Delivering Affordable Housing in Wales in Challenging Times

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Housing Affordability in Wales – A deepening problem

- Problems of widening house price/earnings ratio
- Variable across Wales (some high demand/relatively high cost areas)
- Long-term shifts in housing tenure
  - decline in social housing sector (and shift from LAs to HAs)
  - decline in home ownership
  - growth in private rented sector
- Rising rents (private and social) – faster than incomes and ahead of general measures of inflation
- Problems for particular groups of households (e.g. newly forming, younger, those on low incomes)
- Problems of welfare reform/benefit caps
- Issues of poverty and insecurity (homelessness, overcrowding etc.)
- Supply not keeping pace with needs and demand

Housing Policy in Wales

- Broadly speaking housing policy is a devolved issue (though not welfare reform)
- Welsh Government has developed its own policies since 1999 (differences from England, particularly post 2010)
- Problems are BOTH in relation to effective demand (need to make housing more affordable) and shortages of supply (but in this presentation I want to focus on supply)
- Solving the problem is likely to be costly (costs of land, development, maintenance)
- The role of subsidies (subsidies to rents and/or subsidies to development)
- Close collaboration/shared endeavour between WG and the housing sector in Wales
- A growing political issue in Wales (but lots of competing priorities for public spending and lots of uncertainties – not least BREXIT)

Latest (2019) Estimates of Housing Requirements in Wales (WG, 2019a)

- Figures include newly arising needs/demand (based on 2014 household projections) and estimates of existing unmet needs
- Cover the period 2018/19 to 2037/38 (in five year periods) with variations based on recent past trends and different assumptions about different rates of births, deaths and migration
- Estimates of 6,700-9,700 additional homes ANNUALLY across Wales for next 5 years – reducing over the following years (4,000-6500 pa by the mid 2030s)
- Significantly lower estimates than the earlier Holmans/PPIW estimates (8,700 -12,000 pa)
- Regional estimates for South-East Wales, Mid and South West-West Wales and North Wales
- Estimates by tenure to follow (Spring 2019?)
- National/regional estimates supported by Local Housing Market Assessments (LHMAs) – but these are of variable quality and some are quite dated)
- Need for better, more disaggregated, more dynamic spatial scale data

So is the problem becoming less severe?

- Holmans and Monk (2010) suggested 14,200 additional (market and affordable) homes over the period 2006-2026
- Holmans/PPIW (2015) suggested 8,700 -12,000 pa needed (3,500 – 5,200 pa in the non-market/affordable sector) over the period 2011-2031)
- Latest figures suggest 6,700 – 9,700 pa over the next five years (and lower after that) – as yet no indication of the % which need to be affordable/non market
- BUT: figures based on different sets of household projections (and gradually more recent trends) and different methodologies

New Estimates: Limitations

- Based on past trends (5-10 years) so increasing impact of 2008 recession/financial crash
- Don’t take account of those living in unsuitable housing – or aspirations
- Past trends influenced by the availability/cost of housing – increased supply/affordability may result in more households forming; fewer homes built (and less affordable) and fewer new households form
- National/regional estimates will hide wide variations at a more local level (so need for more work at LA/sub regional levels (Local Housing Market Assessments). Earlier work (Holmans/PPIW) showed big differences at LA level:
  - Cardiff (highest overall need) through to Blaenau Gwent (lowest)
  - Big differences in levels of need for additional affordable (non-market) housing
- Estimates NOT to be treated as a housing target (though we do have a national target for additional affordable housing)
- Evidence suggests supply not keeping up with need (even if need figures are under-estimates)

Supply: Affordable (Non-market) Housing Provision in Wales

- Social rented sector in Wales relatively modest in scale (15%?) – but vast majority of it is still affordable (c.f. England – affordable rents programme) – and no suggestion of revitalising RTB (indeed the very opposite – now scrapped)
- Post devolution Wales lagged behind both England and Scotland in investing in (affordable) housing, although public investment has picked up since the financial crisis
- Welsh Government committed to deliver 6,500 additional affordable homes between 2007-11 (delivered a year ahead of schedule). Actually provided just over 9,000 in period 2007-2011
- 2011-216 Welsh Government initially set a target of 7,500 additional affordable between 2011 and 2016. Target subsequently increased to 10,000. Actually achieved 11,500 additional affordable homes.
- Encouraging progress, but until now targets not overly demanding and no room for complacency (when viewed in relation to backlogs of need and projected future requirements)
- Target for 2016-2021: 20,000 additional affordable homes

