. In October 2023 there were 139,000 people waiting for a social home including 34,000 children¹⁴. Whilst not all these will be in housing need these numbers also needed to be factored into current calculations of housing need.

We also need to consider the current population makeup of Wales now we have new Census data available. However, we want to be clear that whilst we are of the

¹³ Homelessness in Wales, 2022-23. <https://www.gov.wales/sites/default/files/statistics-and-research/2023-08/homelessness-april-2022-march-2023-603.pdf>

¹⁴ Homeless boy fears Santa will not find him at Christmas. <https://www.bbc.co.uk/news/uk-wales-67637352>



opinion that more affordable homes will be needed, following a recalculation of housing need, our expectation is that this will be met by a mixture of affordable housing solutions including intermediate and social rent. We provide an option for effectively meeting this.

Household projections

The current household projections used in the housing need calculation are based on 2011 census data. The 2021 census established that the population of Wales had slightly increased¹⁵ which needs to be accounted for within the estimate of housing need in Wales. There is also a need to consider how household types are changing in Wales. We have seen from Census data that households are ageing, and we have more one person households and couples without children making up the population of Wales¹⁶.

We are also hearing from our members that there is a significant increase in demand for affordable one bed properties partly fuelled by welfare policies that make the private rent sector unaffordable for single people. Many single people under the age of 35 are only able to access a shared room rate of LHA. This is often significantly lower than the LHA rate paid for couples and those over the age of 35. For some single people shared accommodation is not a suitable housing option. This is coupled with a significant shortage of one bed social housing in Wales. This was highlighted in the Senedd's Local Government and Housing Committee report on homelessness which outlined that the chronic undersupply of social housing is especially acute when we look at the supply of one bed accommodation which is needed for single person households and couples without children¹⁷. There is also a need to consider larger sized properties and

¹⁵ Population and household estimates, Wales: Census 2021. <https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationestimates/bulletins/populationandhouseholdestimateswales/census2021#:~:text=The%20usual%20resident%20population%20of,were%203%2C063%2C456%20people%20in%20Wales.>

¹⁶ Demography and migration in Wales (Census 2021). <https://www.gov.wales/sites/default/files/pdf-versions/2022/11/5/1669371058/demography-and-migration-wales-census-2021.pdf>

¹⁷ Homelessness (March 2023) <https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>

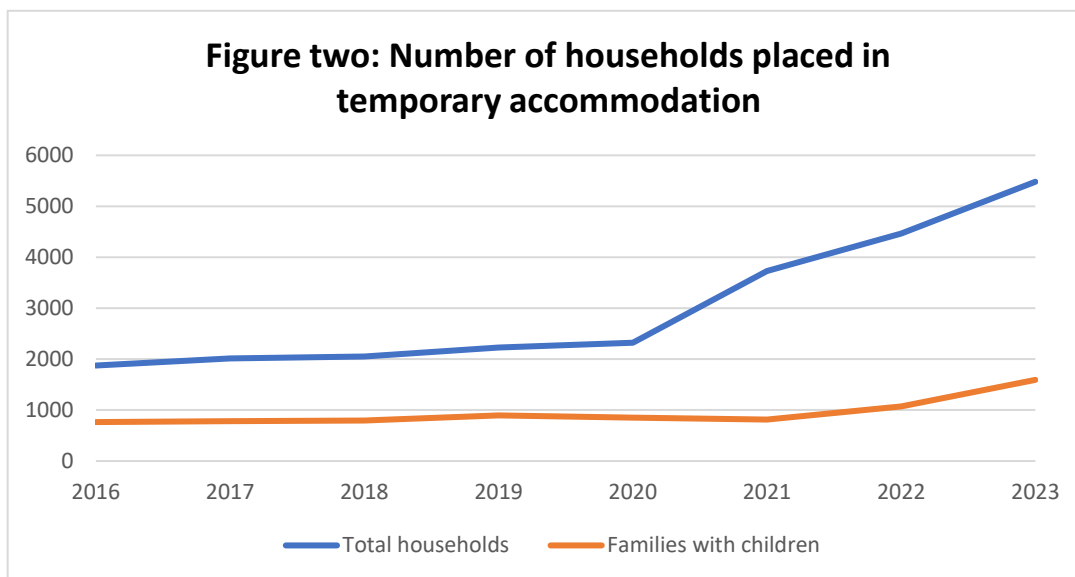
properties for multi-generational families as highlighted in our Tyfu Tai research into housing need and desirability¹⁸



The current household projections will need updating and fed into estimates of housing need. It should also show the percentage of households that need one bed accommodation in order to tackle the structural issues in the system for single person and couple households who are unable to access market housing. This will provide a more realistic estimate of the unmet need arising from a growing population and the changing demographics.

Numbers in temporary accommodation

It is clear that, since an estimate of housing need was calculated in 2019, homelessness has significantly increased in Wales. Figure two¹⁹ shows how the number of households placed in ALL types of temporary accommodation has increased since 2016.



NB: The number of households is the number placed as of 31 March e.g. total number placed on 31 March 2016.

¹⁸ Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

¹⁹ Households accommodated temporarily by accommodation type and household type (Post 2015-16). <https://stats.wales.gov.wales/Catalogue/Housing/Homelessness/Temporary-Accommodation/householdsaccommodatedtemporarily-by-accommodationtype-householdtype>



What is clear is the number of households in temporary accommodation has significantly increased since the pandemic and is nearly double the number when the estimate for housing need in Wales was last calculated. With the majority of these households being single people or couples. We need to update estimates of unmet need in Wales to reflect the rising levels of homelessness and households placed into temporary accommodation.

Affordability assessment of market housing

Part of this involves analysis of the rents being charged in an area. The rent officer provides this data, yet it is not mandatory for landlords to have to provide this information. This is acknowledged in the guidance document for local authorities in drafting their local housing market assessment which outlines that local knowledge should be used where this data is not currently available. The accuracy of this data is vital in ensuring that local authorities can accurately calculate housing need and the likely number of social homes and homes at an intermediate rent needed per annum to meet existing and emerging housing need in their area. We would like to see the provision of rental data to the rent officer being made mandatory whenever there is a change to the tenancy or to the rent charged for the tenancy.

There is also a significant reduction in the number of properties available to rent against rising demand within the market. Latest data puts the flow of new supply down 6 per cent with demand up 32 per cent²⁰. This has resulted in a significant lack of affordability in the private rented sector. Private rents are on average 29 per cent higher in 2024 than they were before the pandemic with predications showing that rents are to remain unaffordable throughout 2024²¹. These increased rental prices have resulted in these households no longer being able to find a home on the open market they can afford. So, it is likely that the number of homes needed at an intermediate rent will have increased.

²⁰ Rental Market Report: December 2023. <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>

²¹ Rental Market Report: March 2024. <https://www.zoopla.co.uk/discover/property-news/rental-market-report/>



The freezing of local housing allowance has also had a significant impact on the affordability of the private rented sector especially for low-income households with research showing that in February 2023 just 32 properties in Wales could be covered by Local housing allowance²². Whilst the unfreezing of the local housing allowance from April is welcome it is only for a twelve-month period so likely to have a small impact on people's ability to access a private rent property to relieve or prevent their homelessness.

We also need to consider the impact of rising mortgage rates on demand for private rented properties and a reduction in the availability of private rented homes to rent. Our members have provided anecdotal evidence that for some working households private renting was just a stepping stone into home ownership. It gave them somewhere to live whilst they saved for a deposit to buy their own home. Yet, with rising rent costs coupled with increased interest rates this has reduced. The latest all Wales tenant survey by TPAS Cymru provided some valuable insight into this. Currently 49 per cent of under 30's privately renting were doing so until they could afford to buy²³. Yet as outlined by one respondent it was getting harder and harder to do this:

We have been saving to buy for several years but it feels like the goalposts always move and it's becoming harder for people in their 20s and early 30s to get on the property ladder. The major rise in interest rates has made us delay our plans to buy. We have had to significantly alter our plans and it's soul destroying because we have spent 13 years renting and desperately want our own home²⁴.

