



Housing (Wales) Bill – CLA Briefing

Introduction

The CLA represents over 33,000 members in England and Wales. Our members both live and work in rural areas; they operate a wide range of businesses including agricultural, tourism and commercial ventures – at the last count the CLA represents some 250 different types of rural businesses.

The rural economy makes an important contribution to the national economy: land-based businesses, within the rural economy, provide the environmental and recreational benefits in the countryside that are valued by the population as a whole. A sustainable rural economy is dependent on the sufficient supply of housing in rural areas and given the right levers, CLA members can deliver this.

The Welsh Government's strategic priorities for the Housing Bill are: more homes, better homes and better services. However, CLA Wales sees much of this Bill as promoting unnecessary new regulation - all money deferred to bureaucracy diminishes the amount available for new-build or refurbishment of older property, hence we are concerned that it will not provide for much needed additional housing stock. Indeed, CLA Wales members with adjacent land-holdings in England state that their housing investment preferences overwhelmingly favour England ahead of Wales because planning approvals and a better return on investment can be realised.

CLA Wales opposes the Bill's clauses to introduce Mandatory Landlord Registration and we see this as particularly unnecessary as Selective Licensing will be a simpler way to target criminal landlords and will also reduce the number of empty homes. Ownership of property is registered with the Land Registry and, since 1998, it has been compulsory to record all transfers of land or the creation of a mortgage. Establishing the ownership of property, therefore, should in the vast majority of situations be simple. It is not, however, the ownership of property that is the critical factor, it is the management of property that determines its condition. Scotland has already reverted to Selective Licensing because Mandatory Landlord Registration was found to be too burdensome and expensive. Ultimately, if these proposals are accepted without amendment, rents will rise for tenants and potentially the costs of housing benefits on the public purse will rise as tenants who depend on benefits require additional support. The adoption of this scheme would thus only

serve as additional red tape and bureaucracy stifling the Welsh economy and jeopardising the supply of much need private rented homes.

Added strain is being put on the private rented sector because the Bill identifies that this tenure should be used to house homeless households. Whilst increasing the housing supply available to homeless clients, this action does not increase supply of housing stock in the round. We are extremely concerned that at Part 6 of the Bill, Co-operative Housing is the only tool identified to extend housing supply. It represents an obscure proposal designed to conform to cultural ideals as opposed to providing new homes.

We support the proposal that Local Authorities (LA) should be required to upgrade existing Gypsy and Traveller LA-owned sites. However, based on the experience of CLA Wales members, we are concerned that the proposed new duty to deliver new Gypsy Traveller sites will be implemented unreasonably. We are also concerned about blight on land-holdings where new sites are identified/potentially identified. CLA Wales is particularly concerned at the proposal to lift the restriction on the number caravans on a new site and is opposed to this element of the Bill.

The section on Council Tax for empty properties is a concern for the rural rented housing sector much of which is *pre* 1919 housing and without cavity walls, meaning it is expensive to maintain and to bring up to minimum Energy Performance Certificate (EPC) levels. Charging 150% Council Tax to deliver an EPC rating of “E” will see units drop out of rural rented housing supply.

Part 1 Private Rented Sector

The way that research in the Explanatory Memorandum is used to evidence the need for Mandatory Landlord Registration is misleading (see 3.13).

The Explanatory Memorandum is also wrong in omitting the existing powers of “Selective Licensing” and the list of powers available through the 2004 Housing Act. Selective Licensing is designed for anti-social behaviour resulting from poor/absentee landlords. Selective Licensing is not only designed for low demand areas, it is designed to control criminal and poor quality landlords.

In Scotland, there has been a reversion to Selective Licensing because Mandatory Landlord Registration is too burdensome and expensive and the question: “Why would Wales be any different?” is an obvious one.

We do not think that Mandatory Landlord Registration is necessary and would like to see Part 1, Regulation of Private Rented Housing, deleted from the Bill.

Below is a line by line assessment of Part 1 of the Bill which explains in more detail our opposition to this part of the Bill.

Line by Line Assessment

1 (4) (a) i and ii – The requirement for LA’s to keep a register of persons who let and manage rental properties in the area is very resource-intensive.

1 (7) This section provides for Welsh Ministers to issue a code of practice for landlords. Guidance for landlords linked to Selective Licensing would be sufficient. There are existing legal requirements that Houses in Multiple Occupation should be licensed, Local Authorities are able to challenge landlords via the Housing Health and Safety Rating System and Mandatory Landlord Registration is not necessary.

3 (2) This section states that a landlord must be licensed. CLA Wales believes that guidance is sufficient. We also note that Registered Providers are exempt from licensing requirements and question why the status of RICS, ARLA and other self-regulating bodies has not been considered as a reason for exemption?

4 (b) This section states that the register should be kept available to the public upon request – what is the purpose of this? There is a requirement for enquirers to pay for Land Registry data which stops spurious snooping and finances administrative costs. We would also question whether this requirement breaches Data Protection legislation.

6 (1) This section states that an LA must maintain and establish a register of rental properties. This is resource intensive and excessive when the LA can use Selective Licensing where necessary.

7 (1) (a) This section details the prescribed form for registering a property. It is burdensome and bureaucratic.

8 (1) This section, covering the duty to inform of a change of circumstance in the required form, is gratuitously detailed and demonstrates the burdensome and bureaucratic nature of the mandatory landlord registration procedure.

9 (1) This section covers the revocation of licences which is very resource-intensive and CLA Wales would suggest the time might be better spent targeting criminal landlords.

10 (5) This section refers to the a mandatory requirement for the persons within a body corporate owning or managing properties to undergo training – it specifies “every person who is engaged in managing rental properties on behalf of the body corporate”. This means that the Mandatory Landlord Registration Scheme will be seeking training fees from all office staff – from Directors to telephonists. Cost aside – is this reasonable even in organisational capacity terms? Rents will rise.

11 (1) “a local authority must have regard to all matters it considers appropriate” – this section is in breach of Data Protection legislation and gives the LA the powers to snoop gratuitously wide. This invasive power must have parameters.

12 (1) This section details the requirements of the mandatory landlord training scheme. Why not run this as an accreditation scheme for those who want it and use Selective Licensing for those acting illegally?

14 (2) This section states that an LA may impose further conditions on the landlord before issuing a licence. Again, enabling an LA to impose further conditions “as it considers appropriate” is invasive and unnecessarily wide.

16 (1) This section covers the duty to show the licence number on property and advertisements. Why not just allow for a voluntary accreditation number or a licence number in areas where Selective Licensing is necessary?

17 (2) (a) This section enables an LA to amend a licence and impose new conditions once it has been granted and is deemed unreasonable. Random imposition of new conditions is draconian.

17 (3) (b) Whilst we appreciate the ability to appeal, this section to 18, is massively bureaucratic and details the resource intensive procedure where a change in license conditions or revocation of license is proposed.

21 (a) (b) This section covers the rent stopping procedure. We question the validity of this tool, placed in the hands of LA staff, when opportunities for redress already exist through the HHSRS, the Landlord and Tenant Act 1985 and through the courts. It represents duplication and very large staff numbers are going to be required to police this. CLA Wales questions whether the scheme can afford it and suggests that Selective Licensing would be cheaper.

22, 23, 24, 25, 26 – These sections also cover the rent stopping procedure where there has been “breach” by a landlord. Again, whilst we appreciate the ability to appeal against rent stopping, a new public sector industry is being generated here – paid for by landlords, but ultimately, paid for via rents. Rents will rise and there are questions as to whether Housing Benefit will still be received by the complainant. What happens in the case of appeals and the time lag experienced during process completion – is the rent still payable? A Code of Guidance will seek to clarify these issues, but from the outset, we believe that the establishment of this new power will be proven to represent a serious error of judgement by Welsh civil servants and the Minister.

Part 2 Homelessness

CLA Wales believes the proposals within the Bill will not assist in the delivery of new housing supply. It is our hope that the draft Planning Bill will promote both the allocation of new-build sites and culture change within planning departments in order that housing supply can be extended through new-build activity.

Added strain is being put on the private rented sector because the Bill identifies that this tenure should be used to house homeless households. Whilst increasing the housing supply available to homeless clients, this action does not increase supply of housing stock in the round. If private rented housing supply increases, it will be via stock movement from owner-occupied to rented tenure - according to this Bill. Proposals for extending affordable housing supply are limited to highly niche proposals for mutual Housing Associations which do not appear to have been adequately modelled.

Line by Line Assessment

37 (1) Homelessness Reviews should be linked to the Joint Housing Need Assessment (JHNA) and should not be silo activity.

37 (2) The activity described should come out of the JHNA in the first instance. What is housing need? Are enough houses being delivered to militate against homelessness? Is the private rented supply of housing fettered by draconian regulation?

43 (5) There is a requirement to specify that it is not reasonable for a person to continue to occupy accommodation where it has been provided for employees and that employee is now retired or no longer in employment.

48 (6) (a) The applicant “wish” must be reasonable. Seeking to stay in a tied cottage once an employment contract is terminated or once retirement age is reached, is unreasonable.

54 (2) (c) CLA Wales would suggest adding “agricultural workers” to priority need categories i.e. specify via section 55 (3) and Housing Act 1996.

57 (4) (a) Tied accommodation should be excluded from this judgment where the occupant is retired or without employment.

NB: 45 (1) (e) identifies Selective Licensing, 45 (1) (c) identifies Housing Condition, 45 (1) (g) identifies Regulated Private Sector housing – all categories cited within “suitability of accommodation” judgements for homeless households. What this section shows is duplication. LA’s already possess ample tools with which to monitor poor quality accommodation as listed in this section. 45 (1) (g) – Mandatory Landlord Registration - is not necessary.

Part 3 Gypsies and Travellers

We support the proposal that LA’s should be required to upgrade existing Gypsy and Traveller LA-owned sites. However, based on the experience of CLA Wales members, we are concerned that the proposed new duty to deliver new Gypsy Traveller sites will be implemented unreasonably. To date, landowners whose land has been identified for compulsory purchase have been unable to view the alternative proposed Traveller sites that they are being assessed against. This is unfair in terms of making a case against a Compulsory Purchase Order (CPO) of a particular, identified, landholding.

We are also concerned about blight on land-holdings, actual and neighbouring, where new sites are identified/potentially identified. We urge the Welsh Government to issue extremely detailed criteria covering the suitability of potential Gypsy and Traveller sites so as to lessen the number of land-holdings deemed “potentially suitable” for CPO activity.

We are particularly concerned at the proposal to lift the restriction on the number of caravans on a new site as set out in the Explanatory Memorandum.

Line by Line Assessment

84 – 88 This section is draconian in terms of new government powers, but fails to identify how the assessment of accommodation needs should be undertaken. Detailed guidance must be issued in order for transparency and equality of assessment to be maintained between LA’s.

