



FUTURE OF SOCIAL HOUSING IN WALES

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INTRODUCTION

The aim of this research project, commissioned by the Welsh Assembly Government and the Principality Building Society, is to open up a debate on the future of social housing in Wales, looking ahead ten to twenty years. How are local authorities and housing associations considering the future of their social housing? To what extent are they seeking to influence the trends in its provision in their areas? This report sets out to:

- Investigate the purpose of social housing in Wales at the beginning of the 21st century and examines likely trends over the next 10 to 20 years.
- Explore the longer term strategic thinking that is taking place within social landlord organisations and the Assembly Government.
- Understand the scale of the challenge posed by meeting the Welsh Housing Quality Standard.
- Examine policy options facing local authorities, including stock transfer.

Three groups of people may be the main occupants of social housing in future if current trends continue: older people who are long-term occupiers, people who are vulnerable and need community support, and younger people who aspire to home ownership but consider social housing as a temporary stage while they build up resources to achieve it. Some questions that arise are:

- To what extent is social housing a choice or a tenancy of last resort?
- To what extent is it regarded as merely a step towards home-ownership?
- To what extent can the future provision of social housing be a response to evidence-based needs, and to what extent will it be inevitably determined by demand pressures?
- To what extent is the current provision of social housing creating or reinforcing a dependency culture?

Studying these issues and trends should inform local authorities and the wider policy community in Wales on the kind of housing that will be needed in the future. Is it inevitable that social housing will become the tenure of last resort, with it being occupied overwhelmingly by the vulnerable and economically inactive? Are there policy options that can combat these trends?

In undertaking this research we have had the benefit of the expert advice and views of the Steering Group established to oversee the project. Its membership is listed in Annex 1. In addition we have spoken with a number of professionals and academic experts in the field and surveyed part of the vast housing literature that exists. The people we have spoken with and the titles of the publications we have referred to are listed in Annexes 2 and 3.

The list of relevant, and relatively recent publications is far from exhaustive, but it provides an indication of the wide-range of housing studies that have been undertaken. However, what is especially striking about most of the reports produced in the Welsh policy arena is their specialist character. That is to say, the reports have tended to focus on specific parts of the housing policy agenda, rather than offer a holistic overview of the field. This IWA study therefore fills a gap. It offers policy-makers a sense of the interconnectedness of the issues, not just in terms of housing, but extending to other areas such as economic development and environmental improvement.

We have also examined the experiences, outlooks and policy approaches of five contrasting Welsh local authorities: Powys, Torfaen, Swansea, Gwynedd, and Wrexham. What we have examined in each case is their particular perspectives in the context of their regional location. This has helped us understand the different ways a range of factors are affecting demand for council housing in different parts of Wales. Variations across these very different communities have also helped us to assess whether it is possible to create a single policy vision for Wales as whole, and the extent to which policies may need to be tailored to particular circumstances.

The opening Chapter provides a overview of issues that need to be taken into account when considering the future of social housing, together with an account of how Phase II of this project will be undertaken. Chapter 2 offers a brief survey of the history of social housing provision in Wales, underlining how fundamentally its role has changed over the last 100 years. Chapter 3 surveys the range of complex and often inter-locking issues that confront housing policy makers at the start of the 21st Century. In Chapter 4 we examine how some current demographic and market trends are pushing social housing policy. They include housing aspirations, likely directions of the wider housing market, and the future demand for housing, in particular for affordable homes.

In Chapter 5 we examine the housing policies currently being pursued by government, particularly at the Welsh level. A major influence is the Welsh Housing Quality Standard which the Welsh Assembly Government said that local authorities should set as a benchmark to be achieved by 2012. Chapter 6 highlights the stock transfer option by exploring the contrasting approaches of five very different authorities: Powys, Gwynedd, Wrexham, Swansea, and finally Bridgend, the only authority so far in Wales to have undertaken the stock transfer process.

Housing Stock Transfer is an integral part of the Welsh Assembly Government's programme to improve council housing stock across Wales. Indeed, a working party convened by the National Assembly to consider ways of levering private finance into local authority housing recommended stock transfer as the best way forward as far back as 1999. However, relatively little progress has been made on stock transfer in Wales since then, certainly compared with England and Scotland.

Many local authorities, fearful that their role would be undermined by the loss of their housing landlord role, have remained unconvinced that stock transfer is the only possible path. Organisations have been formed to 'defend council housing'. Tenants in council houses have used their right to vote on the transfer of stock in their area in sharply differing ways. Two referendums have been held in the last two years, with tenants in Bridgend voting in favour in 2003 and tenants in Wrexham against in 2004.

