

**The Welsh Tenants  
Federation:  
Discussion Paper**

**Better use of existing  
Resources**

Comunitas Equality Local  
Government Committee  
National Assembly for Wales

Welsh Tenants Federation

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## About Us

The Welsh Tenants Federation is the representative body for tenants in Wales. Formed in 1988 we have over 350 member groups consisting of federations, representative tenant & resident associations and panels. The organisation represents tenants and leaseholders. Our mission is to enhance and promote the rights, housing standards and representation of tenants across Wales. Our membership and support covers the full range of mixed communities, over the past ten years this has included a developing private rented sector.

The WTF would wish to see a greater proportion of Wales's housing needs met by rented accommodation particularly given the risks and recent failures attached to home ownership. We believe this can only be achieved by improving the supply of regulated rented accommodation across all the housing markets. In addition, better rights and better rights enforcement will also add to the confidence to rent.

We also recognise the benefits of the opportunity to purchase a capital stake in the home embedding the family's investment in the community and encouraging thrift and socioeconomic responsibility. We also see stock transfer as an opportunity to improve mutuality and cooperative principles, encouraging the development of social enterprise resulting in more inclusive regeneration and better involvement in community life.

*“Our mission is to enhance and promote the rights, housing standards and representation of tenants across Wales”*

We believe that Wales can lead the way in developing a new less restrictive more vibrant form of renting that extends opportunity while providing adequate protection. The Welsh Government in partnership with the sector can achieve this better if it has sufficient powers and the resources to deliver.

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## This paper relates to the following

|   |  |   |                   |                   |
|---|--|---|-------------------|-------------------|
| <p>National Assembly for Wales - Communities, Equality and Local Government Committee</p> | <p><a href="#"><u>Inquiry into the provision of affordable housing</u></a></p> | <p>The terms of reference for the inquiry are:</p> <ul style="list-style-type: none"> <li>• the effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant;</li> <li>• whether alternatives to public subsidy are being fully exploited;</li> <li>• whether the Welsh Government, local authorities and RSLs are effectively utilising their powers to increase both the supply of, and access to, affordable housing;</li> <li>• whether there sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders;</li> <li>• whether innovative methods of delivering affordable housing such as Community Land Trusts or co-operatives could be promoted more effectively by the Welsh Government.</li> </ul> | <p>07/10/2011</p> | <p>04/11/2011</p> |
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## Better use of existing resources

### 1. General comments

- 1.1. The Welsh Tenants Federation welcomes the inquiry into the provision of affordable housing in Wales.
- 1.2. Affordable housing is set out in technical advice note 2 which defines affordable as; *housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers'* <sup>1</sup>.
- 1.3. TAN 2 is often the key focus for subsidy and drives thinking about delivery, while we welcome this focus, and would wish to see the focus remain, housing supply needs to consider a range of other market choices to reduce pressures on the affordable housing element.
- 1.4. Other parts of the market and the choices and opportunities available, and filling gaps between demand and supply means that a 'whole system' approach is required to address the housing needs of Wales. This includes examining owner occupation, private renting, social housing and the gap between them that has become to be known as the intermediate markets. How we make best use of the existing stock to inform choice and increase social mobility is also key, including how we utilise incentives and premiums to inform choices.
- 1.5. The Welsh Tenants Federation would wish the committee to examine the full range of models available and whether the affordable housing delivery model is fully utilising all the available choices that people make in their accommodation. For example people choose to live on Park Homes sites with static bungalows because it's an affordable solution to their housing need. Yet there are very few incentives to support people to do so, while legislation and regulation does not make it easy to do live in these communities once commitment to this form of occupancy occurs. For example residents excluded from benefiting from any energy efficiency measures.
- 1.6. While we accept that it may be timely for a broader review of the purpose of social housing we are firm in the belief that Wales should adopt systems of housing that are specific to the needs and priorities of Wales. The Welsh Tenants Federation has observed that affordable housing provision can be significantly influenced by UK government and policy creep that can emerge from approaches elsewhere in the union. Certain proposals relating to the provision of affordable housing such as '80 per cent market rents' and the introduction of a 'time limited tenancy' while may be attractive for investors and indeed some landlords who have commercial aspirations, we need to remain focused about a sustainable solution that builds social cohesion and social investment in communities. We would hope that these principles are echoed as the review progresses.