²² Wales' Housing Crisis: Local Housing Allowance and the private rental market in Wales, Winter 2023. <https://www.bevanfoundation.org/wp-content/uploads/2023/03/Wales-Housing-Crisis-Winter-2023.pdf>

²³ The Third All Wales Annual Tenant Survey - What matters right now. [https://www.tpas.cymru/ckfinder/userfiles/files/Full%20Report%20\(E\)\(2\).pdf](https://www.tpas.cymru/ckfinder/userfiles/files/Full%20Report%20(E)(2).pdf)

²⁴ The Third All Wales Annual Tenant Survey - What matters right now. [https://www.tpas.cymru/ckfinder/userfiles/files/Full%20Report%20\(E\)\(2\).pdf](https://www.tpas.cymru/ckfinder/userfiles/files/Full%20Report%20(E)(2).pdf)



Yet for some of these households low-cost home ownership or intermediate renting would be affordable enabling them to access an affordable rent to save a deposit for accessing home ownership or using low-cost home ownership as a way to access homeownership as their tenure of choice.

It is clear that fewer and fewer people are able to access a home in their tenure of choice due to the market becoming increasingly unaffordable. We need to recalculate the number of affordable homes that are needed in Wales. This number should show the number of low-cost home ownership, intermediate rent and social rented homes that are needed in order to meet the total number of affordable homes needed.

A new model for providing affordable homes.

As previously outlined the local housing market assessment will set out the number of affordable homes needed to meet housing need in a local authority area. The homes developed to meet the affordable housing need are a mixture of low-cost home ownership, intermediate rent, and social homes. But how can these new affordable homes be delivered effectively. One way to do this is to expand the schemes currently being developed by Tirion homes.

Tirion homes was set up in 2012 by Welsh Government and the Principality building society to deliver affordable housing across Wales using an innovative finance model that negated the need for grant funding. The sites currently under development are a mix of, market sales, low-cost home ownership, intermediate rent, market rent and social housing. The properties for intermediate or market rent are targeted at working households on a low or middle income with priority given to key workers. Any property rented out by Tirion Homes are done so on a secure contract. The sites also provide a proportion of social homes to be allocated through local allocation policies working in partnership with local social landlords. This means that anyone in housing need can access a social home it does not prevent someone in employment on a low to medium income accessing



a social home. Rather they can choose which tenure they would prefer to access. Embedding choice into the schemes²⁵.

The schemes developed by Tirion homes are low carbon, meet WHQS space standards and seek to promote community cohesion through a tenure blind approach to design and a focus on engagement²⁶.

This development model not only helps meet the demand for social homes it also provides additional affordable homes for households within a community.

It is clear that the housing crisis has resulted in a need for us to reconsider the number of affordable homes that needed to be provided to tackle homelessness and ensure everyone can access a safe, suitable, and affordable home. The recalculated level of need for affordable homes should clearly outline how much should be provided at a social rent and how many at low-cost home ownership or intermediate rent. There should be no expectation that the entirety of the recalculated affordable housing need is to be provided by just social housing landlords. Rather the meeting of the calculated affordable housing need in Wales should be a whole housing system approach to meeting housing need in Wales. So, everyone can access a home that is safe, suitable, and affordable that is in a community of their choosing.

²⁵ Tirion Homes. A new way / a new home / a new life. <https://www.tirionhomes.co.uk/>

²⁶ Creating Beautiful Homes and Places. <https://www.tirionhomes.co.uk/wp-content/uploads/2023/01/Creating-Beautiful-Homes-and-Places-draft-2.pdf>



The challenges faced by social landlords in increasing supply

There are significant challenges faced by social landlords in increasing the supply of social housing in Wales. We have addressed these separately below.

Supply Chains

Our Tyfu Tai Cymru report “Shocks in the supply chain²⁷” highlighted the impact of supply chain issues on development programmes. This has led to increased lead-in times for starting developments, developments being delayed due to supply issues or developments having to be altered to ensure they are still value for money as supply chain constraints increase costs. Even when materials could be accessed costs had increased by 30 - 40 per cent further impacting the number of homes that could be developed. The report concluded that Welsh Government should produce a supply chain resilience plan to minimise the impact on the sector. Part of this should be horizon scanning to consider likely future impact and take steps now to reduce the impact on development targets.

Phosphates

Planning authorities must consider the phosphorus impact of proposed developments on water quality within a special area of conservation river catchment. NRW must be consulted on about these developments and will provide advice on the implications of the proposed development. A development can only proceed if it can be demonstrated that it will not lead to further water quality deterioration in the area. Considerable progress has been made to overcome the negative impact phosphates were having on development meaning that in many cases developments can now proceed. However, there are now significant backlogs in some areas which in turn is affecting the ability of some areas being able to meet development targets. The cost of some developments

²⁷ Shocks in the supply chain. Understanding issues in housing supply chains. <https://www.cih.org/media/4hwfxjg2/shocks-in-the-supply-chain-final-eng.pdf>

may also have increased since they stalled further impacting the supply of affordable homes in some areas.



Ongoing economic pressures

Social housing schemes are usually funded through a combination of social housing grant and private finance. Financial viability assessments for developments are based on the cost of the development against future rent levels. The amount of social housing grant payable depends on the acceptable cost guidance for the property size, type, and the total number of homes being developed²⁸. We are hearing from our members that the current economic climate is having an impact on their ability to develop. In some cases, developments that may have been financially viable when initially considered are no longer viable due to inflation increasing cost of materials and interest rates increasing the cost of borrowing.

Our Tyfu Tai research into housing need and desirability highlighted that financial viability was often a determining factor in the mix and type of home developed. From evidence given previously to the local government and housing committee by various stakeholders it would appear that this has resulted in a shortage of one bed accommodation resulting in much longer stays on temporary accommodation. In Wrexham, for example, the demand for single person accommodation far outstrips supply. Wales and West highlighted that over the last decade just 10 per cent of homes built were one bed properties fuelled by a reluctance to build more one bed accommodation. Yet there are significant numbers of three bed homes developed²⁹. There is a need to re-evaluate the way financial viability is calculated as part of the social housing grant process. We need to ensure that building one bed homes to meet the rising demand is as financially viable as building a three-bed family home.

²⁸ Acceptable cost / on costs for use with social housing grant funded housing in Wales. <https://www.gov.wales/sites/default/files/publications/2023-07/costs-included-in-social-housing-grant-guidance-for-social-landlords.pdf>

²⁹ Local Government and Housing Committee. Homelessness. <https://senedd.wales/media/zs0jkb4g/cr-ld15717-e.pdf>



Whilst we welcome the record level of investment by Welsh Government into the social housing grant it is clear that these monies are not going as far as they once did due to increased cost of borrowing and building supplies. There has been a 33 per cent increase in construction costs for housebuilders since the pandemic³⁰. These increased costs come from increased subcontractor costs coupled with increases in costs of both materials and labour. This coupled with rising interest rates and ongoing economic uncertainty is likely to contract the housebuilding sector as a whole³¹

With the increased costs being seen in the construction industry there is a need to consider whether the level of investment into social housing is at the correct level. We have calculated the level of annual investment needed to build a sufficient number of affordable homes just to meet the demand from those households seeking assistance to prevent or relieve their homelessness in 2022/23³² at around £391 million per annum based on the current Acceptable Cost Guidance³³ and estimates of housing need³⁴. Yet if we include the additional 20,000 homes needed as set out by the cost benefit analysis of the right to adequate housing³⁵ the total level of investment needed based on current ACG levels would be £782 million much lower than the current level of investment of £370m.

