REPORT OF THE INDEPENDENT REVIEW OF AFFORDABLE HOUSING SUPPLY IN WALES

Purpose

1. To inform members of the key recommendations of the independent Affordable Housing Supply Review Panel as presented to Welsh Government with the aim of increasing the supply of affordable housing in Wales.

Background

2. In May 2018 Welsh Government announced the membership of an independent review panel which was to examine Affordable Housing Supply in Wales. The panel was Chaired by Lynn Pamment, Cardiff Office Senior Partner, PwC.

3. The review aimed to:
   
   - examine the scope for increasing match funding to build more affordable homes, to maximise the number of homes created by the Welsh Government’s contribution to social housing;
   
   - Review the arrangements governing partnership working between local authorities and housing associations;
   
   - Consider the implications of moving to deliver zero carbon homes by 2020, including the role of off-site manufacture and modern methods of construction;
   
   - Review the standards governing affordable housing and advise on whether they require updating;
   
   - Make recommendations regarding a sustainable rent policy that will both allow long term affordability for tenants and allow viability of existing and new housing developments.

4. As part of the review process, the panel issued a call for evidence, which WLGA, local authorities and other stakeholders responded to in detail, and it established 10 work streams to support its work.

5. The review panel published its report\(^1\) including recommendations to the Minister for Housing and Local Government at the end of April 2019.

\(^1\) [https://gov.wales/independent-review-affordable-housing-supply-report](https://gov.wales/independent-review-affordable-housing-supply-report)
Key recommendations from the Affordable Housing Supply Review

6. The key recommendations made by the Affordable Housing Supply Review Panel to Welsh Government are shown below:

Understanding housing need

- The Welsh Government should mandate local authorities to provide Local Housing Market Assessments (LHMAs) based on a consistent timetable, data and methodology across housing tenures. LHMAs should be refreshed every two years and rewritten every five years, and submitted to the Welsh Government. Jointly commissioned LHMAs should also be explored.

- The Welsh Government statistical service should work with local authorities to agree data sets for use in the LHMA, Local Development Plan (LDP) and other housing requirements work.

Quality housing standards

- The Welsh Government should develop new consolidated and simplified standards for new build grant funded and S106 homes. The new standards should be easier to use and should not have conflicting requirements. The new standards should concentrate on minimum space standards including storage inside and outside.

- The Welsh Government should introduce a requirement for all new affordable homes to be near zero carbon / EPC ‘A’ using a fabric first approach from 2021, supplemented by technology (renewables) if required.

- The Welsh Government should set a longer term goal of 2025 at the latest to have the same standards for all homes irrespective of tenure.

Modern Methods of Construction

- The Welsh Government should continue to support the trialling of Modern Methods of Construction (MMC) to help establish which methods can contribute to the objective of increasing the scale and pace of affordable housing with the existing resources available.

- The Welsh Government should develop a strategy to map out how Wales could further use off-site manufacturing (OSM) and MMC to deliver near zero carbon homes along with an appropriate timetable for achieving this.
Rent policy

- The Welsh Government should implement a five year rent policy from 2020-21, providing stability for tenants and landlords.

- Further flexibilities should be introduced into the Welsh Government's rent formula regime in relation to bungalows (a higher upward differential) in order to better differentiate them from flats and the locational index (a limit on annual adjustment) in line with the recommendations of the Heriot Watt report.

- There should be a focus on landlords considering Value for Money (VfM) alongside affordability. An explicit annual assessment on cost efficiencies should be part of the rationale for justifying any rent increase.

Local Authorities as enablers and builders

- The Welsh Government should encourage local authorities (LAs) to use the flexibilities that the lifting of the borrowing cap creates to support delivery of new affordable housing supply. Where appropriate, LAs should have the freedom and flexibility to access grant from the Welsh Government direct or through wholly owned Local Housing Company structures.

- The Welsh Government should encourage LAs and housing associations (HAs) to work in partnership to share skills, capacity and resources, and work collectively, through local and regional procurement frameworks, to support local supply chains.

Public sector land

- An arms-length body should be established by the Welsh Government to act as a hub for public sector land management and professional services. This body should work alongside individual departments / bodies to provide capacity and resources to accelerate development of public land assets and support greater consistency and efficiency in managing those assets.

- The Welsh Government should mandate the mapping of all public land and require owners to publish the development potential for the land they own.

Financing affordable housing

- The Welsh Government should reform grant funding to introduce a new flexible long term five year Affordable Housing Supply Partnerships model which combines grant funding certainty and flexibility whilst testing grant VfM. The new funding model should be based on principles of fairness, quality, and grant VfM transparency.
• A number of current funding pots should be consolidated to focus capital and revenue funding on core tenures determined nationally reflecting needs assessments at national, regional and local levels.

• The new model should test the contribution of private finance and alternative finance models to stretch grant resources to maximise output and demonstrate grant VfM.

• The new grant system should consider the use of both grant and equity funding interchangeably within the overall capital investment pot, in order to facilitate both new and existing financing models which are capable of demonstrating the necessary regulatory oversight required for public investment.

• Further consideration should be given to the need for a housing infrastructure and regeneration fund to sit alongside the main grant programme to unlock larger more complex sites.

• Access to grant and equity funding should be made available to Local Authorities able to contribute low cost finance to deliver grant VfM.

**Dowry and Major Repairs Allowance**

• The Welsh Government should commission an independent financial review of the Welsh Large Scale Voluntary Transfers (LSVTs) in receipt of Dowry and the Housing Revenue Accounts of local authorities in receipt of MRA. The Review should scrutinise business plans post the achievement of Welsh Housing Quality Standard (WHQS) in 2020, including financial metrics together with cost KPIs to examine whether continued receipt of Dowry / MRA on a rolling 5 yearly review period basis can be justified.

• LSVTs and local authorities should be required to demonstrate an accelerated programme of decarbonisation of existing homes in return for an ongoing commitment to Dowry and MRA.

7. The report of the Affordable Housing Supply Review Panel has been submitted to Welsh Government and the Minister is considering its recommendations. It is understood that the Minister will be making a statement outlining the Government’s response to the recommendations before the Assembly’s Summer recess period. The WLGA Housing Cabinet Members Network will discuss the report at their meeting on 16th May and will share initial views with the Minsiter, who is attending the meeting.
Recommendations

8. Members are asked to:

8.1 Note the contents of this report;

8.2 Receive a further report on next steps following Welsh Government’s response to the Affordable Housing Supply Review.

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