Delivering Affordable Housing in Wales in Challenging Times

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Housing Affordability in Wales - A deepening problem

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

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

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

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

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

- Social rented sector in Wales relatively modest in scale (15%?) - but vast majority of it is still affordable (c.f. England - affordable rents programme) - and no suggestion of revitalising RTB (indeed the very opposite - now scrapped)

- Post devolution Wales lagged behind both England and Scotland in investing in (affordable) housing, although public investment has picked up since the financial crisis

- Welsh Government committed to deliver 6,500 additional affordable homes between 2007-11 (delivered a year ahead of schedule). Actually provided just over 9,000 in period 2007-2011

- 2011-216 Welsh Government initially set a target of 7,500 additional affordable between 2011 and 2016. Target subsequently increased to 10,000. Actually achieved 11,500 additional affordable homes.

- Encouraging progress, but until now targets not overly demanding and no room for complacency (when viewed in relation to backlogs of need and projected future requirements)

- Target for 2016-2021: 20,000 additional affordable homes
Despite UK cuts and other spending priorities money has been found for investment in the supply of additional affordable (including traditional social rented) housing

Investment in national “Houses into Homes” scheme (£30M empty property initiative)

Support for small builders to help fund development costs

Wales participating in UK wide mortgage guarantee scheme

Developed its own shared equity “Help to Buy” scheme (to boost supply and help affordability) - slow start and considerable local variation but helping 1st time buyers and to kick-start the market (pressure from HBF to extend life of scheme - so now a second phase)

Innovative funding solutions for affordable housing being developed (e.g. Welsh Housing Bond) and innovative design solutions

Suspension/scrapping of RTB

Devolution (and particularly primary legislative powers) giving Wales greater scope for policy divergence from Westminster/England (but welfare benefits not a devolved responsibility - and some policy influence pressures from outside Wales)
What has been achieved? Additional Affordable Housing in Wales (Welsh Government, 2018)

<table>
<thead>
<tr>
<th>Year</th>
<th>Housing Associations</th>
<th>% HA for Social Rent</th>
<th>Total New Provision</th>
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<tr>
<td>2011-2012</td>
<td>1954</td>
<td>64.5</td>
<td>2432</td>
</tr>
<tr>
<td>2012-2013</td>
<td>1704</td>
<td>67.1</td>
<td>2042</td>
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<tr>
<td>2013-2014</td>
<td>1799</td>
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<td>2014-2015</td>
<td>1971</td>
<td>61.1</td>
<td>2218</td>
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<tr>
<td>2015-2016</td>
<td>2250</td>
<td>71.2</td>
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<td>2377</td>
<td>74.7</td>
<td>2547</td>
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<tr>
<td>2017-2018</td>
<td>1946</td>
<td>79.4</td>
<td>2316</td>
</tr>
</tbody>
</table>
Welsh Government: Programme for Affordable Housing 2016-21

- Housing association (subsidised) 10,200
  - New design (1,000)
  - Rent-to-Own (1,000)
- Housing association (self funded) 2,500
- Section 106 1,000
- Local authority 500
- Help to Buy Wales 6,000
- TOTAL 20,200
Welsh Government Affordable Housing Programme 2016-2021

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

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

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

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

Comments and Questions

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References

- Holmans, A. and PPIW (2015) Future Need and Demand for Housing in Wales, Cardiff, Public Policy Institute for Wales
- Welsh Government (2019b) Independent Review of Affordable Housing Supply, Cardiff, Welsh Government