The proponents of stock transfer argue that if it was widely pursued in the coming decade the result would be the transformation of the condition of local authority housing with a potential attendant impact on the economic and social well-being of Welsh communities. For many years there has been serious under-investment in Wales' council house stock. It is estimated that between £3.3 billion needs to be spent by local authorities to tackle the backlog of repairs and improvements and to reach and maintain the Welsh Housing Quality Standard.¹ As the Assembly Government has put it, "This is a significant amount, being £1.7 billion more than Objective 1 funding for Wales over 2000 – 2006."²

The only source of money on this scale is to be found from the value of the housing stock itself. Wales's 160,000 council houses have an asset value approximately five times their outstanding debt, estimated at some £1.4 billion. At the same time, local authorities are prevented by Treasury rules from borrowing against this equity since it would increase the public sector borrowing requirement. There is very little chance that these rules will be changed or relaxed.

However, as Registered Social Landlords Housing Associations are not subject to the same restrictions. Consequently, local authorities have the option of transferring ownership and management to existing Housing Associations or to new Registered Social Landlords specifically set up for the purpose, so that they can borrow against the equity to improve the stock.

Stock transfer, and the additional private investment that it is designed to engender, has been seen as the principal way for many Local Authorities to bring the council housing stock up to the Welsh Housing Quality Standard by 2012. Prospective social landlords to whom the stock might be transferred must demonstrate realistic plans to bring the stock up to the Assembly's Welsh Housing Quality Standard within a reasonable timescale and no later than 2012. There is evidence that, despite the reluctance of many Welsh local authorities to countenance stock transfer because of perceptions that it is some kind of privatisation and an undermining of their role, such views are being re-examined.

¹ Berkeley Hanover Consulting study for the Welsh Assembly Government, *Welsh Housing Quality Standard and Social Housing Renewal: Cost Model Report*, December 2005. The estimated £3.3 billion is for 160,000 dwellings (excluding Bridgend) over 30 years. This represents an average cost per dwelling of £23,000 to 2035.

² Welsh Assembly Government, *Housing Renewal as a Tool for Sustainable Development*, 2004. This was the specification for the research carried out by Berkeley Hanover Consulting (see Footnote 1).

One example is the *Manifesto for Welsh Local Government*, a policy document issued by the Welsh Local Government Association in October 2005. In the Chapter on *Affordability and quality – a new emphasis on housing* it acknowledges that stock transfer “amounts to one of the biggest strategic options a council must take” and adds:

“The Welsh Assembly Government has established the Wales Housing Quality Standard which all social housing must meet by 2012. For many authorities, the traditional route of planned maintenance will not deliver the resources or the quality to bring stock up to the required Standard. It seems councils have a stark choice of either meeting the Standard by the deadline of 2012 or some form of transfer of the stock (full or partial) to a housing organisation which can borrow to fund the scale of investment required. There is no other option.”³

Chapter 7 of this report explores the likely changing roles of local authorities and registered social landlords – the housing associations - in the coming decades. A key question for this study is whether we can expect the balance between the strategic and landlord roles of local authorities to change? We judge that although local authorities will progressively cease to own and manage social housing, their housing role will increase in other areas, in particular in acting as ‘housing enablers’. It is noteworthy that these areas come within their statutory housing functions. It may surprise many reading this report that owning and managing property is not a statutory duty that local authorities are obliged to undertake.

In Chapter 8 we explore a major conclusion of this study that increasingly social housing enablers and providers will have to work within housing market areas that generally operate across local authority boundaries. The nature of the housing market and of social housing provision in particular, is inevitably influenced by the scale of economic activity in a locality or sub-region and by the pattern of urban settlements.

Specific social provision may also be influenced by perceptions of future need, and other highly specific factors such as linguistic policy or national park constraints. In turn, investment and changes in housing can have major impacts on the wider economy. In Chapter 8 we undertake a preliminary analysis of the main housing market areas of Wales. We apply a Geographical Information System (GIS) methodology to a set of statistics, including tenant profiles, at postcode level, to see what these can tell us about the operation of market areas, especially in the social rented sector. It is noteworthy that some authorities are already collaborating with neighbouring authorities, in part to explore ways they can maximise the economic benefit from new investment in social housing (see Annex 6).

³ WLGA, *Leading reform in local services: Manifesto for Welsh Local Government 2005-2008*, October 2005.

In Chapter 9 we look at some longer-term underlying issues affecting social housing and the economic regeneration opportunities. Finally, in Chapter 10, we draw out some policy implications. This last chapter draws on consultative seminars undertaken with Welsh housing professionals, held in north and south Wales in late 2005.

