

Communities, Equality and Local Government Committee

Inquiry into the provision of affordable housing in Wales

Response from Bron Afon Community Housing

In the short time available, we do not have time to provide you with specific evidence but we do want to highlight some areas for exploration and/or issues on which we would be willing to give further evidence

1 The effectiveness of public subsidy in delivering affordable housing in particular social housing grant.

There is a real question as to whether social housing grant is being used as effectively as it could be. There is insufficient examination of value for money and insufficient competition within the system to secure the largest amount of new housing with the lowest level of grant whilst maintaining rents at affordable levels.

It is however important to maintain rents at existing levels which are genuinely affordable and not to follow the English approach of redefining “affordable” to include rents at 80% market rent.

Extra care schemes are poor value for money and there should be a complete rethink on the model. An example is a scheme costing @ £ 6million which houses just 12 people with high needs.

2. whether alternatives to public subsidy are being fully exploited;

Across Wales, there is a very significant amount of work being done to try to explore alternatives to public subsidy through different lending arrangements and different ways of raising income. We don't yet know what benefits this work will secure for the delivery of affordable housing and it is important to avoid trailing and promoting success before delivery is achieved.

3 Whether the Welsh Government, Local Authorities and RSLs are effectively utilising their powers to increase both the supply of, and access to, affordable housing.

We have already made the point above that social housing grant is perhaps not being used as effectively as it could be and that this could be increased if competition were introduced. This could be required by Welsh Government.

Our local authority has a good track record of making land available but pressure on their capital programme eg to achieve 21st century schools programme, is likely to reduce the willingness of local authorities to release land at no cost.

Some but not all local authorities in Wales were effective in using section 106 agreements to increase the level of affordable housing. Unfortunately the scope for the doing this has significantly reduced given the housing market situation but if the market were to improve, it would be questionable whether every local authority would be effective in securing the maximum amount of affordable housing possible. The introduction of the community infrastructure levy is likely to reduce the amount of affordable housing supplied through section 106 agreements as in effect the levy will predetermine that developers are expected to contribute to this first before any affordable housing.

There are a few if any local authorities in Wales that are effectively using their empty homes powers or compulsory purchase. It is not easy but it has been done in other places eg in Kent in the south east of England with great effect.

Finally, the Welsh Government needs to demonstrate its willingness to provide land at no or low cost for affordable housing by actually transferring land e.g. health service land that is no longer required for health purposes.

4. Whether there is sufficient collaborative work between local authorities, RSLs, financial institutions and home builders

It is becoming increasingly difficult to collaborate with financial institutions that are risk averse. The behaviour of the financial institutions which is restricting credit to small business for entrepreneurial activity is now being mirrored in their response to the RSL sector in relation to new initiatives making it difficult for RSLs to secure additional funding on reasonable terms to enable us to provide affordable housing.

It is important that the committee does not accept without question the paradigm that collaboration is good in terms of procurement. In a Welsh context, collaboration is bad in the field of construction. Collaboration turns contracts into large complex transactions. The only organisations that are able to bid for contracts of this nature are UK wide large businesses and multi nationals. In a Welsh context, it is better to disaggregate contracts into

smaller packages let by separate organisations which makes these contracts accessible for micro and small businesses and for social enterprises.

We have applied this approach in full compliance with EU law and achieving excellent value for money for the last three years and in so doing ensured that up to 31st March 2011 we had let over 50% of our work to Torfaen based contractors and over 90 to contractors based in South Wales. Last year we invested £22 million in Wales based local contractors.

It is a myth to think that it is more expensive to let separate small contractors than to collaborate and let large contracts. It may require a larger client function to coordinate and let a larger number of smaller contractors but with large contractors they simply fulfil this same function and charge for it in their pricing adding a profit margin.

There is no evidence that there are significant savings through collaboration for service based contracts though there may be for supplies. Framework agreements can be more expensive than individual contracts for specific pieces of work. Framework contractors will mark up their prices to cater for the risks associated with framework contracts.

5 Whether innovative methods of delivering affordable housing social community land trusts or co-operatives could be promoted more effectively by the Welsh Government

Community Land Trusts can provide an alternative ownership model but will make little or no difference to the amount of affordable housing in Wales because they will simply divert existing resources to a different form of provision with no additional housing being produced.

Similarly rental cooperatives will not make any difference to the quantity of affordable housing for the same reason.

Co-housing of people who purchase their share in a cooperative may make a difference and could be promoted but WG should consider carefully what group of people this might benefit who aren't catered for by other options. Given the low house prices in many parts of Wales, and the level of financial investment required from individuals to make co-housing viable, it may be that models of co-housing that are attractive in London, Stroud and expensive parts of England may only be of real value in the more expensive housing areas in Wales. WG should therefore be cautious about investing too much staff time in promoting cooperatives unless they are completely clear what gap they will fill.