How can Welsh Ministers judge the appropriateness of assessments otherwise (85) (3)? The nature of the Gypsy and Traveller client group also means that the assessment should be

undertaken across LA boundaries. A statutory assessment methodology should be linked to Joint Housing Needs Assessment (JHNA) and approved by an inspector.

90 - Imposing a duty on LA's to identify Gypsy and Travellers' provision in Housing Strategies is duplication. We would suggest this is left within the JHNA only.

Part 7 Council Tax for Empty Properties

Pre 1919 housing is without cavity walls and is expensive to maintain and to bring up to minimum EPC levels. Overwhelmingly, rural rented housing stock will fall into the *pre* 1919 category and charging 150% Council Tax during significant renovation works to deliver an EPC rating of "E" will see units drop out of rural rented housing supply. We accept that 100% Council Tax could be charged after the initial 12-month period of grace, but suggest that the additional 50% charge is counter-productive when it could be used instead to finance improvements to stock.

122 12 A (3) (a) Classes of dwelling that should be recognised as ineligible for 150% Council Tax after the 12 month period are those that are either/or:

- For sale – actively being marketed,
- To let – actively being marketed,
- In probate,
- Do not have a cavity wall,
- Require a breathable wall surface,
- Are/have been Rent Act stock,
- Cannot be brought up to the minimum EPC level without triggering the "golden rule",
- Located in an LA area where it can be demonstrated that the Local Planning Authority has consistently blocked the delivery of new housing supply (meaning that landlords cannot sell sub-standard stock into the owner-occupied sector, because they are required as private rented units for local people).

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Tackling the Housing Crisis in Wales: CLA policy on securing and increasing housing supply in Wales 2013-2018

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TACKLING THE HOUSING CRISIS IN WALES:

CLA POLICY ON SECURING AND INCREASING HOUSING SUPPLY IN WALES 2013-2018



Country Land & Business Association

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FOREWORD

A working group was created in May 2012 to guide the development of a CLA housing policy in response to the views of CLA Wales members on this important area of work. This report, *Tackling the Housing Crisis in Wales*, is the result.

It illustrates the roots of the current housing crisis and calls on the Welsh Government to deliver policy change through the scheduled 2013 Welsh Housing Bill and Housing Act thereafter. The introduction outlines the housing contribution already made by CLA members and identifies the lack of ability to bring land forward for development as a crucial factor behind historic, long-term housing undersupply.

The report acknowledges the partially successful efforts to improve the rural economy via Technical Advice Note 6 (TAN 6) and welcomes the move towards ever more strategic planning in Wales. Inflexibilities within the current tax regime and the limited ability of the Welsh Government to deliver change are identified as key lobbying roles for Welsh ministers. Our affordable housing tax reform proposals are aimed at existing and new stock with market-rented housing tax reform aimed at new stock only. However, the absolutely key CLA concern with the current direction of travel in Welsh housing policy is that regulation is heavily promoted to the detriment of housing supply for both existing and new stock.

Tackling the Housing Crisis in Wales is a lobbying document aimed at government and decision-makers. It identifies how the CLA can help with national housing undersupply issues in Wales. Although we hope for some quick wins, many recommendations will take time to be delivered. There will be an annual monitoring report assessing delivery on individual recommendations and highlighting where updates are needed.

The delivery of the policy has already started. The CLA submitted an Expression of Interest to the Build to Rent Fund in England and is lobbying to see that programme extended into Wales via Welsh Government Innovative Finance and Land Supply Teams. In terms of existing stock, action has also been taken to source an Energy Company Obligation (ECO) partner. Meetings have also been held with individual local authorities specifically regarding:

- affordable housing models and the ability for landlords to retain stock;
- nomination agreements and local lettings policies;
- housing allocations; and
- rural economic development strategies incorporating housing.

I commend this policy and welcome your feedback.



Antony Griffith
Chairman, CLA Cymru

ACKNOWLEDGEMENTS

In many cases, planning recommendations within the 2004 CLA housing policy report *Housing the Rural Economy* have been subsumed into the National Planning Policy Framework where the concept of rural growth is a firmly stated aim. Some planning recommendations have also been subsumed into TAN 6 of the Welsh planning system. As such, it is important to recognise the achievements of the 2004 CLA Housing Working Group led by its Chairman Sir Jeremy Bagge, former CLA President Mark Hudson, CLA Head of Planning Fenella Collins and former policy adviser for Wales, Sue Evans.

There is more to be done. It is almost 10 years since the CLA's *Housing the Rural Economy* report was published and in the intervening period Welsh and global property markets have experienced both the housing bubble and the subsequent credit crunch.

In bringing forward the 2013 CLA housing policy report, *Tackling the Housing Crisis in Wales*, thanks must go to CLA Vice President Ross Murray, Tim Bowie of Bodorgan Estates, the 2012 CLA Housing Working Group, CLA Wales members, the CLA Wales policy team, and with special thanks to Fenella Collins and CLA Taxation Adviser Richard Williams.

Tackling the housing crisis in Wales

CLA policy on securing and increasing housing supply in Wales 2013-2018

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LIST OF ABBREVIATIONS

AHA	Agricultural Holdings Act
AST	Assured Shorthold Tenancy
BM HOB	Biomass Heat only Boiler
BPR	Business Property Relief
BSHF	British Social Housing Foundation
CGT	Capital Gains Tax
CHP	Combined Heat and Power
CLA	Country Land and Business Association
CO ₂	Carbon Dioxide
DCLG	Department for Communities and Local Government
DECC	Department for Energy and Climate Change
DH	District Heating
ECO	Energy Company Obligation
EPC	Energy Performance Certificate
EU	European Union
FIT	Feed-in Tariff
GDP	Gross Domestic Product
IHT	Inheritance Tax
JHLAS	Joint Housing Land Availability Study
LESA	Landlord's Energy Savings Allowance
LHMA	Local Housing Market Assessment
LPA	Local Planning Authority
MEP	Minimum Energy Performance
PV	Photovoltaics
RDP	Rural Development Plan
RDSAP	Reduced Standard Assessment Procedure
RHI	Renewable Heat Incentive
S106	Section 106 Planning Covenant
SO	Strategic Objective
TAN	Technical Advice Note
TDP	Tenancy Deposit Protection
VAT	Value Added Tax
WALLS	Welsh Agent and Landlord Licensing System

EXECUTIVE SUMMARY

Housing in Wales is in crisis. The Government concedes there is currently a housing stock shortfall of more than 14,300 homes a year. Landowners want to change this.

We need more homes for rural economy workers to keep communities in the countryside viable. More retirement homes are needed so that older people can pass on farm holdings to a younger generation, clearing the tenancy logjam that is hampering the future of farming. Retirement homes are particularly vital alongside Rent Act housing stock where older people may occupy large houses with peppercorn rents. New homes are also needed for first-time buyers and for owner-occupiers wanting to downsize.

Tax incentives should reward landlords who let homes at below-market rents, and the right balance needs to be struck between holiday lets and local housing.

The UK taxation system currently discourages the renting out of houses in contrast to mainland European countries where there are large private rented sectors. We are calling for changes to the Taxation of Chargeable Gains Act 1992 and the Inheritance Tax Act 1984 to encourage private landlords to build new market-rented accommodation. We believe VAT should not be levied on non-domestic buildings converted into new homes.

Older housing stock is harder to maintain than modern houses, so we would like properties that are vacant and undergoing major repair work or structural alteration to be exempt from Council Tax for up to 12 months.

Energy efficiency is a complex area for owners of old buildings with the so-called Green Deal proposing interventions that will compromise breathable wall services. The Energy Performance Certificate (EPC) methodology has been designed for modern buildings and is not suited to traditional properties without cavity walls. We want a new methodology to be developed by 2015.

Landowners who provide new affordable housing should be allowed to retain control of it. And it is important that new homes are attractive and follow design guidelines ensuring they fit well with existing housing.



Housing growth drives economic growth. The Joint Housing Land Availability Study (JHLAS) should require Local Planning Authorities to provide up-to-date and fully justified evidence to support their reasons for not allocating housing development land in designated areas where housing numbers and viability require them to do so.

It is also important to cut planning red tape and ensure good guidance and consistent advice is given by all planning authorities.

These are just some of the measures needed to start to resolve the crisis in housing in Wales that is blighting a generation.

1. INTRODUCTION

CLA members own almost 900,000 acres of rural land in Wales and aim to increase the scale of housing provision in their areas. This policy articulates how housing supply in Wales can be increased and existing supply can be safeguarded.

The CLA's Housing and Residential Land Contribution

The 3,482 membership of CLA Wales is comparable to that of the National Landlords Association and the Residential Landlords Association and many CLA members are significant providers of residential accommodation in their areas. They typically have long-term, multi-generational interests in places and their communities. For a variety of reasons, both economic and social, many landowners are keen to grow the size of the housing stock in their areas.

• Employee and Farm Tenant Housing

There is a need to increase the amount of housing that we provide for rural economy workers. Where the Government seeks to lessen reliance on EU Farm Subsidy payments by enabling farm diversifications to occur, employees and rural enterprise owners should have the ability to live close to their place of work.

• Older Persons' Housing

There is a need to increase the amount of housing that we provide for older people. Former rural economy employees often live in family-sized housing because there is a lack of smaller, older persons' housing in rural areas. Lack of retirement housing in the countryside can also mean that farm tenants, due to take over from their parents, can struggle to access the farm holding to which they have a legal right.

• New-Build Housing

There is a need to increase the amount of smaller housing units available for sale and for rent. Through consultation with our membership, we have identified a need for an increased number of smaller housing units in the countryside, not just for retired rural economy workers and farm tenants but also for:

- owner-occupiers wanting to downsize within the rural settlement that they have made their home;
- young households/first-time buyers;
- benefits claimants needing to downsize as a result of welfare reform.

• Existing Rented Housing

There is a need to recognise the importance of our existing housing contribution. The Housing Acts 1988 and 1996 partially deregulated the rented

housing sector by creating the Assured Shorthold Tenancy (AST). Prior to the AST, the sector was more heavily regulated as regards rents and the provision of statutory security of tenure. Whilst CLA members have greatly welcomed the ability to use the AST, some members provide rented housing at sub-market rents and experience very low stock turnover. Such practices assist in the delivery of community sustainability and should be recognised through the taxation system¹ – as a means to encourage greater provision of rented housing.

• Holiday Housing

There is a need for the provision of holiday accommodation to be properly quantified.