Yet our calculated figure of £782 million is just based on those households currently experiencing homelessness. It does not consider the number of individuals currently on the waiting list as we cannot accurately determine how

³⁰ Welsh Housing Market and Supply Update – November 2023.

https://www.savills.co.uk/research_articles/229130/354555-0

³¹ Housebuilding costs continue to increase as build out rates are reduced to respond to market uncertainty.

<https://bcis.co.uk/news/housebuilding-costs-continue-to-increase/>

³² Households for which assistance has been provided by outcome and household type.

<https://statswales.gov.wales/Catalogue/Housing/Homelessness/Statutory-HomelessnessPrevention-and-Relief/householdsforwhichassistancehasbeenprovided-by-outcome-householdtype>

³³ Acceptable cost / on costs for use with social housing grant funded housing in Wales.

<https://www.gov.wales/sites/default/files/publications/2023-07/costs-included-in-social-housinggrant-guidance-for-social-landlords>

³⁴ Estimates of Housing Need (2019-based) by Tenure, Variant and Year.

<https://statswales.gov.wales/Catalogue/Housing/Housing-Need/2019-based/estimatesofhousingneed2019based-by-tenure-variant-year>

³⁵ The right to adequate housing in Wales: cost-benefit analysis. An independent research report by Alma Economics Commissioned by Tai Pawb, the Chartered Institute of Housing Cymru and Shelter Cymru.

<https://www.cih.org/publications/the-right-to-adequate-housing-in-wales-cost-benefit-analysis>



many of the 139,000 currently on a waiting list for a social home in October 2023³⁶ would be in housing need or how many are actually homeless and therefore risk double counting. The £782 million per annum is also likely to be lower than the total investment needed as not everyone on housing waiting lists will seek assistance to prevent or relieve homelessness.

Some social landlords are also having to make difficult choices between developing new homes and retrofitting their existing homes. Research undertaken by Savills outlined that many housing associations are having to make difficult choices in how to allocate their spending with 95 per cent of respondents stating that investment into existing homes and communities was more important than the development of new homes³⁷. Whilst this research was focussed on English housing associations the financial pressures are the same across the UK and there is a very real risk that development could slow as registered social landlords try and balance the financial pressures of bringing existing homes up to the 2023 Welsh Housing Quality Standards and developing new homes.

Skills gap

When we speak to the construction industry, we are hearing that a lack of funding, certainty together with longer term financial options, is having an impact on incentivising the sector to upskill the workforce. There are also impacts from the low level of demand³⁸ which is mostly from the social housing sector which accounts for just a fifth of the total housing stock in Wales³⁹. We know the skills gap is significant with research by CITB outlining that 12,000 additional workers are needed across the housing sector in Wales by 2028 primarily to deliver the improvements needed to reduce energy demand. This equates to an 11 per cent

³⁶ Homeless boy fears Santa will not find him at Christmas. <https://www.bbc.co.uk/news/uk-wales-67637352>

³⁷ Why bringing new sources of finance into the affordable housing sector has become ever more important. https://www.savills.co.uk/research_articles/229130/346705-0

³⁸ Energy Systems Catapult. (2020). Towards an enduring policy framework to decarbonise buildings. Retrieved from: <https://es.catapult.org.uk/report/policyframework-to-decarbonisebuildings>

³⁹ UK Housing Review 2023. Table 30a Households by tenure in the United Kingdom. <https://www.ukhousingreview.org.uk/ukhr23/tables-figures/pdf/23-030.pdf>



increase in the workforce⁴⁰ Without a workforce skilled in installing and maintaining innovative technologies we run the risk of delays in development as these skills are vital to ensuring our new homes meet zero carbon requirements.

Local Authorities in Wales are now able to develop homes again helping to contribute to meeting the 20,000 new social homes target. However, whilst there is ambition to develop new homes many local authorities no longer have a development team especially in those areas where stock transfer has taken place. They also no longer have stock to borrow against so developing new homes may not be financially viable. If we want to increase the number of homes at pace and scale, we also need to invest in public sector development capacity⁴¹. This may also include the provision of low-cost finance through the Wales Development Bank in the first instance whilst local authorities who want to develop are able to meet their ambition. Once they have a large enough portfolio, they can then borrow against this property increasing the number of homes they are able to develop.

Stigma

We regularly hear from members that there are often tensions around proposed new developments largely the result of stigma associated with social housing. This was highlighted in Tyfu Tai Cymru's research on public attitudes to social housing in Wales which found that there are still some negative attitudes to social housing in Wales but for those with direct experience of social housing attitudes are more positive⁴². Involving the residents who will live next to the development together with the wider community can help design a scheme that meets the needs of the locality, overcome stigma, and help build a cohesive community. Our Tyfu Tai

⁴⁰ Building Skills for Net Zero in Wales.

https://www.citb.co.uk/media/bdrbdlmo/b06414_net_zero_report_wales_v7.pdf

⁴¹ Building the social homes, we need Solving the land and capacity challenges. https://nationwidefoundation.org.uk/wp-content/uploads/2019/11/Building-the-social-homes-we-need_191120_150504.pdf

⁴² Public attitudes to social housing in Wales: Report for the Chartered Institute of Housing Cymru.

https://omghcontent.affino.com/AcuCustom/Sitename/DAM/097/CIH_Cymru_public_perceptions_report.pdf



Cymru report right place, right home, right size highlighted the need for consideration of people's choice when alleviating housing need. Housing need should not just be about housing supply generally but about the supply of the right homes in the right place to ensure we can support thriving communities and enable choice and mobility as people's needs change⁴³.

Our Tyfu Tai research into housing need and desirability included a recommendation to look at ways to eradicate stigma around existing and proposed new social housing developments. One way to do this was to ensure that community engagement is mandated as part of the social housing grant process. This will ensure that communities are involved from conception to completion of a development which may help reduce stigma towards social housing⁴⁴. We have heard from our members that often when there is stigma or opposition to a proposed new development it disappears within a few weeks of the new tenants moving in. We hope that by collaborating with the community throughout the development it will alleviate or remove opposition to new social housing developments.

The cost of land to develop

The cost of land has increased significantly with some putting it at a fivefold increase since 1995. This increased price of land makes building social homes more expensive⁴⁵. Though the increase in land prices may be the consequence of a lack of availability of land. Simple market economics dictates that the more in demand a product is, the more it costs. This increased cost of land not only affects financial viability assessments for registered social landlords impacting the mix of homes or even if a development can take place. It also affects 106 negotiations

⁴³ Right place, right home, right size? Increasing housing mobility for social housing tenants in North Wales. <https://thinkhouse.org.uk/site/assets/files/2516/cih1121.pdf>

⁴⁴ Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

⁴⁵ Building the social homes we need. Solving the land and capacity challenges. https://nationwidefoundation.org.uk/wp-content/uploads/2019/11/Building-the-social-homes-we-need_191120_150504.pdf



and the ability of local authorities to ensure that private developments also provide affordable housing. Without land being at a price landlords can afford we run the risk of developments of social homes slowing down or not even starting.

How housing standards and decarbonisation affect the delivery of new social housing.

We welcome the Welsh Government has commitment to provide funding through the optimised retrofit programme to help social housing landlords meet the Welsh Housing Quality Standards with £70m of funding allocated in 2023/24 and 2024/25 through the Optimised Retrofit Programme (ORP) together with an additional £22.5m for WHQS 2023 across 2023/24 and 2024/25. Whilst these monies are welcome, they fall well short of the total investment needed.