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<sup>1</sup>Planning Policy Wales, Technical Advice Note 2: Planning and affordable housing (June 2006) Welsh Assembly Government

## 2. The effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant;

- 2.1. Statistics on affordable housing provision in Wales covering all tenures, delivered across Wales between 1 April 2007 and 31 March 2010 states that the private sector accounted for 84 per cent of all dwellings, whilst the social rented sector had declined to just 16 per cent, from 21 per cent of total stock in 1991-92.
- 2.2. Between 1 April 2007 and 31 March 2010, a total of 6,707 additional affordable housing units were delivered across Wales, which exceeded the 6,500 target set for 2011 by 3 per cent. Registered Social Landlords (RSLs) have made the largest impact, delivering 83 per cent of all the additional affordable housing over the three years. During this period, RSLs delivered more than half of all additional affordable housing in 21 out of the 22 local authorities and in three, Pembrokeshire, the Vale of Glamorgan and Bridgend, RSLs provided 100 per cent.
- 2.3. A total of 4,037 additional affordable housing units were delivered by RSLs via capital grant funding between 1 April 2007 and 31 March 2010 which is 72 per cent of all RSL provision over the period. Affordable Housing Provision through the Planning System stated that between 1 April 2007 and 31 March 2010, 26 per cent of all additional affordable housing units delivered were through planning obligations (1,716 units in total). Around 2 per cent (149 units) of all additional affordable housing delivered during 2007-08, 2008-09 and 2009-10 was through the planning system on rural exception sites<sup>2</sup>.
- 2.4. Subsidy for social housing exists through various tools. Social housing grant enables the upfront costs of acquisition and construction to be discounted. Section 106 enables planning gain from developments over a certain size. Private finance initiatives have also been used to build accommodation on government owned land (homes for nurses for example). Government subsidy is also provided to the non social housing sector in many ways, through mortgage tax relief, single person discount, grants to owner occupiers, etc.
- 2.5. Subsidy can be described as a means to deviate from market conditions, it is required to address market failure; address affordability constraints on tenants and finance constraints on landlords; to achieve economies of scale where personal housing subsidy will overcome large regional or market variations in housing (1940's Beveridge approach); or to address the consequences of new policies imposed on social landlords for example WHQS, climate change, building regulations<sup>3</sup> and fire safety. Where these conditions exist, it can be argued that subsidy is required as a social justice measure to respond and provide access to a basic human need.

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<sup>2</sup>. SDR 99/2011 New House Building and Social Housing Sales, 15 June 2011, National statistics office release March 2011

<sup>3</sup> Housing Market Taskforce, Increasing supply within the social rented sector David Hall and Kenneth Gibb, JRF, Dec 2010

- 2.6. **Switch in subsidy** – government has pursued the policy of moving away from supply-side subsidies (in the form of social capital housing grant) towards demand-side subsidies through increasing rents on re-lets and new build, this has meant the amount of social housing grant has fallen year on year while rents have risen or schemes need to generate greater profitability for the developer to accommodate the social housing element. This has put added pressure on development scheme costs because land acquisition, construction costs along with tougher environmental build standards has risen. The distinction between what is affordable for most has become blurred.
- 2.7. **Land costs** – The cost of land acquisition is a significant element of providing affordable housing. In a country as expansive as Wales it is hard for tenants to understand that land can be such a controlling cost factor. Land use and planning is a hang over from 1950's following the need to mobilise agriculture after the second world war. In giving evidence to the affordable housing review undertaken by Sue Essex in 2008 we expressed our frustration on the land use question suggesting that in order to address the supply of social housing the Welsh government needs to consider how it can utilise the land it owns for social housing purpose. Land supply and cost can be a key subsidy in the provision of affordable homes.
- 2.8. Local authorities are key land owners and while we appreciate the need to realise their assets in tough economic times, we believe that more could be done for community benefit to provide land for housing. Public assets are needed for a public priority. We are pleased to see that the Welsh Government has indicated that they will take a lead on the development of a land registry scheme.
- 2.9. Wales is largely a low earning economy, the work poor therefore require access to homes through subsidy at significantly below market rents to be able to afford housing and access to work. Without government subsidy in one form or another, it is highly unlikely that social housing could be built without having a serious deterrent on the affordability of rents for the work poor in Wales. Traditionally this subsidy has enabled the low paid to live more equitably and with the additional disposable income, enable more opportunities to achieve social mobility. The problem is that higher rents, fuel, transport, food and general cost of living, is significantly curtailing that ambition for many.
- 2.10. People who are vulnerable or have special needs also require special adaptations to enable them to live independently these require subsidy, as schemes would be unaffordable without it. Over the years government has sought to reduce the amount of subsidy it provides to ensure limited public resources go further to meet need.
- 2.11. The Welsh Tenants Federation firmly believe that without significant government subsidy for social housing, the gap between rich and poor will widen ever greater creating a generation of people trapped in poverty on high rents, this will have a