CLA members provide accommodation in the form of holiday lets that assist tourist enterprises and wider rural economies. In some instances, the tourist accommodation will have been converted from redundant farm buildings, in others, period properties that are large or difficult to heat and maintain will provide holiday accommodation for large family groups. However, in specific geographic locations, there is evidence of an oversupply of tourist accommodation linked to a reluctance by the Local Planning Authority (LPA) to lift planning conditions that would allow holiday accommodation to be let as domestic accommodation.

In an attempt to bring a difficult issue centre stage, this report will deal with holiday housing versus local housing in designated areas, as a housing supply issue.

1. Particularly since the yield on this type of property investment is low at 3.3 percent to 3.5 percent net (HM Treasury) and, in some rural areas, yields may even be lower.



2. POLICY CONTEXT

The solutions brought forward in England and Wales since the 2007 financial crisis are very different. Broadly speaking, the Welsh Government has toughened the “top-down” approach and given less weight to objecting parties through the planning system, whilst the Coalition Government has introduced a planning system that gives local people more control. The Coalition has put forward initiatives that seek to give finance to stimulate new supply and Gross Domestic Product (GDP), whilst the Welsh Government has focused on condition and standards in new-build and existing stock.

A. 2013 Welsh Housing Bill

The Welsh Housing Bill will be presented to the Welsh Assembly in autumn 2013 and will focus on the following themes:

- Private Rented Sector and Condition
- Homelessness
- Raised Council Tax on Empty Properties
- An Obligation for Local Authorities to enable Gypsy and Traveller Sites
- Definitions for Community Land Trusts
- Finance Reforms for Councils retaining Housing Stock
- Rent Reforms for Councils retaining Housing Stock
- Tenancy Reform

Welsh proposals fail to articulate how the 14,300 homes per annum requirement in Wales will be met and it can be noted that “new supply” does not currently constitute a priority theme in the proposed Housing Bill.

B. Housing Growth in Wales

The near total omission of reference to housing growth in the Welsh White Paper has led to pro-active

developers and housing associations in Wales seeking direct access to pension funds in the City of London as a means to generate funding to build new homes. The Welsh Government has welcomed these efforts and established an “innovative finance team” on the back of industry-led action. The Welsh Government also invited the Coalition Department for Communities and Local Government (DCLG) to Wrexham to outline how the “Build to Rent” initiative might function in Wales. In addition, “NewBuy Cymru” has also been explored, although it is understood that neither scheme will be introduced in the near future.

Despite the lack of implementation, the CLA welcomes these efforts and has the ability to act as arms-length aggregator on behalf of members wishing to access any future delivery vehicles. The Welsh Government understands CLA member ambition and knows that culture change must occur at the planning policy and development control level so that housing allocations and planning permissions can be achieved.

In-depth analysis of Welsh housing policy context can be found in Appendix 1. It is this analysis that has led to the identification of four distinct areas that need to be considered if we are to make headway in increasing housing supply: tax, finance, planning and legal requirements.

These distinct areas underpin the strategic objectives below dealing with existing stock, new stock and sustainability:

- SO1 Protecting and Maintaining Existing Supply
- SO2 Design and Sustainability
- SO3 Housing Growth to Deliver Economic Growth
- SO4 Planning, Legal and Fiscal Regimes (cross-cutting)



3. PROTECTING AND MAINTAINING EXISTING SUPPLY

3.1 Taxation

Unlike European countries with large private rented sectors, the renting out of houses is discouraged by the tax system in the UK. In purely financial terms, it might often seem that it would be better for houses to be sold so that the sale proceeds can be re-invested in other business activities treated more favourably by the tax system. This is counter-productive when the scale of housing undersupply in Wales is considered – 14,300 new units required per annum.

For private landlords, the principal fiscal discouragements to increasing their involvement in renting houses are Capital Gains Tax (CGT) and Inheritance Tax (IHT) which are taxes charged on illiquid assets. The need to pay IHT on the death of a landlord can force the sale of a property which was intended to be retained in long-term family ownership as rented property – or may even have been rented out at a sub-market rent as a form of “affordable housing”.

The payment of CGT following the sale of a rented house reduces the proportion of the sale proceeds which can be re-invested in buying or building new houses to rent. Unlike farming and other business activity, no roll-over relief is available if the sale proceeds are reinvested in acquiring or constructing rented housing. The owner who rents out housing is regarded as carrying on a business which consists “wholly or mainly of making or holding investment” and is therefore ineligible for Business Property Relief (BPR).

On some farms or estates, small-scale provision of rented houses will qualify for relief² because it is not “wholly or mainly” an investment business. Indeed, the greatest danger faced by a farmer or landowner who already rents out some houses, and might have the knowledge and motivation to increase what he offers,

is that the addition of more rented housing might push the whole estate the wrong side of the divide for BPR. Whilst limitations on taxation powers afforded to the devolved government are understood, it is hoped that the Welsh Government will lobby Westminster for powers that will assist in securing rented housing supply.

2. Through use of the “Balfour Formula”.

RECOMMENDATION 1

The CLA recommends that the private landlord contribution to new-build market-rented housing supply, and existing affordable housing supply, is incentivised by Capital Taxation deferment and the following action needs to be taken:

- i. Adaptation of Taxation of Chargeable Gains Act 1992 S247 (see Appendix 2) to provide a form of roll-over relief to encourage private landowners to increase the supply of new market-rented accommodation.
- ii. Adaptation of Inheritance Tax Act 1984 S104 business property reliefs (see Appendix 3) to encourage private landowners to increase the supply of new market-rented accommodation.
- iii. Adaptation of reliefs above to encourage private landowners to increase the supply of affordable housing covering new and existing stock.
- iv. The Welsh Government should lobby Westminster for taxation deferment powers.
- v. The Welsh Government should lobby Westminster for VAT reclamation by landowners who “self-build” in order to provide new housing for the rental market.



3.2 Housing Regulation

There are several tools in existence to regulate the private rented sector in Wales:

- The Housing Act 1988 (as amended) – laid down the circumstances under which a landlord may apply to court for possession of the property;
- Housing Standards under the Housing Act 2004 – introduced the Housing Health and Safety Rating System and Selective Licensing;
- Landlord and Tenant Act 1985 – outlined basic repairing obligations where the tenancy agreement is silent;
- Tenancy Deposit Scheme rules – required the landlord to place the tenancy deposit in one of the recognised tenancy deposit protection (TDP) schemes if the tenancy started after 6 April 2007.

Many of the proposals within the white paper *Renting Homes - A better way for Wales* are of concern. This is because, via the proposed Standard Contract, they seek to recreate the levels of security provided by the Rent Act 1977 which had such a devastating effect on the supply of housing in the private rented sector. In addition, and despite the wealth of regulatory tools already in existence, the Welsh Government has narrowly interpreted research³ and is seeking to bring forward a Mandatory Landlord Licensing Scheme, based on an already implemented Scottish model. Currently under development, WALLS (Welsh Agent and Landlord Licensing System) is a weighty proposal, not being considered by the Coalition Government in England, with multiple payment triggers and requirements on the part of the landlord. Two risks can be identified:

- a short to medium-term rise in homelessness as Welsh authorities focus on licensing scheme requirements and take enforcement action to the exclusion of generating supply;
- a long-term reduction in rental unit availability in high value rural areas as landlords choose sale of units over excessive regulation.

Research⁴ into the effectiveness of the established Scottish Mandatory Landlord Licensing Scheme has found that, not only is the Scottish model under-resourced and difficult to implement, but that it has also failed to tackle the criminal element of landlordism and left the most vulnerable client groups unprotected. We believe that adequate regulatory tools already exist to safeguard vulnerable households from sub-standard landlords and that there is no need for mandatory landlord licensing schemes to be established.

Powers available to local authorities through the Housing Act 2004 are particularly relevant. For example, selective licensing is a measure targeted at failing neighbourhoods brought about by absentee, amateur or criminal landlordism. It enables a local authority to tackle areas blighted with anti-social

behaviour by applying to the Secretary of State to forcibly license all housing stock within a designated geographic area. Selective licensing can only occur where a back-catalogue of housing issues exists and is a highly effective means of ridding the sector of criminal landlords.

RECOMMENDATION 2

The CLA recommends judicious use of existing housing regulation powers and the following action needs to be taken:

- i. Local authorities should use selective licensing schemes rather than mandatory landlord licensing to tackle criminal landlords.
- ii. The proposals to recreate the levels of security afforded to 1977 Rent Act tenants via a Standard Contract across the private rented housing sector needs to be re-examined. This is because the supply of rented housing will be adversely affected.

3.3 Stock Management

It stands to reason that older housing stock will be more expensive to maintain than modern housing. The age of the majority of rural housing stock is linked to:

- planning restrictions in rural areas;
- the tendency for CLA members to let properties on longer term leases; and
- Rent Act Tenancy stock where a number of succession rights exist

meaning that when void periods do occur, substantial remediation work may be required. It is disappointing that, unlike Belgium and France, the UK did not take the option of applying reduced VAT rates to the “repair, maintenance and cleaning of housing”. Use of the option (10a of Annexe III of the EU VAT Directive) would mean that repairs and renovations on let domestic property would be more affordable and greatly assist landlords in delivering maintenance programmes in older housing stock. We believe that the Welsh Government should lobby Westminster to ensure that use of 10a can be utilised by the devolved administration.

Similarly, it would be unfortunate if Wales was to mimic England where the automatic Council Tax exemption for vacant properties undergoing “major repair work” or “structural alteration” has been removed⁵ by some local authorities. We believe that

3. The 2008 Rugg Review recommended a greater role for the private rented sector, for more supply.
4. Research by the housing charity Shelter commissioned by the Northern Irish Assembly.
5. Council Tax (Exempt Dwellings) (England) (Amendment) Order 2012.

without some period of grace from Council Tax during void periods, the ability to undertake major works in older, expensive to maintain housing stock will be reduced.

Finally, there is dismay that, unlike new-build housing, there is a requirement to pay VAT on the conversion of existing buildings brought forward as housing stock. In the context of large-scale housing undersupply, the Government should be encouraging the re-use of buildings for residential purposes where possible. We would like to see the devolved government lobbying Westminster to ensure that VAT is not payable on conversions to housing in Wales.

RECOMMENDATION 3

The CLA recommends that older housing supply is valued and safeguarded and the following action needs to be taken:

- i. Properties that are vacant and undergoing major repair work or structural alteration should be exempt from Council Tax for up to 12 months.
- ii. Retrofitting and refurbishment work should be classified under 10a of the EU VAT Directive (as opposed to the current Schedule 10) so that retrofitting is viewed as “repair” not “improvement” work for taxation purposes.
- iii. If an existing building is being brought forward as new housing stock through conversion work, there should be no VAT levied on that unit since, essentially, it will be a new-build unit and helping with the national housing undersupply crisis.