According to the Future Generations Commissioner's Homes Fit for the Future: The Retrofit Challenge (conducted by New Economics Foundation) there's a £2.7bn funding gap in the amount needed to retrofit social housing and a £3.9bn gap to retrofit homes in fuel poverty in Wales. It goes on to say that the total investment needed over the next decade to retrofit social housing stock in Wales is £5.52bn (£4.82bn to retrofit homes in fuel poverty) with around £1.7bn of that to come from Welsh Government and £3.6bn from Westminster⁴⁶. A much higher level of investment than is currently being made available by Welsh Government.

We are hearing from some of our members that tough decisions are now having to be made about whether it is more financially viable to develop new homes or invest in their existing homes. The reasons cited for this is the ongoing economic pressures faced by organisations. Part of this is the increased cost of borrowing and the increased price of resources needed to retrofit or develop new homes.

⁴⁶ Homes fit for the Future: The Retrofit Challenge. https://www.futuregenerations.wales/resources_posts/homes-fit-for-the-future-the-retrofitchallenge/



Our members are doing everything they can to ensure that they can develop new homes including looking at providing homes at market rent but ultimately funding levels are not sufficient to effectively meet all of Welsh Government ambitions.

This is echoed in research undertaken by Savills which outlined that many housing associations are having to make difficult choices in how to allocate their spending with 95 per cent of respondents stating that investment into existing homes and communities was more important than the development of new homes⁴⁷. Whilst this research was focussed on English housing associations the financial pressures are the same across the UK and we are already hearing about some of the difficult decisions being made in Wales as registered social landlords try and balance the financial pressures of bringing existing homes up to the 2023 Welsh Housing Quality Standards and developing new homes.

We fully appreciate the financial pressures Welsh Government is under and welcome the levels of investment being made to develop new homes and improve the quality of our existing social homes. However, we need to look at new ways in which we can provide funding to ensure that everyone in Wales can access a safe, suitable, and affordable home. We believe the best way to do this is by making housing the foundational mission of Government by legislating for the right to adequate housing. This right will enable a whole system approach to housing in Wales accompanied by a housing strategy to outline how we can progressively realise the right to adequate housing. Implementation of this right will need investment, but cost benefit analysis has shown that the right to adequate housing would lead to significant savings that could be used to further invest in public services, coupled with increased economic activity. For every £1 spent on the right to adequate housing, there will be £2.30 in benefits. It will:

- Save £5.5bn in improved wellbeing
- Save £2bn from local council budgets
- Save £1bn for the NHS

⁴⁷ Why bringing new sources of finance into the affordable housing sector has become ever more important.
https://www.savills.co.uk/research_articles/229130/346705-0



- Save £1bn for the criminal justice system
- Generate £1bn in additional economic activity

It will also ensure that everyone in Wales can access a home that is safe, suitable, and affordable through developing new homes and retrofitting our existing homes across all tenures in Wales.

The opportunities and risks in increasing government borrowing and institutional investment

At face value increasing Government borrowing would seem like a good thing. It provides government with more flexibility to deliver policies and support the economy. Across the UK, the amount of government debt has increased but this means increased interest payments as well as increasing interest rates. The increasing cost of government debt has significant implications. If the cost of the debt rises government may need to borrow more money to meet the cost. This in turn can influence choices around spending in different areas in order to meet the cost of the debt⁴⁸. In the UK we are now seeing elevated levels of public debt as borrowing increased to support the private sector through the pandemic, there has also been increased spending to help individuals manage the cost-of-living crisis and ensure energy costs remained affordable. The level of government debt is seen as affordable currently, yet we need to consider that high public debt will increase the need for future taxes and could erode the living standards of future generations⁴⁹.

Yet even though there are risks to government borrowing to increase investment it is also seen as an important part of stimulating growth in the economy and boosting certain sectors. Though increased investment by government must be carefully balanced as not to increase interest rates which could further reduce private investment due to increased cost of borrowing. This risk can be reduced by using an invest to save model whereby the savings made are reinvested

⁴⁸ Managing government borrowing. <https://www.nao.org.uk/wp-content/uploads/2023/07/managing-government-borrowing.pdf>

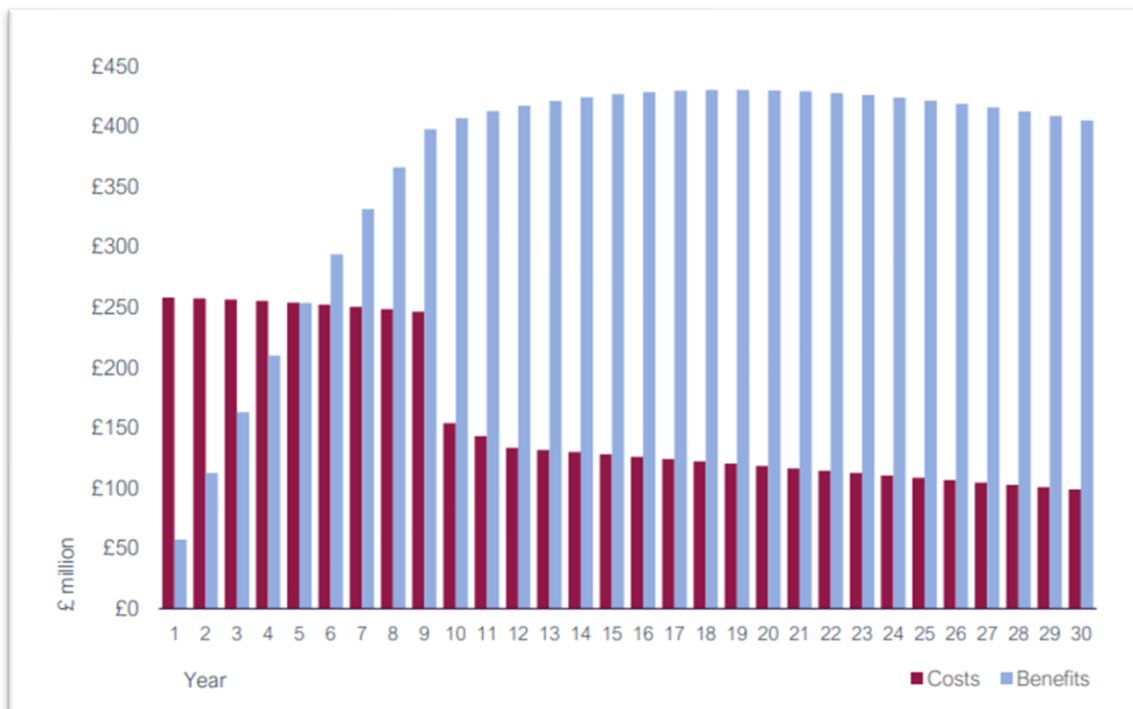
⁴⁹ Public debt, public wealth, and economic dynamics. https://www.bennettinstitute.cam.ac.uk/wp-content/uploads/2020/12/Debt_Dynamics_working_paper.pdf



reducing the need for further government borrowing to ensure the policy outcome is delivered.

One example of an invest to save model is the right to adequate housing. Whilst implementing this right will require additional government spending initially it will soon realise monetary benefits that can be reinvested to full realise the right to adequate housing. As shown in figure three, the benefits of the right start to outweigh the costs by year six of the programme.

Figure three: Costs and benefits of the right to adequate housing over 30 years.



Investing £5 billion in ending homelessness and improving housing adequacy can generate £11.5 billion in economic and social benefits over a 30-year period. In other words, spending £1 to provide adequate housing in Wales will generate £2.30 in benefits by:

- Saving £5.5bn in improved well-being.
- Saving £2bn from local council budgets.
- Saving £1bn for the NHS.
- Saving £1bn for the criminal justice system



- Generating £1bn in additional economic activity⁵⁰

All these monies can then be invested back into the realisation of the right to adequate housing reducing the monies needed through government grants or through government borrowing as we move towards full implementation of the right.