detrimental affect on social mobility neither being able to access affordable social housing or other markets choices.

- 2.12. **Housing benefit and other subsidies** - Housing benefit is a key factor when considering subsidy for affordable housing development schemes as the Department for Works And Pensions constraints on housing benefit determines to a large extent rent levels and therefore cost recoveries for social housing development. Rents cannot rise on scheme costs beyond what the DWP would deem permissible for housing benefit purposes. It is therefore necessary to provide subsidy to ensure a future supply of properties for market intervention purposes.
- 2.13. **Welfare reform impacts and the impact on new developments** - The impacts of the welfare reforms currently making its passage through parliament and the proposed longer term objectives of the universal credit will be considerable for tenants and landlords. Under-occupation rules being proposed for April 2013 state that if a family under-occupy one room they will have to fund 13% of their rent out of their disposable benefits, if two rooms or more, up to 23% or almost a quarter of their rent.
- 2.14. This may have a significant impact on some landlords who may see large increases in their rent arrears. For tenants this would be even more devastating as they could lose their homes. Because they would be deemed intentionally homeless, they would not be able to access the full range of assistance as homeless applicants. In some parts of Wales, landlords have reported that up to 20% of their stock in certain areas could be impacted by these reforms. DWP have also indicated that landlords may be liable for any over-payments, as they should have been aware of whom was living in their homes and their under-occupation status. Many vulnerable tenants working and not working who are among the most disadvantaged in Wales will be hit by these multiple reforms.
- 2.15. Lenders are also extremely nervous of these measures and would add the cost of their increased risk to any further loan charges. The new regulatory regime ensures that robust and regular liaison exists with the housing association sector to ensure any impacts on business plans or debt servicing is minimised. However with many landlords this means that any increases in rent arrears may seriously hinder their ability to finance off balance sheet developments. The potential impact of the reforms may therefore affect future off balance sheet social housing developments. Landlords will therefore will want to take a more cautious approach to lending.
- 2.16. **Supply** - Levels of subsidy has been falling for some considerable time. Despite the efforts of the previous administration to bridge the gap building an estimated 6,700 'affordable housing definition' homes, a significant social housing supply deficit is occurring year-on-year because of right to buy and unspecified amount

to demolition or long term un-occupancy. The fact that the emphasis has been on non-social housing is a cause for worry as the poorest sector's needs are not being met. A study undertaken on behalf of the Welsh Government<sup>4</sup> indicated that we require 5,000 social housing dwellings with a further 9,000 every year to meet broader affordable housing definitions until 2023 to meet current and future demand.