3.4 Energy Efficiency

The UK is committed to European greenhouse gas emission reduction targets. These targets have led to the Energy Act 2011 which requires domestic and non-domestic buildings to achieve Minimum Energy Performance (MEP), via Energy Performance Certificates (EPCs), by 2018. In order to do this, the Coalition Government has established a system of loans and grant monies known as Green Deal and ECO respectively. However, the only tax exemption designed to encourage energy efficiency work, the Landlord’s Energy Savings Allowance (LESA), appears to be at risk.

There are several problems with EPC regulations and the requirement to deliver a minimum rating by 2018.

- The EPC methodology is designed for modern buildings and not those constructed before 1919.

This gives artificially low EPC ratings for housing without a cavity wall.

- There is conflict with building regulations which prohibit energy efficiency installations where a “breathable wall” surface is required. Linked to this is a concern that Green Deal loan assessors may be insufficiently aware of the characteristics of traditionally constructed properties.
- There is a confusing level of inconsistency in the way that different housing tenures are dealt with under the different schemes.
- At seven percent, the cost of Green Deal finance is high for all but the largest energy efficiency interventions with the longest payback periods. The only tax allowance available to assist landlords choosing to use their own resources is LESA which is due to expire in 2016 on the basis that it “represents competition for Green Deal finance”.
- Many CLA Wales members own housing stock under the Rent Acts 1976 and 1977 which are protected tenancies where rents can be lower than that charged on social rented housing. It will prove impossible to pay for the works required to deliver enhanced EPC ratings through the rental revenue on such properties.
- The UK Government is facing a legal challenge from the EU Director General of Tax over the low (five percent) VAT charge on energy efficiency materials and renewable technologies. If the EU is successful, 15 or 20 percent VAT will be payable on energy efficiency materials and renewable technologies with the result that:
 - ▶ the cost of delivering the required EPC rating will be more expensive;
 - ▶ the capital costs required to achieve the Renewable Heat Incentive will be more expensive.
- Works undertaken in a bid to reach MEP will not be classed as repairs, but rather as improvements. This means monies spent can only be off set against CGT at the point of sale. However, the mandatory nature of MEP standards means that works undertaken pre and post 2018 as part of asset management plan delivery are by definition repairs and not improvements. This should be recognised by tax regulation.

Additional problems are anticipated in Wales. This is because the excessive focus on regulation of the rented housing sector means that the MEP of private rented housing could be brought forward before the 2018 date proposed in England. Through the Housing White Paper, the Welsh Government is seeking to ban the letting of property with EPC ratings lower than “E” by classifying them as having “Category 1 Hazards”. This puts Welsh landlords at a disadvantage compared to English landlords and could lead to

repetition of the Northern Irish experience where tracts of older housing now sit vacant and both housing supply and prospective tenants are adversely affected. Banning the letting of property through the Housing Health and Safety Rating System also ignores the “golden rule” available through the Green Deal assessment process whereby the cost-effectiveness of delivering an “E” rating is measured and the requirement discarded where appropriate.

Finally, we believe there is a fundamental flaw in the criteria through which the reduction in greenhouse gas emissions from buildings is funded, since both the EPC methodology and the “energy efficiency interventions” that can be funded by Green Deal loans and ECO grants fail to take account of embodied carbon. The quote from the 2011 HM Government Low Carbon Construction Innovation and Growth Team Final Report illustrates our view: “the search for zero operational emissions may be at the cost of uneconomically raised embodied emissions. Whole life emissions must be the assessment basis”.

This means that when comparing the energy efficiency of new housing stock to existing housing stock, the carbon produced during the manufacture of concrete, PVC windows and other building materials should be quantified. As a result, it is anticipated that existing buildings, and particularly traditional buildings⁶, will score comparatively better in energy efficiency terms than is currently the case. The Welsh Government should explore opportunities to differentiate the scheme in Wales in this regard.

6. Traditional buildings are without cavity walls and tend to have been constructed pre-1919. One risk of sealing up breathable wall surfaces with solid wall insulation is that of creating mould.



RECOMMENDATION 4

The CLA recommends a consistent policy approach to Minimum Energy Performance (MEP) in dwellings and the following action needs to be taken:

- i. The proposals put together by the Sustainable Traditional Buildings Alliance (see Appendix 4) should be used to develop a new Energy Performance Certificate (EPC) methodology by 2015 because the EPC rating methodology has been designed for modern properties and is not suited to traditional properties without cavity walls.
- ii. The EPC rating methodology should take account of the embodied carbon within existing buildings and calculate the new carbon generated as a result of plastic double glazing and other Green Deal/ECO-funded interventions.
- iii. An EPC rating of “E” is not appropriate for buildings constructed without a cavity wall by the 2018 regulation enforcement date and a rating of “G” is proposed. The MEP rating for traditional properties should rise five years after the EPC methodology has been amended.
- iv. The Welsh Government should take account of the “golden rule” before banning the letting of “F” and “G” rated properties so that existing housing supply is not burdened with enforced vacancies.
- v. Landlord’s Energy Savings Allowance (LESA) availability should be extended to 2018 and cover £5,000 spend as opposed to the current £1,500.
- vi. Where tenants refuse to sign up to a Green Deal plan, the Department for Energy and Climate Change (DECC) should have a memorandum of understanding in place with the Valuation Office Agency so that consistency is delivered during Rent Act Tenancy Rent setting. The benchmark of 80 percent of open market rents should be the minimum charge in order to assist with the payment of energy efficiency interventions needed to deliver MEP ratings.
- vii. Works required to deliver improved energy efficiency should be classed as repairs and not improvements for taxation purposes owing to the mandatory nature of new energy efficiency regulations.

3.5 Retirement Housing

The existence of privately subsidised rural housing is a little-known fact outside of the traditional rural economy⁷ in Wales. Fetters on housing stock governed by the Rent Act and agricultural tenancies go beyond registered rents and rent capping and include multiple succession rights meaning that landlords needing to house rural economy workers cannot access those units.

In the case of farmhouses provided under Agricultural Holdings Act (AHA) tenancies, the rent loss can be particularly acute since the calculation of farm holding rental value takes only minimal account of the rental value of the farmhouse – meaning that the farmhouse is subsidised by the overall farm holding. As mentioned previously, there is a requirement to provide retirement housing for AHA tenants as a means to pass on the farming unit to the next generation. The CLA proposes that lack of retirement housing for tenant farmers is brought centre stage within rural Local Authority Economic Development Strategies and Planning Policies as a “barrier to entry to farming”.

In 2012, the Welsh White Paper *Better Homes and Communities* grasped the nettle of tenancy reform and undertook to regularise the array of tenancies still in existence in the domestic letting market. The CLA highlighted the archaic nature of Rent Act and agricultural tenancies through the white paper consultation period, but in April 2013 it was confirmed that Rent Act tenancies and agricultural tenancies would be excluded from the tenancy reform programme in Wales. This is unfair.

In recognition of the difficulties in bringing forward tenancy reform, the Welsh Government should accept that new retirement housing needs to be delivered alongside Rent Act and agricultural tenancy housing stock so that under-occupied units can be made available to let. Policy HOU10, the Northern Irish Planning Policy which allows for one additional unit to be developed for retirement housing purposes within a single farmholding, is worthy of replication.

7. Criminal landlord behaviour that originated in the 1950's "Rachmanism" led to controls on security of tenure and rent levels via the Rent Act 1977. This Act generated a negative effect on housing supply and led to the introduction of the Assured Shorthold Tenancy. Owing to the lack of house building in the countryside since World War II, much of rural rented stock is still governed by Rent Act tenancies.

RECOMMENDATION 5

The CLA recommends that the limitations of agricultural tenancy and Rent Act housing stock are recognised and the following action needs to be taken:

- i. The Welsh Government should include Rent Act stock in tenancy reform programmes since income checks have not been undertaken on successors.
- ii. Succession rights and the landlord's difficulty in regaining possession of properties subject to Rent Act protected housing should be accepted as a material consideration by Local Planning Authorities when assessing applications, by the owner, for new rural housing.
- iii. The Agricultural Holdings Act (AHA) tenancy model of including subsidised housing within the holding should be recognised as a barrier to new entrants to the farming sector within Local Authority Economic Development Strategies.
- iv. Subsidised farmhouses held within AHA tenancies should be recognised as inappropriate retirement housing within the Welsh Housing Bill.
- v. Where a planning application is made by the landowner for new housing appropriate to the retiring tenant, Welsh planning policies should allow for that new unit to be approved. Policy HOU10, the Northern Irish Planning Policy which allows for one additional unit to be developed for retirement housing purposes within a single farmholding, is worthy of replication.
- vi. Housing density targets that are designed for urban areas should not limit the ability to deliver bungalow housing in rural locations.



Older Person Bungalows, Derbyshire. Voted 5th best affordable housing scheme at 2013 Inside Housing National Awards. Scheme brought forward by CLA Housing Adviser in former role.

Image courtesy of Kier Group plc.



3.6 Welfare Reform

Unlike the social housing sector, many private landlords do not wish to have housing benefit paid to them directly⁸. They would prefer it to go to the tenant. There is dissatisfaction that benefit payment timings do not mirror rent payment requirements and that in cases of error, payments, often totalling hundreds or even thousands of pounds, can be claimed back from the landlord rather than the tenant. For these reasons, some landlords require in the tenancy agreement that tenants in receipt of benefits must have those benefits paid directly to them, rather than the landlord, and that they must take responsibility for ensuring they are entitled to the amount received and for repaying any overpayments.

However, for other landlords, there is a view that if benefit payments are not made direct to them, they will not get paid. This sentiment tends to be expressed in lower value areas where the ability of the tenant client group to manage household finances may be lower. Often the landlord will not be able to prove that the tenant is “vulnerable” – which is generally the policy requirement for most local authorities before they will agree to pay rent to landlords.

Many rural landlords have expressed disquiet over the welfare reform policy of reducing benefit in cases where the size of the dwelling exceeds the needs of the tenant claiming benefits. Whilst the initiative is understood, the pronounced shortage of one and two bed units in rural areas means that rural landlords are now faced with the difficult choice between:

- absorbing rent reductions – limiting the ability to deliver MEP ratings;
- sourcing larger households to rent their properties.

The Welsh White Paper proposes to deal with under-occupation through tenancy reform and specifically

through making it easier to establish and disestablish Joint Tenancies. We feel that this solution is superficial, will result in a loss of management control for the landlord, and that an increase in smaller units is required.

Evidence gathered to demonstrate the need for smaller units should be considered as part of the planning application process. Where the landlord is unsuccessful in achieving the necessary planning approval, there is a risk that some tenancies may be terminated.

