

# Communities, Equality and Local Government Committee

## Inquiry into the provision of affordable housing in Wales

### Response from Cadwyn Housing Association

Thank you for the opportunity to respond to the committee. The view expressed is the view of the Chief Executive:

- **the effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant;**

Social Housing Grant enables Housing Associations to develop homes for those who cannot access market solutions, usually because they have low incomes but sometimes because of their personal circumstances. Subsidy enables rents (or low cost home ownership) to be made available at below market levels. The level of subsidy has a direct impact on rent levels. (The lower the capital subsidy the higher the rent.) Two thirds of our tenants are not in receipt of benefit – lower levels of subsidy hits them hardest. Equally, the lower the rent, the less investment can be generated to house those who are not fortunate enough to have a social housing tenancy. There is always a balance to be struck and the level of capital investment is crucial.

Public investment in housing increases capital investment in Wales as over 40% of the cost of new homes is funded through private sector loans. It also creates jobs and training opportunities in the construction and related sectors, (see CHC's research carried out on the economic benefits of HA investment) The quality of homes with emphasis on energy efficiency helps reduce fuel poverty, and contributes to decreasing carbon emissions.

Social Housing Grant provides the financial asset base for HA's to take more risk, provide more homes and contribute to regeneration and other community projects. The sectors record over the last five years demonstrates the added value SHG brings. However, to increase the benefit, the regulatory framework, level of investment and rent regime need to be appropriate for the task.

- **whether alternatives to public subsidy are being fully exploited;**

The sector has been focusing on ways to both stretch grant, and find other ways to provide homes without it – the work done on the WHIT, even if unsuccessful, tested the boundaries and the WHP provides a solution for those whose lending covenants are constraining capital activity. Given that it's a pilot, we do not yet know how replicable it is.

Some associations are working with the private sector to enable those on benefit to access rented homes by taking over the management. Cadwyn's Cando Lettings agency is an example – currently managing 250 homes. However the governments welfare and benefit reform proposals combined with a lack of supply are making it increasingly difficult to work in this market. With the shortage of lending removing the ability of many young households to buy, there is more pressure on the supply available. Put simply, private landlords can charge more rent than HA's can pay. Nightingale House is now accommodating previous private sector tenants who have been evicted because the landlord wants to increase rents to a level they cannot afford. Since opening in 2005, this is the first time it has happened.

Currently, we cannot see how we can increase supply through the development program without more investment, and our expansion of our social lettings agency, and other private sector schemes, are under threat.

- **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 work effectively with Cardiff Council who both make resources available and work collaboratively to find ways to meet housing need. We have accessed grant for “buy to let properties”, received grant for several other private sector schemes (a leasing scheme and a temporary accommodation scheme as a result of which all now are financially viable) and towards a mixed housing / commercial regeneration scheme.

We need Welsh Government to remain flexible and encourage innovation to enable us to tackle the severe housing shortages we now face. During the last administration, the sector had a target of 6500 homes to create against SHG funding for about two thirds of that. We delivered nearly 8000. Having a target was powerful – it encouraged us to focus and concentrate on delivery. A new one would be helpful.

- **whether there sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders;**

Additional lending is an increasing concern to us. We are working with a smaller pool of funders, and many of our existing ones with whom we would instinctively go to for refinancing, want to re price current borrowing as well as new funds. Increased borrowing costs again reduce our ability to build more. We are looking at a Welsh housing bond (funds from the capital markets instead of the traditional lending sector) as a way of supplementing the market but it does not add additional finance – just replaces what was there. Our understanding is that it will cost more than we are currently paying, although lending will be for longer periods therefore making it more secure.

We do have relationships with homebuilders and other HA's and do collaborate when it will achieve more. The (abortive) bid for the Mill site in Cardiff was a partnership between four housing associations and a developer, with no SHG input.

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

While wanting to, and being willing to innovate to meet the challenges of the current market, it is hard to see how CLT's or Co-ops could make a substantial difference. We do not have a history of these forms of tenure making a substantial contribution to supply to date, and although either may be the tenure of choice of a small minority, they are not really solutions to resolving current issues. To build interest will take significant marketing resources and a sustained long term plan. The housing crisis is with us now.

In summary, capital investment in housing brings benefits to a range of public policy areas: employment, economy, health and well being, climate change, regeneration and community engagement. We have and continue to look and find ways of increasing supply / access to good quality affordable homes but the current decrease in investment coupled with UK government welfare benefit reform, is substantially eroding our ability to supply homes as well as meet either social objectives. We want Welsh Government to support and enable innovation and where it can influence other stakeholders to do the same.

I hope that these comments are helpful.

Chris O'Meara