- 2.17. **Private rented sector** - The provision of rented homes under local housing allowance rates in the private rented sector is largely made up of single investors with very small property portfolios. A small proportion of these have grouped together to form into a national body. Within that national body a smaller proportion of longer term investors raise equity to build small schemes in the social housing sector. Much emphasis has been placed on the private rented sector to make up the shortfall in supply of affordable homes in the future. However we have concerns that the aspiration may not meet the reality.
- 2.18. The health impacts of the poor condition of the PRS has been estimated at 67million a year<sup>5</sup>. The study shows that the total cost of bringing all poor housing in Wales to an acceptable condition would be around £1.5bn, with approximately half of this associated with addressing cold homes and a further quarter linked to reducing fall hazards. The report concludes that around 20 per cent of homes with the most serious health hazards could be made acceptable for less than £520, and half for less than £1,600.
- 2.19. Reliance on the private rented sector has seen the housing benefit bill escalate with little accountability for the increased public expenditure. Tenants in Wales would like to see more accountability for the public investment tax payers make for example in repairs element of the housing benefit management cost. The Welsh Tenants Federation would for example wish to see some transparency in how private rented sector landlords are using their management and maintenance allowance within the rent payment. We understand that they should be contributing around 16% towards capital improvements based on agreed Local Housing Allowance rises however, little is known about this. We believe that PRS sector landlords who are discovered to have category 1 and 2 hazards should have deductions from their housing allowance to use as recyclable loans to pay for repairs and improvements.
- 2.20. Without a firm investment models being developed the consequences of lack of investment, means that current and future tenants are having to rely on the private rented sector to meet the shortfall. For tenants whom would have ordinarily qualified for social housing, this means stepping back 30 years with less

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<sup>4</sup> Housing Need and Demand in Wales 2006-2026; Cambridge Centre for Housing and Planning Research, Alan Holmans and Sarah Monk

<sup>5</sup> The Cost of Poor Housing in Wales, jointly funded by Shelter Cymru and the Building Research Establishment (BRE) Trust, 2011



security, poorer standards and lack of accountability and redress at higher cost. With the PRS becoming the default social housing provider for new entrants to the market there are also concerns for the detrimental long term affects on Wales overall health, well being and fitness.

- 2.21. The reliance placed on the PRS to meet the shortfall in supply for low income earners and the unemployed is also questionable considering that traditional lending routes have dried up for buy-to-let mortgage finance, which is the staple means of finance for the PRS. Although new routes are being pursued by PRS investors, it is likely that these will be more high risk given the welfare reforms. Consequently PRS are imposing tougher access requirements, higher rents to accommodate the increased risk, indemnity insurance against repair or income loss and no housing benefit applicants.
- 2.22. The Council of Mortgage lenders (CML) has also suggested that pricing its risk is inevitable expressing concerns over direct payments for example could add as much as 0.5-1% on borrowing, costing Wales a further 500m to service debt.
- 2.23. The UK government has embarked on extensive austerity measures that are both radical and wide reaching which are a major concern for tenants. The impact of these reforms will and is, having a considerable effect on many middle to low income earners who are relatively poorly paid but marginally above the welfare threshold. Housing is a basic and necessary human right and one which has impacts on every core aspect of life including health and wellbeing, education, access to work. Subsidy is therefore critical to ensure the government can intervene.
- 2.24. Tackling the long-term deprivation and exclusion that has blighted many Welsh communities since the decline of the traditional Welsh industries remains central to most Welsh policies and strategies. While housing has been devolved the necessary infrastructures that make up its sustainable provision such as targeted capital loan finance systems and the importance of utilisation of existing assets needs to develop further.

### **3. Are alternatives to public subsidy being fully exploited?**

- 3.1. The Welsh Tenants Federation believes that government subsidy has significantly achieved the aims of a subsidy system providing market intervention to address the failing of the market to provide affordable rents for low income workers for many decades although the switch to demand side subsidy has been prevalent over recent times. Extensive supply side subsidy however has helped maintain a consistent supply of social housing in the eighties and nineties and has been a useful tool to ensure broader social objectives are achieved in the form of improved health and welfare for citizens.