8. Direct payment of housing benefit to tenants as opposed to landlords is a feature of welfare reform.

RECOMMENDATION 6

The CLA recommends that welfare reform is used as a trigger to extend housing range as opposed to being dealt with through tenancy reform and the following action needs to be taken:

- i. For those landlords wishing to receive rent on behalf of benefit claimants, proving tenant “vulnerability” should not be a prerequisite.
- ii. Where housing benefit errors are made, rent monies should not be retrospectively clawed back by councils from landlords.
- iii. In rural locations where a lack of one and two bed units can be proven, neither landlord nor tenant should be penalised through the “bedroom tax”.
- iv. In the context of welfare reform, lack of housing range in rural areas should be a material consideration when planning applications are made to deliver smaller units.

4. DESIGN AND SUSTAINABILITY

4.1 Housing Range and Community Balance

The sustainability of many rural villages and settlements has been put at risk as a result of the long-term reluctance to build new housing within or near to them. The low turnover of existing stock coupled with a lack of new stock can mean that bus services, the local shop, village school and pub may have already been lost. In some areas, rural enterprises developed on the back of planning policy capabilities (TAN 6) may struggle to find local employees.

Some local authorities are seeking to lessen the risks to rural sustainability through specific planning policies such as Rural Rebalancing Policies where land allocations for housing development are made in rural areas. In Wales, the TAN 6 Rural Housing Policy could have brought about a significant improvement but, because it excludes open-market housing, the ability to deliver using cross-subsidy⁹ is lost and delivery has failed to occur. Staffordshire County Council meanwhile is seeking to influence the seven districts in its county through a rural economic development strategy. The CLA welcomes this effort which acts as a driver to ensure that housing delivery occurs where there is housing need.

Many Local Planning Authorities have policies that include a strong presumption that all new housing development should be in urban areas. Often, the impetus behind very large or even single exclusive allocations in urban areas is the need to provide for infrastructure projects such as schools, hospitals or by-passes through planning gain. In such circumstances we would encourage local authorities to recognise that gain can be made over a wider range of settlements and that reliance on single large sites is risky.

Finally, the shortage of smaller units in rural locations should not be viewed exclusively as an affordable housing requirement, but rather as a limit on the ability of older people to downsize – and younger households to enter rural communities.

9. Cross-subsidy means to pay for affordable housing through using profits from open-market housing.

RECOMMENDATION 7

The CLA recommends housing allocations in rural areas to assist with rural economic development and the following action needs to be taken:

- i. Technical Advice Note 6 (TAN 6) should be amended to ensure that rural development is delivered at the local level through rural rebalancing or rural economic development strategies.
- ii. TAN 6 should be amended to highlight “housing range” in rural settlements and promote the delivery of two bed units.
- iii. TAN 6 should be amended to ensure that open-market housing can be delivered in rural areas.

RECOMMENDATION 8


The CLA recommends that when calculating the planning gain required to fund infrastructure, local authorities should issue viable charges across a range of sites as opposed to single charges on large strategic urban extensions which may not come to fruition.





4.2 Affordable Housing

The delivery of affordable housing on rural exception sites in Wales has been reported as 43 units in the financial year 2011-12.

In order to deliver more affordable housing, we strongly believe that S106 sites allocated through the Local Plan process are a more effective tool than rural exception sites. In either case, enough viability must be generated to ensure not only provision of affordable units but payment of planning gain and sufficient incentive to ensure  release.

Where rural exception sites are concerned, we believe that the ability to cross-subsidise affordable housing units with open-market units is key. However, insistence that use of 100 percent of the capital receipt on open-market units should be used to cross-subsidise affordable units in circumstances where the resultant affordable housing units are not retained in landowner ownership, will merely result in sites not coming forward.

Landowners want to build and retain affordable housing units developed on S106 and rural exception sites that they own. There are several ways in which this could occur:

- through registration as a Registered Provider with the Homes and Communities Agency;
- through formation of a housing charity – linked to umbrella structures such as the Almshouses Association;
- through the lobbying of central government for taxation recommendations as outlined in section 3.1;
- through alternatives to the leasing of sites to Registered Providers¹⁰ linked to taxation reform as outlined in section 3.1;
- through the ability to apply for Government funded affordable housing guarantees linked to taxation reform as outlined in section 3.1.

Regardless of the housing delivery structure used, CLA members are keen to ensure that nominations to affordable housing are restricted to households with a local connection to the settlement or adjacent

parishes and not the wider catchment of the Statutory Housing Waiting List. In the case of larger S106 sites, there is acceptance of the requirement to accept some nominations to affordable housing stock from the local authority.

Most authorities use a system of Choice Based Lettings, essentially a bidding system for persons on the Statutory Housing Waiting List, as a means to allocate affordable housing. Where, as in the case of rural affordable housing, the bidding system needs to be circumvented local authorities should use Local Lettings Policies to do so. The Rural Exceptions Local Lettings Policy will confirm the ability of the landlord to nominate tenants in perpetuity but also contain a requirement that households nominated by the landlord should comply with eligibility criteria set by the Statutory Housing Waiting List (either current or historic bronze categories).

RECOMMENDATION 9

The CLA recommends that the type of affordable housing provider accepted by local authorities is broadened and the following action needs to be taken:

- i. Landowners with S106 sites delivering affordable housing should have the ability to develop and retain control of that affordable housing.
- ii. Either 15 percent of the gross capital receipt generated by open-market units should accrue to the landowner where a partner organisation brings forward a rural exception site or, where a partner organisation is not used, the landowner should have the option to retain all affordable housing units on rural exception sites having used 100 percent of the open-market capital receipt to deliver the affordable units.
- iii. 100 percent of nomination rights to affordable housing on rural exception sites should rest in perpetuity with the landowner/successors who will “offer up” each nominee for confirmation by the local authority in line with Statutory Housing Waiting List eligibility criteria. On S106 sites nomination rights to landowners will drop to 10 percent or a minimum of five units in perpetuity.

10. The use of a sliding scale of equity as an alternative whereby the landowner attains 100 percent equity of affordable units once the development finance is repaid.

4.3 Housing Design

It is certainly the case that the suburban character of some housing schemes can be detrimental to the rural aesthetic of existing settlements and permanently damage visual amenity – thus providing a powerful tool for those who wish to stop rural house building.

It is vital that new developments in the countryside follow design guidelines in terms of massing, palette, orientation and layout. However, only the most expensive housing developments can be expected to be constructed out of stone, for example, and we agree with Technical Advice Note 12 (TAN 12) of Planning Policy Wales, that prescriptive design standards which merely “replicate” existing housing are unhelpful:

“A holistic approach to design requires a shift in emphasis away from total reliance on prescriptive standards, which can have the effect of stifling innovation and creativity.” (TAN 12)

In general terms, TAN 12 promotes the conversion of existing buildings in the countryside over and above new-build activity, yet this very lengthy document is silent on the issue of development viability. In post-austerity Wales, and certainly where affordable housing is concerned, it will be difficult to fund the conversion of traditional buildings for subsequent rent at below open market levels. New design guidance is required that recognises the importance of new house building in the countryside and which dovetails with new housing and planning policy.

RECOMMENDATION 10

The CLA recommends that the importance of good design is highlighted in the countryside.

The importance of good quality scheme design in the countryside cannot be overemphasised and elements of Technical Advice Note 12 (TAN 12) are supported. However, at 85 pages long, TAN 12 is urban focused and ignores development viability – bespoke rural design guidance that is streamlined and positive in tone is required.

RECOMMENDATION 11

The CLA recommends that where there is no alternative to use of the flood plain as a means to deliver new housing, local authorities will need to adapt design guidance to enable appropriate flood mitigation.

4.4 New-Build Standards

For new-build housing in Wales in 2012, the requirement was for buildings to reach the Code for Sustainable Homes Level 3 moving to Code Level 4 in 2013 via enhancements to Part L of the Building Regulations. Until March 2013 the Welsh Government seemed determined to stick with that trajectory, however that stance has now changed. The CLA welcomes the softer approach which seeks to put new supply first and reduces the improvement on Part L regulations from a 40 percent decrease in new dwelling emissions to eight percent. It is understood that the Government is committed to introducing zero-carbon standards for new housing from 2016 but we believe that this target is over-ambitious and unattainable¹¹.

Figure 1 below, which does not include the modelling of build costs on rural sites, shows that the preferred developer approach is for new homes to meet 2016 standards through improvements to the fabric of the building.

Code for Sustainable Homes	Level 1, 2, 3 & 4	Level 5 & 6
Small Brownfield	Good fabric + PV	Good + BM HOB & PV
City Infill	Good fabric + PV	Good + BM HOB/DH & PV
Edge of Town	Good fabric + PV	Good + BM HOB & PV
Urban Regeneration	Good fabric + PV	Good + BM CHP/DH & PV
Strategic Greenfield	Good fabric + PV	Good + BM HOB & PV

Figure 1: Lowest cost energy strategies selected in overall modelling of Code costs

11. The Code for Sustainable Homes moves building standards beyond Building Regulation standards once Level 4 is reached. Zero-carbon standards will require Code Level 5 or 6.





Developers consulted by the DCLG in 2010 helped the Government to model its costings and outlined the following range of reasons why renewable technologies were viewed as a difficult route through which to deliver increased energy efficiency:

- insufficient roof space in which to place photovoltaics (PV);
- lack of robust supply chain for biomass fuel provision plus air quality issues;
- space constraints for wind turbine technology; and
- inappropriateness of anaerobic digesters.

In most circumstances, these concerns are less problematic for the rural landowner and on rural housing schemes. The Welsh Government is urged to work more closely with DECC since, thanks to DECC programmes – Renewable Heat Incentive (RHI) and Feed-in Tariff (FIT) – the cost of renewable technologies has reduced since 2010.

Alongside a root and branch assessment of renewable technologies, the Welsh Government is also urged to closely examine the role that off-site manufacture of housing can play. This is because, since the property crash of 2007, the Welsh house building industry has contracted to a stage where lack of development capacity is a barrier to new housing delivery in Wales.

Off-site manufacture and particularly timber-framed manufacture of housing could have the ability to deliver employment down the supply chain in addition to tackling “embodied carbon” issues as outlined in section 3.4.

RECOMMENDATION 12

The CLA recommends analysis of the contribution of renewable technology to new-build standards.

Until either the Coalition or the Welsh Government has modelled the effects of new-build standards on rural schemes, including an analysis of renewable technology versus improved fabric, Code Level 3 for Sustainable Homes should remain the standard in rural areas until 2018.