Investment and Affordability in Welsh Housing: Policy responses

- Despite UK cuts and other spending priorities money has been found for investment in the supply of additional affordable (including traditional social rented) housing
- Investment in national "Houses into Homes" scheme (£30M empty property initiative)
- Support for small builders to help fund development costs
- Wales participating in UK wide mortgage guarantee scheme
- Developed its own shared equity "Help to Buy" scheme (to boost supply and help affordability) – slow start and considerable local variation but helping 1st time buyers and to kick-start the market (pressure from HBF to extend life of scheme – so now a second phase)
- Innovative funding solutions for affordable housing being developed (e.g. Welsh Housing Bond) and innovative design solutions
- Suspension/scrapping of RTB
- Devolution (and particularly primary legislative powers) giving Wales greater scope for policy divergence from Westminster/England (but welfare benefits not a devolved responsibility – and some policy influence pressures from outside Wales)

What has been achieved? Additional Affordable Housing in Wales (Welsh Government, 2018)

Year	Housing Associations	% HA for Social Rent	Total New Provision
2011-2012	1954	64.5	2432
2012-2013	1704	67.1	2042
2013-2014	1799	64.8	2416
2014-2015	1971	61.1	2218
2015-2016	2250	71.2	2400
2016-2017	2377	74.7	2547
2017-2018	1946	79.4	2316

Welsh Government: Programme for Government: Affordable Housing 2016-21

Housing association (subsidised) - New design (1,000) - Rent-to-Own (1,000)	10,200
Housing association (self funded)	2,500
Section 106	1,000
Local authority	500
Help to Buy Wales	6,000
TOTAL	20,200

Welsh Government Affordable Housing Programme 2016-2021

- Step-up in scale (but is it ambitious enough?)
- Supporting a variety of tenures (renaissance of council housing?)
- Encouraging innovation/energy efficiency
- Working with housing associations and local authorities (Welsh Housing Pact)
- Working with developers
- Can it be delivered (and what are the risks)?

Independent Ministerial Review of Affordable Housing Supply- Wales

- Panel established April/May 2018
- Examine the approach to affordable housing supply and recommend changes as it sees fit
- Balance the need for affordable homes against a backdrop of continuing pressures on public expenditure to support new house building
- Ensuring value for money in public sector investment in housing
- Moving towards a zero carbon future in the supply of affordable housing
- Report published end of April 2019 (Welsh Government, 2019b)
- Ministerial response expected July 2019

Independent Review of Affordable Housing Supply: Key Recommendations

- 22 main recommendations (and lots of additional ones) across 8 main areas including:
- Better understanding of housing needs (at different spatial scales)
- Consolidation/simplification of standards for all new build affordable homes
- Independent financial review of the dowry arrangements for Large Scale Voluntary Transfers (LSVTs) and the Major Repair Allowance (MRA) for LAs
- Arms length body to be established to speed up the development of public land for affordable housing
- Implementing a five year social sector rent policy (2020-21 onwards)
- Encouraging LAs to increase their delivery of additional affordable housing (with access to capital grant/subsidy)
- A proposed fundamental review of social housing grant (capital subsidy)

Concluding Thoughts: Key Challenges

- Need for solutions – not just at Wales level, but nationally and locally
- Not just a supply problem (demand also - but with what implications for markets?)
- Need to ensure affordable housing is genuinely affordable (what will this mean for rent policy in the social sector?)
- Need to address the different problems in different Welsh housing markets
- What are the implications for skills and capacity?
- What does it mean for collaboration (between HAs, HAs and Las etc.)
- How do we square the circle; keeping affordable housing “affordable”, building and maintaining to a high quality, making capital subsidies go further, and increasing the output of additional affordable homes?
- Is it just about making the case for making the case for more public spending on affordable housing in Wales?
- How will relationships between WG and the housing sector in Wales change (and how do they need to change)?

Thank You

Comments and Questions

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