- 3.2. **Loan Finance** - In a recent article that interviewed eight of the UK leading bankers in the industry<sup>6</sup> they signaled a cautious yet positive approach to lending to the registered social landlord sector in England, stating they still considered RSLs as especially creditworthy and can expect to receive preferential treatment relative to most other sectors. However, their credit worthiness will be more heavily scrutinised while suggesting that bonds will be preferred over loans for long term funding. They also indicated that Institutional appetite could lead to equity investment in the housing sector. The Welsh Government needs to explore these alternative avenues to raise capital finance.
- 3.3. The WTF believes that a healthy mix of supply and demand side subsidy should be sought with greater focus on attracting private institutional investors to
- 3.4. **Access to mortgages** – With banks being more risk conscious, first time buyers now require significant deposits to access mortgages. Tens of thousands of first time entrants to the market also have poor credit histories making access to loan finance almost impossible. In 2010, it would have taken the average low-to-middle income household 31 years to accumulate a deposit for the average first home if they saved 5 percent of their income each year and had no access to the ‘bank of mum and dad’. In some parts of Wales there has been ‘bidding up’ of private rented accommodation by families to enable them to access good schools in the area where they would have chosen to buy or have some local connection. This can create an artificial distortion in the market which in turn may affect the affordability definition.
- 3.5. Many commentators suggest that we need a significant shift in the type of rental product that the sector offers, suggesting institutional investment to finance build-to-let developments to meet the housing needs of individuals and families on low-to-middle incomes who are unable to buy a home in the medium to long term.
- 3.6. Brining institutional investment such as pension funds and life insurance companies<sup>7</sup> into the private rented sector would allow more rental accommodation to be built at a time when public funds are limited and the buy-to-let market is recovering only slowly. More importantly, it would support a shift in the type of rental product that the sector offers. Longer term contracts, higher quality, more consistent management and the ability to make home improvements would replicate some of the desirable features of home ownership for those who become long-term tenants. This would help to take the pressure off social housing for those in greatest need.

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<sup>6</sup> Meet the bankers, Inside Housing, March 2011

<sup>7</sup> Making a Rented House a Home, Resolution Foundation, Vidhya Alakeson, August 2011

- 4. Are the Welsh Government, local authorities and RSLs effectively utilising their powers to increase both the supply of, and access to, affordable housing;**
- 4.1. **Empty homes** – There are 23,000 empty homes in the private rented sector, the campaign and research undertaken by Shelter Cymru the Empty Homes Agency and supported by the sector has been given welcomed prominence in the housing strategy. Living next to an empty property can devalue a home by 18 percent<sup>8</sup>. Unightly properties can also deter further investment in an area.
- 4.2. The studies also show that the average cost of returning empty homes to a habitable state is between £6,000 and £12,000 per property. Around 2,000 empty homes could be brought back into use for £20m. The WTF welcomes initiatives to make better use of the grant systems such as the ‘revolving loan guarantee’ schemes piloted by Carmarthenshire County Council while partnering with the housing association sector to provide equity release schemes is also supported. We understand that these schemes have been piloted in Carmarthenshire and elsewhere with some success, however these models require significant financing to receive economies of scale in order to have a major impact on the volume of empty homes in Wales.
- 4.3. **Rural housing enablers** – There has been significant work undertaken to develop homes and assist people to access homes in rural areas. Many tenants have been able to secure affordable homes for example when tied accommodation has come to an end. Working in partnership across organisational boundaries has enabled the scheme to achieve significant success in areas where housing access is limited.
- 4.4. **Empty homes in the HA and LA sector** – Our members report that there are significant numbers of empty homes in the existing registered social landlord sector. Many of these properties are currently empty because they are too costly to bring into use to the WHQ standard. We believe that more could be done to bring these up to WHQS and get them occupied. These are primarily steal construction homes that require extensive work to bring back into use. Arbed has helped here and there is a case for Arbed to be widened to target individual properties that fall under this category.
- 4.5. **LSVTs** – There are a large number of empty homes and parcels of land that have been transferred over under stock transfer covenants. The WTF believes that the land exists to build new social housing schemes however there is insufficient social grant to make these schemes viable in the current climate, while some landlords want to hold onto these for future gain.
- 4.6. **Public sector equity release schemes** – There are an estimated 25million empty rooms across the UK<sup>9</sup> which can be put to use as conversions to one or two

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<sup>8</sup> Empty Properties - Making the most of the existing stock, Empty Homes Agency & Shelter Cymru, 2009

<sup>9</sup> Hoarding of Housing: The intergenerational crisis in the housing market. Intergenerational Foundation, 2011

bedroom flats. It is far more environmentally sustainable to convert existing dwellings than build new ones. Local authorities in partnership with social letting landlords, HA's and LA's are ideally positioned to support house conversion schemes to enable capital rich but cash poor owner occupiers to make better use of their under-occupied properties while also developing new social housing units. The use of the existing owner occupied sector should not be underestimated in the whole system approach.