The realisation of the right to adequate housing will of course need increased supply of housing in Wales. This supply will need to be cross tenure to ensure that everyone in Wales can access a home in the tenure of their choosing. Yet increasing housing supply will also stimulate growth in the economy as it will provide employment opportunities, will increase tax revenues, and will provide significant savings to local authorities who are seeing increased spends on providing temporary accommodation. Increased investment into the supply of housing in Wales will also provide certainty to development sector who have cited that a lack of funding certainty together with longer term financial options as having an impact on incentivising the sector to upskill the workforce⁵¹.

As the portfolio of social landlords and affordable home providers increases this will also increase their ability to obtain private finance as there are more assets that can be used as security for the loan. This will in turn enable further development of homes in Wales.

What is needed is increased level of investment by the Welsh Government. We are in the midst of a housing crisis yet our analysis of the 2023/24, budget expenditure lines shows that around 4.6 per cent of the total budget is being spent on housing which CIH Cymru does not believe reflects the seriousness of the housing crisis that we are currently navigating as a nation. There is a need for increased

⁵⁰ The right to adequate housing in Wales: cost-benefit analysis. <https://www.taipawb.org/wp-content/uploads/2022/09/Alma-Economics-Back-the-Bill-Final-Phase-2-report.pdf>

⁵¹ Energy Systems Catapult. (2020). Towards an enduring policy framework to decarbonise buildings. Retrieved from: <https://es.catapult.org.uk/report/policyframework-to-decarbonisebuildings>.



government investment together with the consideration of introducing a system of land value capture or a land value tax.

This was initially proposed in the form of a Vacant Land Tax as one of proposals for new taxes when tax raising powers were devolved to Wales (see introduction). CIH Cymru would welcome a revaluation of the introduction of this tax as a way to increase investment into social and affordable housing in Wales to ensure we can provide safe, suitable, and affordable homes at pace and scale.

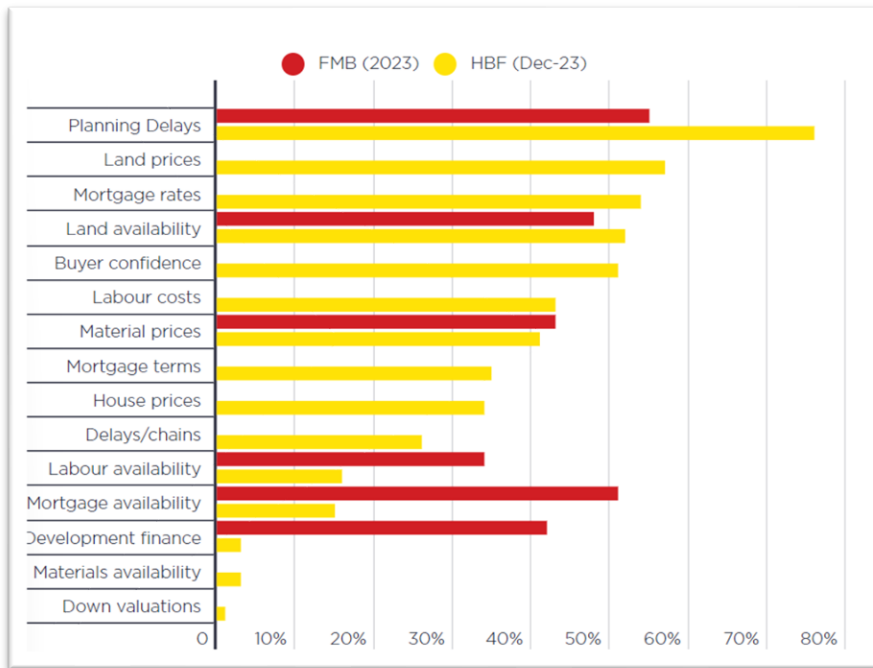
How effectively the planning system is supporting social housebuilding.

There is evidence that the planning system in Wales is not fully supporting social house building in Wales. Whilst s.106 agreements do provide additional affordable homes provision as part of new private development this provision is linked to the housing market which can reduce the number of affordable homes provided. There are also concerns around providing community infrastructure as part of the s.106 agreement. In addition, research by the home builders federation has found that Local Authorities in Wales are holding around £71 million in unspent developer contributions⁵².

There are also significant planning backlogs across Wales that is reducing the pipeline for development in Wales. The number of planning consents being granted over time has been declining with housebuilders now stating that planning delays are a key constraint for housebuilders as shown in figure four.

⁵² Section 106 Agreements and unspent developer contributions in England & Wales.
[HBF_Unspent_Developer_Contributions_Report_2023.pdf](#)

Figure four: Key constraints for development⁵³.



FMB: Federation of Master Builders. HBF= House Builders Federation.

Effectiveness of s.106 agreements.

Section.106 agreements are a key part of the delivery of affordable housing in Wales. They set out an expectation that when a private developer proposes a new housing development that a certain percentage must be made up of affordable housing. This percentage differs across local authority areas and occasionally within local authority areas depending on the housing need set out within the local authority’s local housing market assessment. The s.106 agreements can also set out a requirement to provide community infrastructure such as schools or health care. Yet as highlighted in our Tyfu Tai research, housing need and desirability, there are instances where the additional community infrastructure is never delivered, or it is only delivered after all the new homes are developed. Existing residents of communities wanted the agreements to clearly state that community

⁵³ CMA findings: why planning not land banking is a major barrier to housing delivery. <https://www.savills.co.uk/blog/article/357710/residential-property/cma-findings--why-planning-not-land-banking-is-a-major-barrier-to-housing-delivery.aspx>



infrastructure should be provided alongside new housing and local authorities should ensure the obligations are being met⁵⁴.

The provision of community infrastructure is just one issue with s.106 agreements. Developers can also push for less affordable housing when they submit their financial viability assessments as part of their planning application. A negotiation will then start between the developer and the local authority around how much affordable housing should be provided according to their different financial viability assessments. The local authority will then decide the final composition of the s.106 agreement. It would be logical to assume that the local authority will seek to maximise the amount of affordable housing that is provided but this is often not what happens. Many local authorities lack the in-house capacity to effectively participate in negotiations on s106 compositions. There is also the fact that these negotiations take place behind closed doors with limited democratic accountability⁵⁵. Yet even if the s.106 requirements are being met in a local authority area there are concerns that as overall development slows that this will impact the number of homes being provided through s.106 agreements⁵⁶.

This brings us to the next issue with s.106 agreements. The financial viability assessments undertaken to establish how much affordable housing should be provided by a developer are linked to the housing market in the area. In order to secure high levels of affordable housing there needs to be strong demand for housing within the local area as high demand equals higher house prices meaning the developer can more easily offset the cost of developing affordable homes. This means the state of the housing market in an area will determine how much affordable homes supply is provided by developers²⁹.

