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CELG(4) Hsg 39

Communities, Equality and Local Government Committee

Inquiry into the provision of affordable housing in Wales

Response from Royal Institution of Chartered Surveyors

15 January 2012

Clerc/Clerk
Cynulliad Cenedlaethol Cymru/
National Assembly for Wales
Cardiff Bay
CF99 1NA

Dear Mr Jones,

Inquiry on Affordable Housing - National Assembly for Wales

Thank you for the opportunity to respond to the consultation dated 7th October 2011.

RICS Wales is the principal body representing professionals employed in the land, property and construction sector and represents some 4000 members divided into 17 professional groups. As part of our Royal Charter we have a commitment to provide advice to the Government of the day and in doing so we have an obligation to bear in mind the public interest as well as the interest of our members.

Addressing each term of reference please find our response below.

Public Subsidy and the Social Housing Grant

Firstly we would like to welcome the success achieved and express our support for the partnership forged between the public and private sectors in combining Social Housing Grant with private mortgages to deliver affordable homes. However we feel that there is the possibility to achieve more if there was greater flexibility in the rate of grants allowed than just the two

bands presently set. At the very least pilot studies could be set up to determine the effectiveness of greater flexibility with a view to a full roll out if successful.

Secondly we feel that the sector needs greater revenue to support further borrowing against their existing assets by RSLs to address a backlog of demand for affordable housing. We also recommend that RSLs use greater latitude in their rent determination for the express purpose of increasing the supply of affordable Housing in Wales. In the current position RSLs are not making the most effective use of their assets.

Thirdly Intermediate rates linked to market rates could be applied to all schemes including those at 58% SHG over and above the current allowable exemptions from benchmark rents of 15% of stock.

Whether alternatives to public subsidy are fully exploited

One route we would like to see pursued is again greater flexibility given to RSLs to adapt to their own local circumstances through routes such as offering low interest loans to subsidiaries.

A further clear alternative to public subsidy in this area is the release of public land for the express purpose of encouraging affordable housing. We feel that this requires a concerted and sustained campaign by Welsh Government over a period of time to make really substantial progress in this area. We recognise though that there often countervailing pressures on public bodies most significantly the requirement to obtain the best possible market value in realising public assets. Therefore we believe that a consultation should be carried out followed by guidance from the Wales audit office supported by the Welsh Government. The aim would be to publicise when and how other factors such as benefits from speeded up economic activity and regeneration could potentially permit lower prices to be accepted provided the lower price can be offset against other gains to Local communities chiefly a much speeded up supply of affordable Housing which otherwise might take much longer to occur.

A further option that could be trialled would be schemes modelled on stapled debt where organisations have taken a much lower initial price in return for taking a charge over the asset and being repaid that amount as when certain agreed targets and conditions are set. The intention would be to encourage speedier development by lowering initial capital costs to the developer and bringing in initial revenue to public authorities while giving a chance to recover greater value gradually.

Finally RICS is currently producing guidance on less than best value with regard to the disposal of public sector assets which maybe of assistance to Welsh Government and Local Authorities. We would be delighted to meet with the Committee and Welsh Government to discuss these at any point



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Whether Welsh Government, Local Authorities and RSLs are effectively utilising their powers to increase both the supply of and access to Affordable Housing

We feel that Welsh Government could be more flexible as indicated earlier by encouraging RSLs and Local Authorities to leverage existing assets in order to cross subsidise affordable Housing.

We also feel Welsh Government could and should set annual binding targets for Land release for affordable Housing on Local Authorities. This should be based on regular assessments of the demand and available land bank within each Local Authority. Consideration could also be given to giving the Minister of Housing the power to compel Local Authorities to release specific designated land in cases where they persistently do not meet agreed targets.

In addition Welsh Government should have the power not simply to reject LDPs but where Local Authorities do not then agree an LDP within an agreed timeframe such as say a three year timeframe from the finish of an LDP the right to then impose one on such Local Authorities. It is harmful to economic development, regeneration and the adequate supply of Housing for some Local Authorities to potentially be facing decades between one LDP finishing and the start of the next.

Finally it is important that registers of available public land are published and publicised.

Whether there is sufficient collaborative working between Local Authorities, RSLs, financial institutions and Home Builders

There is scope for greater collaborative working between these groups through policy initiatives such as joint equity schemes. We feel that Local Authorities in particular could take a bold approach to taking equity stakes in Housing to greatly reduce the loan to asset ratio for Mortgage providers. We feel these schemes offer great potential to unfreeze the market for many first time buyers in particular. We would recommend serious study is carried out into the possibility of greater use of shared equity schemes where Local Authorities and other official organisations can take part ownership of houses alongside the occupants. This we believe would offer a route to escape the trap of Local Authorities demanding socially affordable housing be built at price levels that the present economy cannot support in terms of guaranteeing a sufficient return to developers leading to an impasse. In addition by instituting a clawback mechanism so Local Authorities can benefit from any increases in the value of the property when it changes hands it even raises the possibility that profits could be generated that could then be recycled further into making Housing affordable for those finding difficulty in meeting greater deposit requirements. A scheme is already in operation by Carmarthenshire Council and we believe that Welsh Government should take the opportunity to study it closely with a view to considering a Wales wide effort as well.



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Whether innovative methods of delivering affordable Housing such as Community Land Trusts or Co-operatives could be promoted more effectively by Welsh Government

We would like to see the Welsh Government Ministers for Local Government and Planning meet on an annual basis with Local Authority Leaders and their Chief Planning Officers to impress upon the utility and advantage of these innovative schemes. It would also allow Welsh Government to act as a bridge to transmit best practice between Local Authorities if particular Authorities find particular approaches and policy options are yielding better results.

In summary we see the following as key:

1. Greater release of public land for Affordable Housing.
2. Greater flexibility for Housing Associations.
3. Joint equity schemes.

Other comments

If you have any queries in respect of this response please do not hesitate to contact me.

Yours sincerely,

David Morgan
Policy Manager



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