- 4.7. **Priority move-on** – The WTF believes there are thousands of tenants trapped in under-occupied social housing because they do not have the means to release their homes for family accommodation. They neither have the means to undertake removal or compensation schemes are not sufficient to enable them to consider giving up their homes. Tenants have a right to exchange or transfer under both secure and assured tenancy agreements and under the tenants guarantee<sup>10</sup>. The anxiety of tenants have increased significantly following the UK government proposals to penalise tenants for under-occupying their home. This will create significant hardship for many poor families already hitting multiple deprivation indicators such as fuel poverty and unemployment.
- 4.8. Compensation schemes are on offer, but they vary widely across Wales from £100 to £2,500. Schemes vary within a single landlords stock and can be based on the condition of the property, size of the rooms being freed up and its location. However existing schemes lack consistency, fairness and transparency. They depend hugely on whether the property being vacated is indeed desirable to exchange. This can unfairly penalise tenants who live in poorly maintained housing on sink estates.
- 4.9. While we welcome initiatives such as that launched by the Minister for Housing Regeneration and Heritage, to encourage landlords to support downsizing and exchange schemes through for example HomeSwap Direct, there is a case to be made to actively encourage move on through compensation schemes freeing up under occupying tenanted properties and making more efficient use of the stock. The WTF will be recommending that tenants who under-occupy should receive 'Priority Move-On' status on allocations above that of homeless applicants to encourage landlords to make better use of their stock.
- 4.10. **Existing debt HRA subsidy scheme** – Recent reports suggest that economies of scale on existing debt can also be improved by demolishing some homes. The WTF has concern about this proposal particularly if the capital grants are not available to replace them. While this may improve the liquidity by reducing the debt repayments of LSVTs we are concerned about the loss of the properties as ordinarily like-for-like replacement rarely occurs when we demolish homes.

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<sup>10</sup> Homelessness, downsizing and Priority Move-On, Welsh Tenants Federation, 2008 updated 2011

## **5. Is there sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders;**

- 5.1. The Welsh Government has provided the framework for how local authorities and other institutions should work across organisational boundaries. There is evidence that local authorities and RSLs are working collaboratively in a number of areas for example on *rural housing enablers; supported housing; affordable homes delivery; empty homes and explorations of economies of scale*.
- 5.2. In such critical times collaborative working across geographic and organisational boundaries is not only desirable but necessary. Systems of working are also being extensively challenged through lean systems thinking and innovative ways to better target limited resources.
- 5.3. Commentators and lead bodies with more knowledge than the WTF in this regard have highlighted the need for more collaborative working to develop innovative models to raise finance and develop more innovative ways of utilising existing assets and raise capital to develop new inspiring schemes. Working with financial institutions is being explored by for example Community Housing Cymru, in particular exploring ways in which a Welsh Investment Bond can be developed. The WTF have raised concerns about previous schemes where it was uncertain how for example the WHIT (Welsh housing Investment trust) would be regulated and the impact on security for tenants if things went wrong. But by and large we endorse explorations to raise additional capital provided there are sufficient regulatory controls and safeguards for existing tenants.
- 5.4. We understand that the very group of organisations raised in the question are working together on the former Perelli site to develop a co-operative solution to the provision of affordable homes with part sale, homeshare and rent. While we have little further information to offer, collaborative working on schemes such as this should be welcomed if they deliver new forms of efficient and effective ways of raising capital finance and creating places where people want to live – and affordably.