⁵⁴ Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

⁵⁵ How private developers get out of building affordable housing. <https://neweconomics.org/2022/02/how-private-developers-get-out-of-building-affordable-housing>

⁵⁶ The perfect storm. https://www.savills.co.uk/research_articles/229130/346705-0

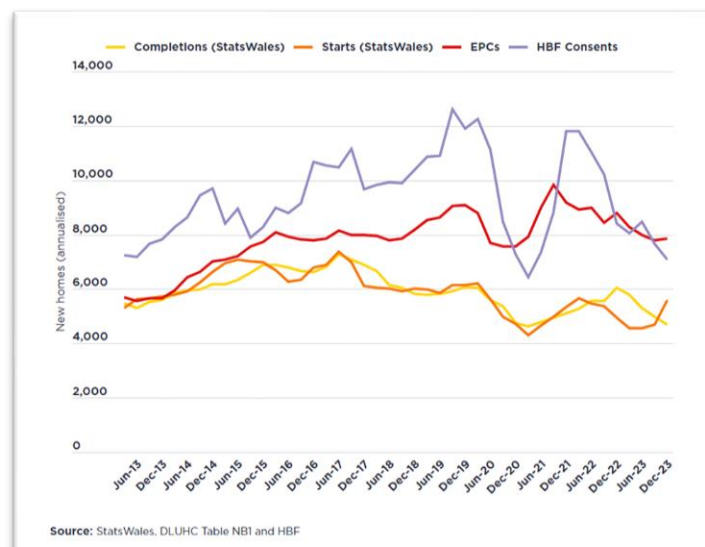


There is also a large amount of unspent s.106 contributions in Wales. There is currently £71,405,329 in s.106 contributions unspent in Wales⁵⁷. These monies are not solely for providing affordable housing but also help contribute to increasing school places, improvements to highways and improvements to social infrastructure such as play areas. We need to ensure that there is a mechanism in place that ensures that these monies held by local authorities are spent to contribute to increasing affordable housing supply and ensuring that community infrastructure is provided as part of any new development.

Planning backlogs

We are hearing from our members that delays around obtaining planning permission is delaying completion of new homes. In some case it is taking three years to get planning permission for a new development. Recent research by Savills outlines that planning consents have seen a significant and prolonged decline. There has been a reduction of 16 per cent in planning consents in the year to December 2023 and 42 per cent since 2022 as outlined in figure five.

Figure five: Planning consents versus building starts⁵⁸



⁵⁷ Section 106 Agreements and unspent developer contributions in England & Wales. [HBF Unspent Developer Contributions Report 2023.pdf](#)

⁵⁸ Welsh Housing Market and Supply Update. https://www.savills.co.uk/research_articles/229130/358506-0



There are now concerns that the shrinking pipeline of new housing in Wales could threaten the future delivery of homes⁵⁹. Another reason has been cited in research by the competition and markets authority which outlines that for housebuilders the planning system is the crucial determinant of the supply of land and how many homes they are able to develop⁶⁰.

There are also concerns from housebuilders around the consistency of planning decision making which creates uncertainty about which planning applications will be granted. A number of costs are incurred by the developer before planning permission can be sought. Housebuilders may be reluctant to incur these costs if there is uncertainty around whether planning permission will be granted resulting in fewer developments being considered⁶¹. The shrinking pipeline of proposed developments will translate into lower completions across the housing sector⁶².

This has translated into

- Just 62 per cent of local planning areas in Wales achieving housing completions equivalent to 50 per cent or less of their local planned housing requirement. None achieved 100 per cent.
- The planning system in Wales is constraining housebuilding due to a lack of predictability, the length of time it takes for permission to be granted.
- Lower land values and increased groundwork costs are a particular issue in Wales⁶³.

We are hearing from our members that part of the delay and subsequent backlog is due to the new phosphate regulations brought in by NRW. Whilst there has been progress made on this issue it will take some time to work through the planning backlog that this caused in some areas of Wales.

⁵⁹ Welsh Housing Market and Supply Update. https://www.savills.co.uk/research_articles/229130/358506-0

⁶⁰ Housebuilding market study. Final report.

https://assets.publishing.service.gov.uk/media/65d8baed6efa83001ddcc5cd/Housebuilding_market_study_final_report.pdf

⁶¹ Housebuilding market study. Planning working paper.

https://assets.publishing.service.gov.uk/media/65538e9f50475b0013c5b5b7/Planning_working_paper_-_Housebuilding_market_study.pdf

⁶² Welsh Housing Market and Supply Update - November 2023.

https://www.savills.co.uk/research_articles/229130/354555-0

⁶³ Summary of CMA market study final report into housebuilding Wales summary.

https://assets.publishing.service.gov.uk/media/65d8bb1454f1e70011165960/Wales_summary_.pdf



Another cause of planning delay and backlogs is a lack of capacity within planning departments caused by a reduced number of planners being employed by local authorities. In Wales net expenditure on planning has halved in real terms between 2008 and 2021. A survey undertaken by the royal town planning institute (RTPI) showed that 25 per cent of planners have left the sector between 2013 and 2020. In addition, 82 per cent of local authority respondents had difficulties recruiting planners in the last two years. The key reason for this was not being able to offer a competitive salary, young graduates preferred to work for the private sector where higher wages are offered. Workloads have also increased with 60 per cent of respondents stating their workload had increased over the last two years. This increased workload was attributed to a lack of staff within the department⁶⁴.

In England, the Department for Levelling Up, Housing and Communities has developed a new capacity and capability programme, to help local authorities to deliver an efficient planning service. The programme is extending and increasing the number of bursaries provided through the RTPI. This funding will enable 50 students to receive a £5,000 bursary for post graduate study to support their career in planning. This funding will cover half of the cost of the qualification. In addition, the department is providing a £24 million planning skills delivery fund to support local authorities. This funding is available over two years to tackle planning application backlogs and boost the capacity of local authority planning teams⁶⁵. CIH Cymru would welcome additional monies for planning teams in Wales to recruit more planners, increasing the capacity of existing planning teams together with monies to assist in training future planners to further build resilience within local authority planning teams.

⁶⁴ State of the profession 2023. The UK planning profession in numbers.

https://www.rtpi.org.uk/research/2023/november/state-of-the-profession-2023/#_Toc149742862

⁶⁵ Building planning capacity and capability. <https://www.gov.uk/guidance/building-planning-capacity-and-capability> .



Another suggestion to speed up the planning process for social housing providers is to reintroduce pattern books. This will give social landlords a range of pre-approved plans for developing new homes which could shorten the length of time it takes to obtain planning permission. Pattern books are already being developed as part of the pace and scale (now under the Unnos banner) project which CIH Cymru supports. Any pattern book developed would also need to include designs for adapted housing or ensure that all designs meet lifetime homes standards so they can be adapted quickly as the needs of the tenant changes.

It is vital that we address the backlogs in the planning system in Wales to ensure we have a pipeline of new homes as we work towards ensuring everyone in Wales can access a safe, affordable, and suitable home in an area of their choosing.

Opposition to planning applications.

The planning process in Wales includes consultation with the public over proposed developments. The RTPI report into the state of the planning profession outlined that many planners experience disinformation and online harassment in relation to new developments. The survey found that 58 per cent of planners felt that social media negatively affected their well-being as professionals due to the abuse they can sometimes receive on social media platforms⁶⁶.

Another key part of planning applications is the local authority planning committee which is made up of local councillors and they can disagree with the recommendation of the planning officer if reasons are given. Whilst this process is designed to be politically neutral with representation from all parties, housebuilders and developers have cited the political influence over planning decisions as a key factor in planning decision delays. These delays can worsen

⁶⁶ State of the profession 2023. The UK planning profession in numbers.
https://www.rtpi.org.uk/research/2023/november/state-of-the-profession-2023/#_Toc149742862



around local election periods and on occasion there can be an increase in planning refusals.⁶⁷.

As local councillors are key to the planning committee process, they may be influenced by public perception or opposition to a development site. They can also refuse to adopt a local development plan when faced with significant public opposition such as seen in Wrexham recently. We have also heard from our members that planning permission can be delayed due to local residents opposing a site often due to stigma to social housing and this takes time to navigate. We need to collaborate more closely with our communities when looking to develop new homes.

