



Written evidence to the Communities, Equality and Local Government Committee Inquiry into the provision of affordable housing across all tenures

Introduction

Shelter Cymru welcomes the opportunity to submit evidence to this inquiry. We feel it is important first of all to establish a common understanding of what affordable housing means, given that there can be variances in usage particularly between the English and Welsh policy contexts. For the purpose of the Welsh land use planning system, affordable housing is defined as 'housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers'¹, including social and intermediate rents. Rather than focusing narrowly on affordable rents as 80 per cent of market rent, it is important that the Inquiry states clearly that the Terms of Reference apply to the wider definition of affordable housing as outlined in the TAN 2 guidance.

Effectiveness of public subsidy in delivering affordable housing

The current and predicted future pressures on the housing system make it an appropriate time to clarify the purpose of affordable housing. There are a wide range of models of affordable provision, some of which are only slightly more affordable than market rents or mortgages. Different models will suit different households and there is scope for extending access across the board. However we would also argue that, in the current economic climate, provision of social rents must not suffer because intermediate rents are more attractive to private investors.

At a time when increasing numbers of people are finding themselves in unsuitable and unaffordable accommodation it is crucial that the Welsh Government not only protects capital funding for affordable housing but actually increases levels of investment to meet need.

The vast majority of affordable housing is delivered through capital grant: in 2010-11, 86 per cent of new affordable housing units were funded this way². However, over the last four years affordable housing provision has been less than half of the scale of need, estimated by the Holmans report³ at 5,100 below-market units per year. Between 2007 and 2011, a total of 9,091 affordable housing units were provided. Over that same

¹ Planning Policy Wales Technical Advice Note 2: Planning and Affordable Housing (June 2006) Welsh Assembly Government

² SDR 196/2011 Affordable Housing Provision in Wales, 2010-11

³ Housing Need and Demand in Wales 2006 to 2026, Holmans and Monk, 2010

<http://wales.gov.uk/topics/housingandcommunity/research/housing/needanddemand/?lang=en>

CELG(4)-07-11 : Paper 3

period, 1,428 were lost through the Right to Buy and Right to Acquire, and an unknown number were demolished⁴.

Cuts in capital funding outlined in the Welsh Government's draft budget for 2012/13 will exacerbate the shortfall between affordable housing provision and need. Local authorities have estimated that provision of affordable housing units will contract as a result, with an estimated reduction of 13 per cent between 2012/13 and 2013/14.

We argue that, in the current economic climate, cuts in public spending on provision of affordable housing fail to take account of the available evidence that increasing capital housing investment would assist economic recovery more quickly.

A study by Shelter⁵ calculated that every £1 of public investment in housing generated £3.51 of economic output, just in terms of the boost to the house building sector alone and not including the wider social and economic impacts of housing investment.

Furthermore, a recent study⁶ commissioned by Shelter found that action to increase investment in housing has potential to increase economic growth quicker than investment in other traditionally high value sectors. There is spare capacity in the construction industry and sufficient land available for extra investment to quickly turn into increased activity. Housing investment also has the benefit of improving long-term growth potential because of its beneficial impact on overall economic capacity and through strengthening labour mobility and work incentives.

A proportion of affordable housing can be provided through alternatives to public subsidy, such as planning gain, as well as through making better use of existing stock, and the Welsh Government should be making the most of these alternatives, some of which are described in more detail below. Government has an essential role in creating the conditions and environment for co-operatives and social enterprises to flourish. However, while it is not realistic to expect the Government to pay for everything, there is no avoiding the fact that, given the scale of housing need and the current state of the market, the lion's share of demand for affordable housing needs to be met through public subsidy.

Alternatives to public subsidy

There is undoubtedly more that can be done to maximise resources and lever in private investment. Housing associations are in the vanguard of developing innovation in private finance although many of the emerging models are built around intermediate rents, which while meeting the housing needs of certain types of tenant will not be available for those with the most acute levels of need. It should be possible to strike a balance between intermediate rents, funded through private finance initiatives, and social rents funded through public investment.

There are many models of co-operative housing that have developed, largely outside of Wales, some of which would fit within the TAN 2 definition of affordable housing. We see

⁴ Welsh Government statistics do not disaggregate numbers of demolished housing units by tenure type

⁵ Research briefing: Housing Investment: Part 1 (June 2010) Shelter

⁶ Pryce, V., Corry, D., Beatson, M. (October 2011) Investment in housing and its contribution to economic growth. Report prepared for Shelter
http://england.shelter.org.uk/professional_resources/policy_library/policy_library_folder/investment_in_housing_and_its_contribution_to_economic_growth

CELG(4)-07-11 : Paper 3

merit in exploring all of these options. However, while there is interest and enthusiasm for developing co-operative models of housing in Wales, the lack of an enabling secondary housing co-op to provide advice and support is holding back innovation in this area. The Welsh Government should provide an effective kick-start to co-operative housing by establishing a secondary co-op.

Making best use of existing stock

While there is no avoiding the need for a step-change in the numbers of new build affordable homes, there is also scope for public subsidy to be used in a cost-effective way to increase use of existing stock.

There are 24,000⁷ empty homes in Wales, many of which could be brought back into use if owners had resources to do necessary renovations. A low cost loan fund, coupled with support for local authority Empty Homes Officers and a public relations campaign to raise the profile of the issue, would assist owners to bring properties to the market and there are established initiatives⁸ where this has been successfully done, which the Welsh Government can learn from. We are aware that the Government is examining options for an Empty Properties Initiative and we hope that this will be built on existing good practice and sufficiently resourced.

The introduction of under-occupancy cuts to Housing Benefit in 2013 will cut the income of 42 per cent of working age claimants in the social rented sector. Given the extent of financial hardship that will result from this policy, the Welsh Government could concentrate on creating positive incentives for households to downsize, not only in the social rented sector but across all sectors including owner-occupied housing. The Home Loss Payments (Prescribed Amounts) (Wales) Regulations 2008 may provide an effective blueprint for incentive payments – these regulations established a flat rate payment of £4,700 for homeowners and tenants displaced by compulsory purchase or public redevelopment of land, to compensate for the distress and inconvenience of having to move home at a time not of their choosing.

The availability of mortgage rescue has declined considerably since the Welsh Government's Mortgage Rescue Scheme came to an end in April 2011. Currently only four local authorities and a handful of housing associations offer schemes and, although mortgage possession numbers have generally stabilised in recent months⁹, predicted rises in interest rates will undoubtedly result in a new wave of mortgage arrears and possession proceedings.

By facilitating mortgage rescue, local authorities and housing associations can avoid homelessness and safeguard that property for future affordable housing, generally at a lower cost than building new units. The Welsh Government could provide a stronger steer in this respect. Where mortgage rescue schemes exist, outcomes can vary significantly between social landlords. Some schemes have a high success rate in terms of keeping people in their homes, while others see greater numbers of people who have gone through mortgage rescue subsequently falling into rent arrears and losing their home. A key factor is the provision of support and financial advice alongside mortgage

⁷ Shelter Cymru research

⁸ Kent County Council 'No Use Empty'

⁹ Ministry of Justice mortgage repossession statistics

<http://www.justice.gov.uk/publications/statistics-and-data/civil-justice/mortgage-possession.htm>

CELG(4)-07-11 : Paper 3

rescue. Some local authorities and housing associations do this effectively and there is a role for the Welsh Government in drawing together good practice and setting basic benchmarks so that quality and effectiveness can be measured.