## **6. Whether innovative methods of delivering affordable housing such as Community Land Trusts or co-operatives could be promoted more effectively by the Welsh Government.**

- 6.1. The Welsh Tenants Federation believes that social housing supply helps stabilise the housing system as a whole providing affordable alternatives to those excluded from home-ownership or the private rented sector. Governments investment in social housing is also a matter of public health, helping to alleviate homelessness and overcrowding while achieving the wider social objectives of educational and health benefits attributed to investment in good-quality

affordable housing. Investment in housing also has wider benefits, securing employment and other outcome multipliers. Continued investment by the Welsh Government is therefore necessary and produces significant social and economic dividend.

- 6.2. **Co-operatives** – Elsewhere governments have been successful in bringing together private finance to build innovative shared co-operative schemes with for example over 250 co-operatives developed in England. However smaller schemes are expensive and are becoming difficult to finance due to the banks reluctance to lend to new start ups, loans being too small, small loan resourcing being resource intensive and a preference to lending to regulated entities.
- 6.3. A joint report on the financing of mutual models<sup>11</sup> suggested a strategic co-ordinated approach to raising capital through a single aggregated solution to raise a bank facility with longer term bond financing which would allow recycling of the initial facility. The report follows a major commission on the advantages of co-operatives to provide intermediate solutions for people requiring housing and mutual support<sup>12</sup>.
- 6.4. The report highlighted that the UK falls significantly behind other countries with 0.6 percent of housing as co-operatives or mutuals, in Sweden it's 18 percent, 15 percent in Norway, 8 percent in Austria, 6 percent in Germany and 4 percent in Ireland. The 19 actions contained in the report are helping to address the promotion and expansion of co-operatives as a viable intermediate market solution. It concludes that the housing system would be an ideal policy arena in which co-operative and mutual approaches could be expanded to bring the UK in line with most other European countries which have far more developed sectors.
- 6.5. The Welsh Tenants Federation understands (as stated) that pilots are being considered and piloted to take forward the co-operative housing model. The WTF believes that cooperative housing has many benefits and can be eminently suitable to provide sustainable mutual forms of housing for a variety of age groups. It also has the added advantage of providing mutual self help and support and in certain developments enhances the self-help sustainable living agenda.
- 6.6. We would therefore welcome the promotion and development of models of cooperative that bring Wales up to the levels enjoyed by the international community.

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<sup>11</sup> Financing co-operative & Mutual Housing, Lambert, B. 2010

<sup>12</sup> Bringing Democracy Home' Commission on Co-operative and Mutual housing, 2009

## **7. In conclusion**

- 7.1. Although affordable housing and capital finance is not a specific expertise within the Welsh Tenants Federation, the impacts subsidy has had can be generally assessed by us as a positive one.
- 7.2. While we accept that new models of finance can be developed to meet specific profiles of housing need these should not be exclusively based on affordable housing provision. Many sustainable, attractive, models of meeting housing demand can be developed for people who are searching for an alternative to owner occupation and should be encouraged. However we would also wish to see a focus on developing affordable homes for those in greatest need such as those least able to help themselves, the elderly who have made little provision, former armed forces personnel and other categories who we believe should be considered over and above others.
- 7.3. The Welsh tenants Federation also believes that more could be done to make better use of our existing housing stock including owner occupied stock, land and other assets to deliver housing solutions. We firmly believe that while a whole system approach may be timely to develop and costly to initiate, it will provide more lasting solutions.
- 7.4. Clearly private finance and the use of institutional investors will be required as supply side subsidy decreases. However we should not (in our opinion) wholly revert to a demand side subsidy where rents have to pay for future supply, as this will trap people in poverty.
- 7.5. Wales needs a balanced approach which seeks to maximise the benefit of what we have, while exploring new and innovative ways to attract capital finance to deliver the solutions that we know exist.
- 7.6. The UK government has embarked on extensive austerity measures that are both radical and wide reaching. The impact of these reforms will and is, having a considerable effect on every strata. Housing is a basic and necessary human right, and one which has impacts on every core aspect of life. Tackling the long-term deprivation and exclusion that has blighted many Welsh communities since the decline of the traditional Welsh industries must remain central to how we tackle housing in Wales.