Our Tyfu Tai research into housing need and desirability sets out a recommendation that engagement with communities is made a mandatory part of the social housing grant process⁶⁸. But the Tyfu Tai research suggests that we need to mandate, as part of planning policy in Wales, that communities need to be involved from conception to completion of new homes. There is also a need for public facing campaign highlighting the added values social housing provides to the wider society. This is something we highlighted as part of our five-point plan for housing in Wales⁶⁹. It is vital that we collaborate with our communities when proposing new social homes developments ensuring they are involved from conception to completion as part of not just building houses but developing homes within communities as part of the wider placemaking agenda that CIH Cymru full supports.

⁶⁷ House builders' federation, analysis of the GB planning system. https://assets.publishing.service.gov.uk/media/65f16dadff11701fff615958/Home_Builders_Federation_-_working_paper.pdf

⁶⁸ Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

⁶⁹ CIH Cymru: A five-point plan for housing. <https://www.cih.org/publications/cih-cymru-a-five-point-plan-for-housing-in-wales>

How to improve the strategic management of public and private land for social housebuilding, including compulsory purchase



Chartered
Institute of
Housing
Cymru

Many developers will seek to ensure that they have a pipeline of sites that are ready to be developed. This is either short-term land where planning permission is granted or long-term where planning permission is not yet granted. This is also known as land banking and this practice is seen across housing development. Yet this practice can in part be driven by issues within the current planning system. As previously stated, there are significant backlogs in the planning system as some housebuilders will hold landbanks to ensure that they have land with or likely to have planning permission, so they have sites to develop when needed. Yet concerns have also been raised about this practice as it can reduce the amount of available land and it can result in only a few developers developing in an area or exclude social housing developers from accessing land⁷⁰. It also compounds house-price inflation.

In 2019, the independent review into affordable housing supply recommended that the Welsh Government should establish an arms-length body to function as a hub for public sector land management and professional services. This body should work alongside national and local government to provide capacity and resources to accelerate development of public land assets and to support greater consistency and efficiency in managing those assets. This was accompanied by a recommendation for Welsh Government to mandate the mapping of all public land and require owners to publish the development potential for the land they own⁷¹. The Labour Plaid Cymru cooperation agreement set out a commitment to set up a “national construction” company Unnos. This would support councils and social landlords improve the supply of social and affordable housing⁷².

⁷⁰ Housebuilding market study Local concentration and land banks working paper. https://assets.publishing.service.gov.uk/media/65548ec2c684c4000db64d6b/A_Local_concentration_and_land_banks_working_paper.pdf

⁷¹ Independent Review of Affordable Housing Supply. https://www.gov.wales/sites/default/files/publications/2019-04/independent-review-of-affordable-housing-supply-report_0.pdf

⁷² The Co-operation Agreement 2021. <https://www.gov.wales/sites/default/files/publications/2021-11/cooperation-agreement-2021.pdf>



We need to make Unnos what it needs to be in order to bring together all the component parts required to deliver new social and affordable housing at pace and scale. The innovators, the land, the planning capacity, the contractors, the social landlords, the supply chains, together under one banner, in one facilitation space to deliver. Unnos needs to become that agency for change, which pulls all those component parts together in order to scale up what we already know how to do well. The question for Government I believe, is how much central control over that process do they need or want to retain? Is the reality that we need an arms-length agency to deliver? This idea reflects what was recommended in the affordable housing review⁶⁸ which, in our view, also provided a partial blueprint for Unnos. The question is how radical does Welsh Government, in partnership with the housing sector, want to be in ensuring we can use all the levers at our disposal to deliver additional social and affordable homes at pace and scale?

The potential for increasing income from land value capture mechanisms to invest in social housing.

Between 1945 and 1951 the UK Government oversaw the development of nearly a million new homes being built. During this period, housing was seen as a foundational mission for Government. Funding for building social homes at this pace and scale came from a direct development approach, a type of land value capture, where land was compulsory purchased at or near existing use value in order to build social homes⁷³. As part of UK New town developments in the 1950's and 1960's, cooperatives were able, using long-term fixed rate public loans, to purchase land at or close to their existing use values to develop them for housing.

⁷³ Principles of land value capture. <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/76605.htm>



This enabled the reduction of the land cost component, for example, on houses in Milton Keynes⁷⁴. A report by the housing communities and local government select committee on land value capture outlined that as the value of land arising from granting of planning permission and of new infrastructure was largely created by public action then a proportion of this uplift should be made available to government in new infrastructure and public services.⁷⁵

The awarding of planning permission substantially increases the value of agricultural land - from an average of £22,520 per hectare to £6.2 million per hectare⁷⁶ Whilst this figure is based on average residential values of new builds across England, it gives us an idea of the size of the current “planning gain” that is accrued almost entirely to the landowner and/or developer. There is a strong case to be made that as the state (or the public realm) plays a significant role in facilitating that “planning gain “(including the investment of a significant amount of public funds) should instead be shared fairly and efficiently with the state, providing local authorities with the funds to build more social housing, as well as associated amenities and infrastructure.

In some ways this is already partly considered through the existing s.106 agreements that enable local authorities to negotiate with developers to secure contributions to mitigate the impact of development. This may be through provision of affordable housing or improvements to community infrastructure. Yet these planning obligations must relate directly to the proposed development and cannot help with financing wider community infrastructure needs⁷⁷.

⁷⁴ Land Value Capture: Potential and Limits. <https://www.asocialdemocraticfuture.org/land-value-capture-potential-and-limits/>

⁷⁵ House of Commons Housing, Communities and Local Government Committee Land Value Capture Tenth Report of Session 2017-19. <https://publications.parliament.uk/pa/cm201719/cmselect/cmcomloc/766/766.pdf>

⁷⁶ Home Truths: The UK's chronic housing shortage - how it happened, why it matters and the way to solve it. Liam Halligan. Pg.241

⁷⁷ Land Value Capture. https://www.landcommission.gov.scot/downloads/5dd6a24c0c1d6_Land-Focus-Land-Value-Capture-May-2018.pdf



The use of a type of land value capture was proposed through a Vacant Land Tax as one of the new taxes in Wales following devolution through the introduction of a local land value tax where the uplift in value of land could be captured and invested into local communities⁷⁸. This tax if introduced could be the key to unlocking development and ensuring that we can maximise the amount of finance available to develop at pace in scale here in Wales. We need to be building more homes to ensure everyone in Wales can access a safe, suitable, and affordable home. Land value capture or land value tax is one lever to increase the level of investment needed to meet the ambition of a home for all.

The Welsh construction sector's capacity to build new low-carbon social homes, the potential for acquisitions of existing homes and remodelling of existing buildings.

This point covers several key themes. As such we have split our response into the following themes: the skills needed, tackling empty properties, acquisition of existing homes and remodelling of existing buildings.

Skills needed to build new low-carbon social homes.

When we speak to the industry, we are hearing that this lack of clarity around financial options is having an impact on incentivising the sector to upskill the workforce fuelled by the uncertainty in funding streams resulting in low demand from the wider private housing sector⁷⁹. Research by CITB shows that the skills gap is significant with 12,000 additional workers needed across the housing sector in Wales by 2028 primarily to deliver the improvements needed to reduce energy demand. This equates to an 11 per cent increase in the workforce⁸⁰.

⁷⁸ Reforming Local Government Finance in Wales: Summary of Findings.

<https://www.gov.wales/sites/default/files/publications/2021-02/summary-of-findings.pdf>

⁷⁹ Energy Systems Catapult. (2020). Towards an enduring policy framework to decarbonise buildings. Retrieved from: <https://es.catapult.org.uk/report/policyframework-to-decarbonisebuildings/>

⁸⁰ Building Skills for Net Zero in Wales. https://www.citb.co.uk/media/bdrbdlmo/b06414_net_zero_report_wales_v7.pdf



We are currently working with Welsh Government on a development academy to provide the skills and knowledge to local authority development teams to increase their capacity for development. It is also hoped that this work will form part of the vital work of sustaining local authority development careers. Yet this will need investment to ensure that we have the skills to build the homes we need now and in the future.