RECOMMENDATION 13

The CLA recommends that following the property crash of 2007, and owing to the severe contraction of the house building industry in Wales thereafter, the following action needs to be taken:

- The Welsh Government should assess the capacity for future house building to occur across a range of sites, via off-site manufacture of timber-framed housing units.
- The Welsh Government should assess the ability for off-site manufacture of timber-framed housing units using home-grown product manufactured in Wales.
- The Welsh Government should consider the stimulation of off-site manufacture of timber-framed housing units via the Rural Development Plan (RDP) for Wales, and other funding sources including tax breaks, as a means to increase economic activity through new house building and supply chain activity.

5. HOUSING GROWTH TO DELIVER ECONOMIC GROWTH

5.1. Housing Numbers

Housing need in Wales is calculated at 14,300 new units required every year to 2026 and Local Planning Authorities must set aside enough land to satisfy housing demand. In this respect, the Welsh Government advises the use of Local Housing Market Assessments (LHMAs). It is anticipated that guidance on land allocations, known as the Joint Housing Land Availability Study (JHLAS), will be contained within the forthcoming Welsh Planning Bill which is scheduled for 2014.

We wish to make it clear to the Welsh Government that:

- robust guidance is required at a national level so that local authorities can calculate housing need using recognised methodologies from robust evidence bases;
- the methodology should take into account the stock of holiday housing in a local authority area and articulate economic activity generated by that holiday housing before accounting it from local housing supply¹²; and
- where holiday accommodation oversupply is identified by the relevant tourist board, this too should be articulated in the LHMA. This is so that existing planning conditions on holiday accommodation can be lifted and business rates avoided on empty properties where there is no demand. Future planning conditions requiring conversions to be utilised as holiday lets would not be issued in these circumstances.

12. LHMA methodologies map existing housing supply as a means to calculate housing

RECOMMENDATION 14

The CLA recommends the robust calculation of housing need and supply and the following action needs to be taken:

- i. The Government should issue detailed guidance with regard to the delivery of Local Housing Market Assessments (LHMAs).
- ii. The methodology for calculating housing need should take holiday accommodation into account and calculate local spend/multipliers before accounting that supply from local housing stock. This approach requires consultation with the relevant tourist board and may uncover a surplus of holiday accommodation, in which case, planning conditions on surplus stock should be lifted and new conversions allowed to provide domestic accommodation.
- iii. The LHMA methodology should recognise that the ability to generate employment in rural areas via Technical Advice Note 6 (TAN 6) is new. LHMA guidance should recognise the ability of the rural economy to grow and lead to contingency for housing windfall sites in rural areas totalling 10 percent across the housing market area.
- iv. The Local Planning Authority should use the LHMA to identify the need for smaller units in the countryside.



5.2. Viability

If the LHMA is the means through which housing need is calculated, the JHLAS is the means through which those numbers are articulated on the ground – through the allocation of development sites. In the main, 2011 updates to 2006 JHLAS guidance are sound but risk not being properly implemented by local authorities owing to political pressure and misunderstanding about the role of designated areas.

New JHLAS guidance should require LPAs to provide up-to-date and fully justified evidence to support their reasons for not allocating housing development land in designated areas where their housing numbers and viability require them to do so. This is relevant where national infrastructure projects are concerned which, by their nature, will open up demand for new housing sites in hitherto unrequired areas. Where land supply is limited, JHLAS guidance should require LPAs to calculate whether floodplain sites can be made viable

via “design mitigation” as opposed to the often expensive “de-contamination” of brownfield sites. It is absolutely imperative that LPAs are required to test the viability of brownfield sites prior to allocation.

The issue of rural sustainability is omitted from both 2006 and 2011 JHLAS guidance in Wales. The omission needs to be rectified since home working represents a legitimate tool through which the knowledge economy can be delivered to the regions and as a means to reduce large variations in national land values and household incomes over time.

Finally, the large number of small LPAs covering low levels of population in Wales means that site allocations and housing need calculations can become unstrategic. It is important that both the LHMA and the JHLAS are undertaken at the housing market area or “travel to work” level.

RECOMMENDATION 15

The CLA recommends that Joint Housing Land Availability Study (JHLAS) guidance is updated to take account of austerity and the following action needs to be taken:

- i. Local Planning Authorities (LPAs) should be required to reassess the viability of historic urban brownfield allocations since public sector grant aid for clean-up no longer exists.
- ii. Guidance should state the need to allocate land protected by designations where viability and housing need dictate the requirement to do so.
- iii. Guidance should recognise that design mitigation relating to physical constraints (such as flood risk) can be more cost-effective as a means to bring land forward than activity required to clean up polluted or contaminated sites.
- iv. Guidance should include a requirement for LPAs to take account of future, national infrastructure projects, including rural broadband that can and will open up new housing sites and deliver the knowledge economy to the regions.
- v. Guidance should highlight the importance of rural site allocation linked to all rural settlements of all sizes as the current system of relying on rural exception sites to deliver rural sustainability is difficult to implement.
- vi. Guidance should introduce the requirement for delivery of the JHLAS and the Local Housing Market Assessment (LHMA) to occur at the housing market area level and not at the local authority level.

5.3. Site Delivery

Planning authorities often demand huge amounts of material before they will validate planning applications for small-scale rural development. Because some rural-based planning authorities do not provide pre-application advice, or charge too much for it, many small-scale rural-based developers cannot obtain pre-application advice or, if it is available, the cost of obtaining the advice can be more expensive than the overall cost of the development proposal itself. So, for many small-scale rural developers the first time the applicant hears from the planning authority is when the application is submitted. This additional cost manifests itself in demands for accompanying reports and statements and the imposition of numerous conditions by risk-averse planning departments, many of which are not required for urban-based applications.

Concerns have also been raised over the requirement to submit environmental impact assessments and environmental statements. These types of assessments are needed for major development. However, more recently the CLA is finding that these assessments are being requested by planning authorities for smaller scale rural development as well. Whether for large or small development, these are complex assessments and the costs of completing such assessments vary depending on the scale and nature of development because there is often a need to employ specialist consultants. Costs can vary from £1,000 to more than £1 million.



5.4. Rural Enterprise Housing

TAN 6 sets out government policy on when planning permission should be given for dwellings in rural areas. In essence applicants are required to satisfy both financial and functional tests; the latter is known as “essential need” criteria and the requirement is for the rural economy worker to work full-time in the business in question.

What we need is less bureaucracy in order to meet the requirements of today’s rural economy and countryside.

RECOMMENDATION 16

The CLA recommends that disproportionate planning regulation is reduced and the following action needs to be taken:

- i. There needs to be consistency across all planning authorities on providing pre-application advice at an affordable price for small-scale rural developers. Regardless of the size of the proposed development, this advice is particularly necessary if well-considered appropriate development proposals, with relevant additional information, are to be submitted by small-scale rural developers.
- ii. Planning authorities tend to adopt a “one-size-fits-all” approach to the planning application process, not least in the information they require from applicants. This does not work. The information required must be relevant, and its extent must be proportionate to the proposed development and reasonable in all other respects.
- iii. Clearer guidance must be produced on when an environmental impact assessment or environmental statement is required, especially in respect of small-scale rural development proposals.
- iv. The costs of planning-related fees must be proportionate to the size and/or nature of the rural development in question and an urgent review of planning fees payable is needed.

RECOMMENDATION 17

The CLA recommends recognition that rural economy workers who need housing will often work part-time and the following action needs to be taken:

- i. Essential need criteria should be amended to reflect the realities of mixed-income households.
- ii. Live-work units should be identified as a means through which expansion and diversification of the rural economy can occur.
- iii. Consideration should be given to the introduction of permitted development rights that allow for the development of new rural residential units.



6. SUMMARY OF RECOMMENDATIONS

How the Government delivers housing supply is crucial to a range of inter-connected issues – including a growing and ageing population and a world economy that is still recovering from the global financial crisis. The CLA's recommendations below outline the contribution that is already made by landowners and the future contribution that they are able to make through expansion of the rural economy.

Our recommendations have also been formulated to reflect a world where, to work effectively as a member of the knowledge economy, you no longer have to live in an urban location. In this approach we are offering a fundamental shift – one where earnings generated through a fibre-optic cable can be used to support local services in often remote or low value locations – thus smoothing land values and ensuring rural settlement sustainability.

Protecting and Maintaining Existing Supply

3.1 Taxation

Recommendation 1

The CLA recommends that the private landlord contribution to new-build market-rented housing supply, and existing affordable housing supply, is incentivised by Capital Taxation deferment and the following action needs to be taken:

- i. Adaptation of Taxation of Chargeable Gains Act 1992 S247 (see Appendix 2 in the CLA report *Tackling the Housing Crisis in Wales*) to provide a form of roll-over relief to encourage private landowners to increase the supply of new market-rented accommodation.
- ii. Adaptation of Inheritance Tax Act 1984 S104 business property reliefs (see Appendix 3 in the CLA report *Tackling the Housing Crisis in Wales*) to encourage private landowners to increase the supply of new market-rented accommodation.
- iii. Adaptation of reliefs above to encourage private landowners to increase the supply of affordable housing covering new and existing stock.
- iv. The Welsh Government should lobby Westminster for taxation deferment powers.
- v. The Welsh Government should lobby Westminster for VAT reclamation by landowners who “self-build” in order to provide new housing for the rental market.

3.2 Housing Regulation

Recommendation 2

The CLA recommends judicious use of existing housing regulation powers and the following action needs to be taken:

- i. Local authorities should use selective licensing schemes rather than mandatory landlord licensing to tackle criminal landlords.
- ii. The proposals to recreate the levels of security afforded to 1977 Rent Act tenants via a Standard Contract across the private rented housing sector needs to be re-examined. This is because the supply of rented housing will be adversely affected.

3.3 Stock Management

Recommendation 3

The CLA recommends that older housing supply is valued and safeguarded and the following action needs to be taken:

- i. Properties that are vacant and undergoing major repair work or structural alteration should be exempt from Council Tax for up to 12 months.
- ii. Retrofitting and refurbishment work should be classified under 10a of the EU VAT Directive (as opposed to the current Schedule 10) so that retrofitting is viewed as “repair” not “improvement” work for taxation purposes.
- iii. If an existing building is being brought forward as new housing stock through conversion work, there should be no VAT levied on that unit since, essentially, it will be a new-build unit and helping with the national housing undersupply crisis.

3.4 Energy Efficiency

Recommendation 4

The CLA recommends a consistent policy approach to Minimum Energy Performance (MEP) in dwellings and the following action needs to be taken:

- i. The proposals put together by the Sustainable Traditional Buildings Alliance (see Appendix 4 in the CLA report *Tackling the Housing Crisis in Wales*) should be used to develop a new Energy Performance Certificate (EPC) methodology by 2015 because the EPC rating methodology has been designed for modern properties and is not suited to traditional properties without cavity walls.
- ii. The EPC rating methodology should take account of the embodied carbon within existing buildings

and calculate the new carbon generated as a result of plastic double glazing and other Green Deal/ECO-funded interventions.