Tackling empty properties

There is more work that could be done around the funds available through the Houses into Homes Loans funded by Welsh Government. These loans have been a useful tool in assisting owners in bringing empty homes into use. However, for long term properties the £25,000 loan is not sufficient especially considering rising cost of materials. Also, it is often not the lack of funds to do the work that prevents an empty home being brought back into use such as unforeseen legal issues to an emotional connection to the property. Whilst these loans have helped bring empty homes back into use often it is in the private sector.

Another scheme looking at bringing empty homes back into use and providing affordable homes is the leasing scheme Wales. This scheme is available to property owners who wish to lease their property to the local authority. Where it is needed a grant is available to bring the property up to and agreed standard. Leases are for five to twenty years and properties are to be rented out at the relevant local housing allowance. Sixteen local authorities are currently signed up to the scheme⁸¹.

The private sector leasing scheme funded by Welsh Government is going well in some areas with more landlords coming forward to take part. Yet in other areas landlords are more reluctant to sign up to the scheme due to the difference between the guaranteed rent and their mortgage costs.

⁸¹ Leasing Scheme Wales: guidance. <https://www.gov.wales/leasing-scheme-wales-guidance#:~:text=Property%20owners%20will%20benefit%20from,EPC%20rating%20to%20level%20C>.



Whilst there is scope to further expand the scheme in some parts of Wales there is a need to look at the level of guaranteed rent in order to increase the number of landlords signing up to the scheme. This scheme is a valuable part of the solution to increase the supply of adequate affordable housing for families and individuals to move onto reducing lengths of stay in temporary accommodation.

Acquisition of existing homes and remodelling of existing buildings.

An RSL or local authority can already purchase existing homes through the social housing grant, and this can be used to provide social rent, supported housing or to provide homelessness accommodation. These properties can be long term empty properties or properties being sold on the open market. We are hearing from our members that in some areas social housing grant is used to purchase properties that were once owned by a social landlord and then being retrofitted to meet WHQS before being rented out as additional social homes in their area. Any existing property bought using social housing grant has to be brought up to Welsh Development Quality Requirements and WHQS.

Alternatively, a property can be purchased using the Transitional Accommodation Capital Programme Grant. If the property does not meet WHQS it can be used for up to ten years before it needs to be sold. Whilst we appreciate there is a need for more suitable temporary accommodation would it not be more equitable to ensure that any empty property purchased with public money meets the same standard. If our aim is to make homelessness rare, brief, and non-repeated then it makes more sense that any property purchased to provide affordable housing meets the same standard no matter how it is funded.



How local communities can be effectively engaged in social housing developments in their areas.

One consequence of not effectively engaging with communities when new developments are proposed is stigma or opposition to a development. Though often this is just fear of the unknown with any opposition no longer an issue once people move in. Even though this is the case stigma is a very real issue when considering new developments in an area. Tyfu Tai Cymru's research into housing need and desirability recommended that we need to look at ways we can eradicate stigma including:

- Registered Social Landlords and local authorities should work collaboratively to raise awareness of different housing tenures and their role in our housing market.
- A myth busting education programme is needed which focuses on "who" in the community could be in housing need and the importance of social housing provision to form part of a national campaign to end the stigma around social housing.
- Ensure consistent language is used around social housing when interacting with communities where new social homes are to be developed.
- Use different communication methods as part of a jargon busting process around the language used when looking at developing new homes.
- Develop a commonly used terminology guide as part of standardising the language used around social homes and development.
- Improve the community understanding of what Social Housing is and the positive impact it can have on the community⁸².

Whilst these are key to ensuring we eradicate stigma the way we design our homes also matters so that they blend in with the existing homes within a community⁸³.

Our Tyfu Tai research also recommended mandating that community engagement becomes part of the social housing grant process. This would include taking the good practice example of Cwmpas and its community led housing development. This brings people together to decide the type of homes and communities they

⁸² Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>

⁸³ It's not okay August 2020 A guide to tackling stigma in social housing. <https://www.cih.org/publications/its-not-okay-a-guide-to-tackling-stigma-in-social-housing>



would like to live in. Recognising that communities play an essential role alongside councils, developers, and investors to develop affordable homes that meet local community needs⁸⁴.

An assessment of community needs should also consider existing community infrastructure as often opposition to a new development stems from concerns that extra people living in an areas could impact school places, transport systems or timely access to a G.P. Where is it is necessary to provide new community infrastructure tenants and residents involved in the Tyfu Tai research into housing need and desirability highlighted the fact that it needed to be in place at the same time as the new homes. It was no good providing the new homes and then six months later the additional community infrastructure. People also wanted community spaces to be provided so that community events could take place as part of developing a community not just some buildings.

It is vital that as we develop new homes exiting communities are involved from conception to completion so that the homes built not only meet housing need but also help integrate people into existing communities that are supported and cohesive. This will also help remove opposition and stigma resulting in spaces where individuals want to live, work and play.

Conclusion

As outlined in our response there is a very real housing crisis in Wales. In order to tackle this, we need to increase housing supply. But how much extra housing supply is needed? Welsh Government currently has a target of developing 20,000 new low carbon social homes this Senedd term. Set at a time when homelessness levels were lower and there was a higher level of housing affordability in the wider housing market. This has now changed, and we now have rising homelessness

⁸⁴ Housing need and desirability. Ensuring that the social homes we build don't just meet housing need but are desirable to tenants and the wider community. <https://www.cih.org/media/542debxr/0512-ttc-report-housing-need-and-desirability-eng-v3.pdf>



and an increasingly unaffordable housing market. So, there is a need to recalculate the number of affordable homes that are needed in Wales to meet the increased demand. However, we are clear that this is not just social housing. This is social housing plus homes at intermediate rent or low-cost home ownership. One such way to do this is to mirror the work of Tirion homes who develop housing schemes that provide market sale homes, low-cost home ownership intermediate rent and social rent homes as part of one development to not only meet the wider housing needs but to help build community cohesion.

We have also outlined some of the challenges faced by social landlords to increasing supply together with some of the wider structures impacting the ability for increased development of much needed homes. However, many of these issues are faced by the whole housing sector. As such there is a need for there to be a whole housing system approach to developing new homes at pace and scale.

CIH Cymru believes that housing must become a foundation mission of Government in Wales if we are to achieve our shared ambition of providing a suitable, secure, and affordable home for everyone which will improve health outcomes, reduce poverty, and increase economic activity throughout Wales. Despite this, our analysis of the 2023/24, budget expenditure lines shows that around 4.6 per cent of the total budget is being spent on housing which CIH Cymru does not believe reflects the seriousness of the housing crisis that we are currently navigating as a nation.

One way that we can increase the level of investment into the provision of affordable housing is to look at the introduction of land value capture or a land value tax. This was initially proposed as one of the proposals for new taxes when tax raising powers were devolved to Wales. CIH Cymru would welcome a revaluation of the introduction of this tax as a way to increase investment into social and affordable housing in Wales to ensure we can provide safe, suitable, and affordable homes at pace and scale.



In addition to there being a need for more monies to help navigate the housing crisis we also need a whole system strategic approach to overcome the challenges in the current system and make the best advantage of opportunities a change in approach can provide. CIH Cymru believes that the mechanism for this strategic whole system approach is legislating for the right to adequate housing together with a housing strategy that outlines how we are to work together to progressively realise this right. Enshrining the right to adequate housing can only benefit Wales and help deliver an equitable Wales. A Wales where everyone can access a safe, suitable, and affordable home.

About CIH

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple - to provide housing professionals and their organisations with the advice, support, and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we conduct to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org.

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