- iii. An EPC rating of "E" is not appropriate for buildings constructed without a cavity wall by the 2018 regulation enforcement date and a rating of "G" is proposed. The MEP rating for traditional properties should rise five years after the EPC methodology has been amended.
- iv. The Welsh Government should take account of the "golden rule" before banning the letting of "F" and "G" rated properties so that existing housing supply is not burdened with enforced vacancies.
- v. Landlord's Energy Savings Allowance (LESA) available should be extended to 2018 and cover £5,000 spend as opposed to the current £1,500.
- vi. Where tenants refuse to sign up to a Green Deal plan, the Department for Energy and Climate Change (DECC) should have a memorandum of understanding in place with the Valuation Office Agency so that consistency is delivered during Rent Act Tenancy Review letting. The benchmark of 80 percent of open market rents should be the minimum charge in order to assist with the payment of energy efficiency interventions needed to deliver MEP ratings.
- vii. Works required to deliver improved energy efficiency should be classed as repairs and not improvements for taxation purposes owing to the mandatory nature of new energy efficiency regulations.

3.5 Retirement Housing

Recommendation 5

The CLA recommends that the limitations of agricultural tenancy and Rent Act housing stock are recognised and the following action needs to be taken:

- i. The Welsh Government should include Rent Act stock in tenancy reform programmes since income checks have not been undertaken on successors.
- ii. Succession rights and the landlord's difficulty in regaining possession of properties subject to Rent Act protected housing should be accepted as a material consideration by Local Planning Authorities when assessing applications, by the owner, for new rural housing.
- iii. The Agricultural Holdings Act (AHA) tenancy model of including subsidised housing within the holding should be recognised as a barrier to new entrants to the farming sector within Local Authority Economic Development Strategies.
- iv. Subsidised farmhouses held within AHA tenancies should be recognised as inappropriate retirement housing within the Welsh Housing Bill.
- v. Where a planning application is made by the landowner for new housing appropriate to the

retiring tenant, Welsh planning policies should allow for that new unit to be approved. Policy HOU10, the Northern Irish Planning Policy which allows for one additional unit to be developed for retirement housing purposes within a single farmholding, is worthy of replication.

- vi. Housing density targets that are designed for urban areas should not limit the ability to deliver bungalow housing in rural locations.

3.6 Welfare Reform

Recommendation 6

The CLA recommends that welfare reform is used as a trigger to extend housing range as opposed to being dealt with through tenancy reform and the following action needs to be taken:

- i. For those landlords wishing to receive rent on behalf of benefit claimants, proving tenant "vulnerability" should not be a prerequisite.
- ii. Where housing benefit errors are made, rent monies should not be retrospectively clawed back by councils from landlords.
- iii. In rural locations where a lack of one and two bed units can be proven, neither landlord nor tenant should be penalised through the "bedroom tax".
- iv. In the context of welfare reform, lack of housing range in rural areas should be a material consideration when planning applications are made to deliver smaller units.

Design and Sustainability

4.1 Housing Range and Community Balance

Recommendation 7

The CLA recommends housing allocations in rural areas to assist with rural economic development and the following action needs to be taken:

- i. Technical Advice Note 6 (TAN 6) should be amended to ensure that rural development is delivered at the local level through rural rebalancing or rural economic development strategies.
- ii. TAN 6 should be amended to highlight "housing range" in rural settlements and promote the delivery of two bed units.
- iii. TAN 6 should be amended to ensure that open-market housing can be delivered in rural areas.

Recommendation 8

The CLA recommends that when calculating the planning gain required to fund infrastructure, local authorities should issue viable charges across a range of sites as opposed to single charges on

large strategic urban extensions which may not come to fruition.

4.2 Affordable Housing

Recommendation 9

The CLA recommends that the type of affordable housing provider accepted by local authorities is broadened and the following action needs to be taken:

- i. Landowners with S106 sites delivering affordable housing should have the ability to develop and retain control of that affordable housing.
- ii. Either 15 percent of the gross capital receipt generated by open-market units should accrue to the landowner where a partner organisation brings forward a rural exception site or, where a partner organisation is not used, the landowner should have the option to retain all affordable housing units on rural exception sites having used 100 percent of the open-market capital receipt to deliver the affordable units.
- iii. 100 percent of nomination rights to affordable housing on rural exception sites should rest in perpetuity with the landowner/successors who will “offer up” each nominee for confirmation by the local authority in line with Statutory Housing Waiting List eligibility criteria. On S106 sites nomination rights to landowners will drop to 10 percent or a minimum of five units in perpetuity.

4.3 Housing Design

Recommendation 10

The CLA recommends that the importance of good design is highlighted in the countryside.

The importance of good quality scheme design in the countryside cannot be overemphasised and elements of Technical Advice Note 12 (TAN 12) are supported. However, at 85 pages long, TAN 12 is urban focused and ignores development viability – bespoke rural design guidance that is streamlined and positive in tone is required.

Recommendation 11

The CLA recommends analysis of the contribution of renewable technology to new-build standards.

4.4 New-Build Standards

Recommendation 12

The CLA recommends analysis of the contribution of renewable technology to new-build standards.

Until either the Coalition or the Welsh Government has modelled the effects of new-build standards on rural schemes, including an analysis of renewable technology versus improved fabric, Code Level 3 for

Sustainable Homes should remain the standard in rural areas until 2018.

Recommendation 13

The CLA recommends that following the property crash of 2007, and owing to the severe contraction of the house building industry in Wales thereafter, the following action needs to be taken:

- i. The Welsh Government should assess the capacity for future house building to occur across a range of sites, via off-site manufacture of timber-framed housing units.
- ii. The Welsh Government should assess the ability for off-site manufacture of timber-framed housing units using home-grown product manufactured in Wales.
- iii. The Welsh Government should consider the stimulation of off-site manufacture of timber-framed housing units via the Rural Development Plan (RDP) for Wales, and other funding sources including tax breaks, as a means to increase economic activity through new house building and supply chain activity.

Housing Growth to deliver Economic Growth

5.1 Housing Numbers

Recommendation 14

The CLA recommends the robust calculation of housing need and supply and the following action needs to be taken:

- i. The Government should issue detailed guidance with regard to the delivery of Local Housing Market Assessments (LHMAs).
- ii. The methodology for calculating housing need should take holiday accommodation into account and calculate local spend/multipliers before discounting that supply from local housing stock. This approach requires consultation with the relevant tourist board and may uncover a surplus of holiday accommodation, in which case, planning conditions on surplus stock should be lifted and new conversions allowed to provide domestic accommodation.
- iii. The LHMA methodology should recognise that the ability to generate employment in rural areas via Technical Advice Note 6 (TAN 6) is new. LHMA guidance should recognise the ability of the rural economy to grow and lead to contingency for housing windfall sites in rural areas totalling 10 percent across the housing market area.
- iv. The LPA should use the LHMA to identify the need for smaller units in the countryside.

5.2 Viability

Recommendation 15

The CLA recommends that Joint Housing Land Availability Study (JHLAS) guidance is updated to take account of austerity and the following action needs to be taken:

- i. Local Planning Authorities (LPAs) should be required to reassess the viability of historic urban brownfield allocations since public sector grant aid for clean-up no longer exists.
- ii. Guidance should state the need to allocate land protected by designations where viability and housing need dictate the requirement to do so.
- iii. Guidance should recognise that design mitigation relating to physical constraints (such as flood risk) can be more cost-effective as a means to bring land forward than activity required to clean up polluted or contaminated sites.
- iv. Guidance should include a requirement for LPAs to take account of future, national infrastructure projects, including rural broadband that can and will open up new housing sites and deliver the knowledge economy to the regions.
- v. Guidance should highlight the importance of rural site allocation linked to all rural settlements of all sizes as the current system of relying on rural exception sites to deliver rural sustainability is difficult to implement.
- vi. Guidance should introduce the requirement for delivery of the JHLAS and the Local Housing Market Assessment (LHMA) to occur at the housing market area level and not at the local authority level.

5.3 Site Delivery

Recommendation 16

The CLA recommends that disproportionate planning regulation is reduced and the following action needs to be taken:

- i. There needs to be consistency across all planning authorities on providing pre-application advice at an affordable price for small-scale rural developers. Regardless of the size of the proposed development, this advice is particularly necessary if well-considered appropriate development proposals, with relevant additional information, are to be submitted by small-scale rural developers.
- ii. Planning authorities tend to adopt a “one-size-fits-all” approach to the planning application process, not least in the information they require from applicants. This does not work. The information required must be relevant, and its extent must be proportionate to the proposed development and reasonable in all other respects.

- iii. Clearer guidance must be produced on when an environmental impact assessment or environmental statement is required, especially in respect of small-scale rural development proposals.
- iv. The costs of planning-related fees must be proportionate to the size and/or nature of the rural development in question and an urgent review of planning fees payable is needed.

5.4 Rural Enterprise Housing

Recommendation 17

The CLA recommends recognition that rural economy workers who need housing will often work part-time and the following action needs to be taken:

- i. Essential need criteria should be amended to reflect the realities of mixed-income households.
- ii. Live-work units should be identified as a means through which expansion and diversification of the rural economy can occur.
- iii. Consideration should be given to the introduction of permitted development rights that allow for the development of new rural residential units.

7. APPENDICES

7.1 Appendix 1 – Background

7.1.1 Building on Success

The recommendations of the previous CLA housing policy report *Housing the Rural Economy*, published in 2004, are beginning to bear fruit in England but have had less impact in Wales. Many of its recommendations focused on the inequalities inherent within a planning system that:

- stifled the breadth of the rural economy and generated large house price differentials with urban areas making rural housing a sought-after commodity unaffordable for younger households and existing rural economy workers;
- failed to recognise that without new housing in rural locations, the sustainability of those settlements would be affected through a mixture of low turnover and ageing populations; and
- failed to recognise that many brownfield sites faced with extensive clean-up programmes would be unviable and therefore should not have been allocated for housing provision.

7.1.2. Where we are Today

The changes to bank lending behaviour, with greater reserves required by mortgage providers, has seen lending to house purchasers and house builders in England and Wales fall to historically low levels (Figure 2). Based on current trends, there is an expectation that by 2014/15, there will be more outright owners than households with a mortgage (Hometrack).

When mortgage unavailability is viewed alongside austerity measures and cuts in affordable housing grant funding, the national slump in construction goes some way to explaining both the reduction in Gross Domestic Product and the acute shortfall in housing supply – assessed in 2011 at 14,300 per annum in Wales (white paper statistics). A total of 70,000 households on Local Authority Housing Waiting Lists have been reported in Wales in 2013.

A notable trend to come out of the credit crunch is the rise in private sector renting, outnumbering the number of social rented units if current trends continue. Research undertaken by the British Social Housing Foundation (BSHF) in 2010 also indicated that if current trends continue, 20 percent of all households in the UK could be private renters by 2020.

In fact, the private rented sector has grown by 91 percent over the past 20 years (Hometrack) meaning that despite historic mortgage availability, new-build delivery has failed to keep up with housing need over a prolonged period of time (Figure 3). Indeed, the presumption that the rise in private rented sector has been created from existing stock as opposed to new-build stock is verified by a 2010 DCLG survey into private sector landlordism. Only nine percent of private sector rented stock was found to have been sourced from new-build stock with a mere four percent of that figure built specifically for the buy-to-let market.

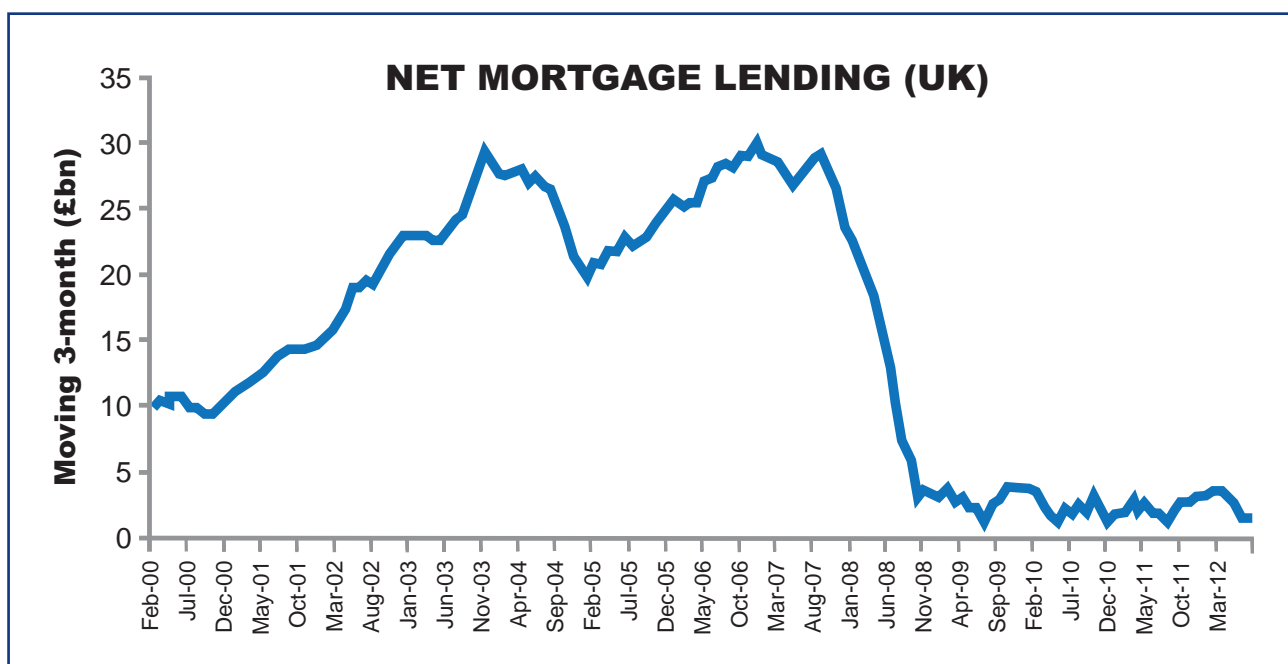


Figure 2. Recreated from Home Builders Federation graph.

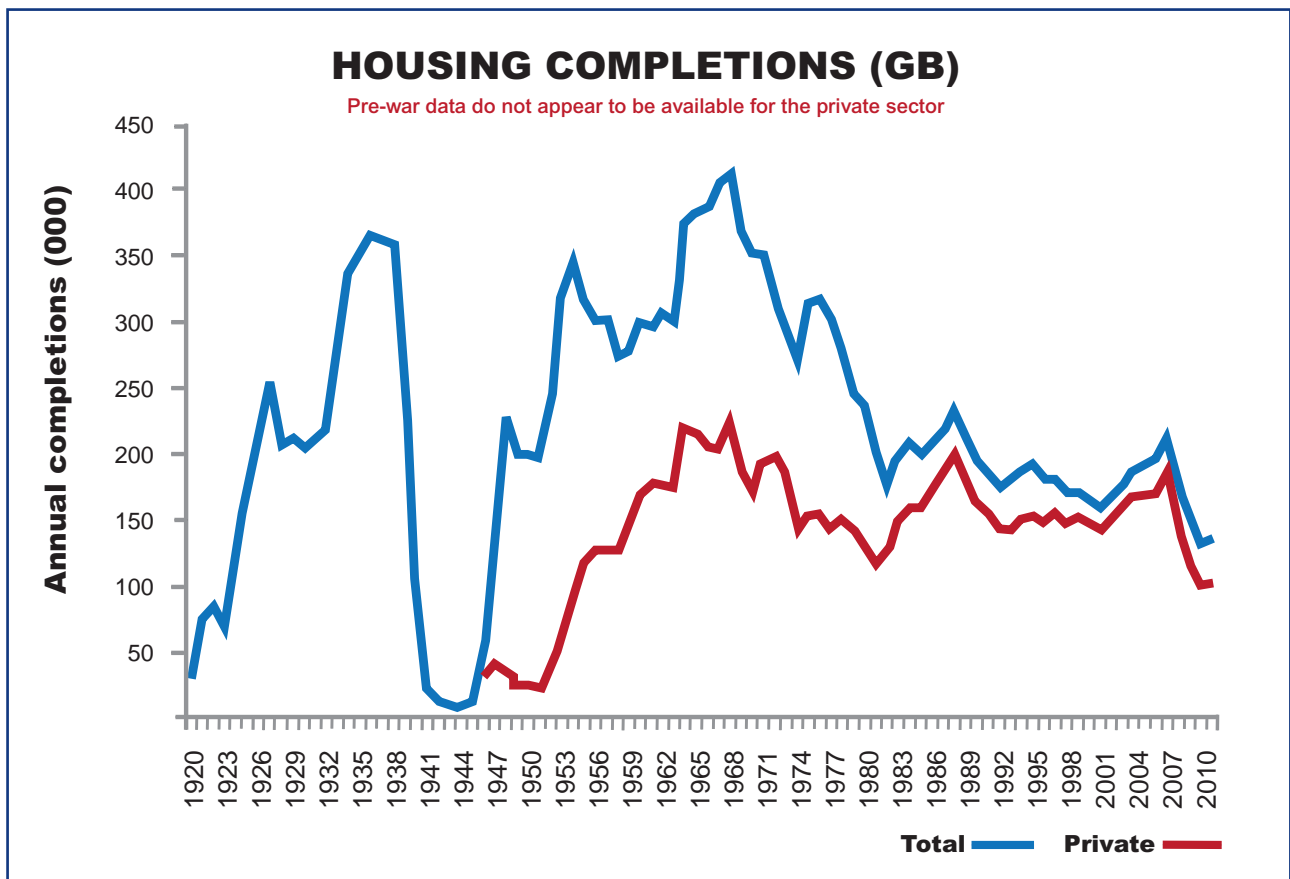


Figure 3. Recreated from Home Builders Federation graph.

7.1.3. What does this mean for CLA Members?

Contrary to the credit crunch and reduced returns in large sectors of Welsh property markets, the price of some farmland has risen meaning that many CLA members have seen an increase in borrowing capability. This report seeks to harness this capability by helping to mitigate against national housing supply shortfall and securing increased housing delivery on the ground. A target of residential planning permissions achieved by CLA Wales members to 2020 – 10,000 – will perform the function of a “statement of intent” for both the policy, and the organisation. The tax implications to the membership of delivering heightened housing supply are highlighted within the body of this report and act as a caveat to the 10,000 target.

A self-sustaining rural economy that contributes to national economic growth targets need not compromise the rural idyll treasured by urban and country dwellers alike. Alongside proposals for limiting CO₂ emissions and taking advantage of renewable technologies in existing and new stock, this housing policy report contains strong place shaping and design recommendations ensuring that the enduring beauty of the Welsh landscape is enhanced by new developments.

7.2 Appendix 2 – Rented Housing Taxation Deferral

It has been recommended that S247 of the Taxation of Chargeable Gains Act 1992, which provides a form of roll-over relief where land is compulsorily purchased, be adapted to provide a form of roll-over relief to encourage private landowners to increase the supply of rented accommodation.

What makes this relief suitable, rather than the existing roll-over relief available to farmers and other traders, is that:

- the relief is available to the landowner, who farms the land, or who lets it;
- the relief is available to the landowner who re-invests in land to be used, by the landowner, for farming or some other trade or to be let;
- for the protection of HM Revenue and Customs, S247 contains detailed preventions blocking the landowner from reinvesting in land which will be used as a principal private residence, so turning a deferral of the tax charge on the rolled over gain into an exemption.

The principal adaptation required would be to allow re-investment in the building of new rental housing on land retained by the landowner. The merits of this in policy terms are:

- an increase in the amount of rented housing; and
- less pressure on the farmland market from farmers who feel that they have no choice but to buy land to farm to obtain roll-over relief.

7.3 Appendix 3 – S104 The Relief

Where the whole or part of the value transferred by a transfer of value is attributable to the value of any relevant business property, the whole or that part of the value transferred shall be treated as reduced:

- in the case of property falling within S105 (1)(a) or [F263 (b) or (bb)] below by [F264 100 percent];
- in the case of other relevant business property, by [F265 50 percent] but subject to the provisions of the relevant chapter in legislation.

For the purposes of S104, the value transferred by a transfer of value shall be calculated as a value on which no tax is chargeable.

7.4 Appendix 4 – Sustainable Traditional Buildings Alliance

- Separate Green Deal Assessor Procedure is required for traditional buildings.
- BR443 (underpinning RDSAP and commercial U-value calculators) should not be used to calculate heat loss in traditional buildings without an understanding of its limitations.
- BS5250 should not be used to assess the moisture performance of traditional buildings or for the application of retrofit measures without an understanding of its limitations. Instead, EN15026 should be used to assess moisture performance – particularly for internal wall insulation.
- Building Regulations Part L1 B should separate internal wall insulation from other insulation measures and set realistic U-value targets for solid walls.
- Consequential measures such as ventilation and rain protection should be taken into account by assessors of traditional buildings.
- Good maintenance and repair work should be considered a valid retrofit measure through Green Deal.

CONTACTS

For more information on *Tackling the Housing Crisis in Wales – CLA policy on securing and increasing housing supply in Wales 2013-2018*, published in September 2013, contact:

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