As stated at the outset, the overarching objective of this study is to open up a debate around the future of social housing in Wales. Like most of the people we interviewed Peter Williams, of the Council of Mortgage Lenders, has spent many years considering Welsh housing policy. Yet he was firmly of the view that the policy area has yet to receive the attention it deserves. As he told us:

“Over the years there have been a stream of reports advocating often radical change in different aspects of housing policy, not least on the stock transfer issue. However, these have more often than not been sidelined, ignored or suppressed. The overall result is that there has been little public debate on housing of the kind, for example, that regularly attends issues in the health service.”⁴

Housing, is a complex area that can both contribute to and, imaginatively approached, help to deal with some of society’s divisions and problems as well as individual aspirations. In this report we seek to establish the role social housing can be expected to play over the next generation in Wales, against the background of rapidly changing social and economic conditions. We hope the findings will help policy makers to understand what those changes have been and are likely to be in the future and to devise policies that will help people throughout Wales achieve the housing conditions they wish for themselves and their families. The essential message is that we can either be the victims of change or we can plan for it, shape it, and emerge stronger as a result.

John Osmond
Director, IWA
March 2006

⁴ Interview, 13 January 2005.

1. OVERVIEW

What should public policy in the field of housing be trying to achieve? What is the role of social ownership in meeting those objectives? How is social rented housing likely to evolve in Wales over the next several decades? What are the greatest difficulties or issues facing policy in the light of answers to these questions?

The Assembly Government, local housing authorities, housing associations and all stakeholders are currently pondering a number of issues at a crucial moment of change. This report attempts a full description of the background and attempts to clarify some of the principal questions to which answers are being sought.

Background

In the early part of the 20th Century, until World War II, the role of social rented housing was seen as providing accommodation for the working class. In the middle part of the century, in the years following the World War II, it was regarded as providing for the general needs of workers and their families across the class spectrum. From the 1960s home-ownership began to increase markedly so that by the 1980s social rented housing had increasingly become the province of those in need of financial support.⁵ This trend was accentuated by the Right to Buy legislation which enabled many relatively low- income families to become owner-occupiers. The result has been a progressive residualisation of social rented housing and by today a perception that it is a tenure of last resort, housing the poorest and most vulnerable in society. As a recent paper on likely future demand for social housing in England, produced for the Office of the Deputy Prime Minister, put it:

“The role of the social housing sector in policy terms has changed from housing for general needs to housing those in greatest need. Unless the current policy framework changes dramatically this is set to continue.”⁶

The desire to own the property one occupies has been greatly reinforced because inflation in property prices has been consistently higher than RPI for several decades. Domestic property has become a prime investment. In the year to June 2004 average house prices in Wales climbed from £87,235 to £115,287, more than five times average annual earnings of £21,398.⁷

⁵ Council for Mortgage Lenders, *CML Mortgage Market Manifesto*, p. 38, February 2004.

⁶ Sarah Monk, Alan Holmans, Michael Jones, Diane Lister, Christine Short and Christine Whitehead, *Understanding the demand for social housing*, paper for the Office of the Deputy Prime Minister, 2005.

⁷ Principality Building Society figures, March 2004; and *New Earnings Survey 2003*, as reported in *Welsh Housing Quarterly*, Issue 55, June 2004.

House prices in Wales tend to grow broadly in line with those in the rest of the UK, with a time lag of around 18 months compared with London. It would require radical changes in public policy, or a major collapse in the housing market, to arrest or reverse these trends. At the same time the near monopoly of social provision held by local authorities in the mid-20th century, has been eroded by the growth of housing associations. As a matter of policy the Westminster government is keen to see local government play a less direct role in managing housing, and to see stock transfers to Registered Social Landlords. Under the Conservative governments of the 1980s and 1990s this was part of a programme of restricting the powers of local government. Under the subsequent Labour administrations it appears to be largely motivated by the desire to be fiscally prudent: the borrowing of registered social landlords is not part of the public sector borrowing requirement. In Wales this process of transfer desired by central government has gone slowly, with only Bridgend relinquishing direct management of its council housing through a large scale voluntary transfer to a housing association. In England, by contrast, over 150 local authorities had transferred stock totalling in excess of 700,000 properties by late 2004, mostly to new registered social landlords set up for the purpose.⁸

These developments have been brought into focus, and to a sharp point of decision, by the need to invest in the current social housing stock in order to maintain acceptable standards in the housing itself as well as in the environment in which this housing sits. The Assembly Government is seeking this outcome by setting benchmark standards (the Welsh Housing Quality Standard) and a timescale for their achievement, by 2012.

The need to finance the required investment in Wales – now estimated at around £4 billion⁹ – and the constraints put on local authority investment by Treasury rules defining the public sector borrowing requirement (PSBR) have together highlighted the issue of ownership and management of the social housing stock. These issues have been played out on the ground in two tenant referenda on the transfer of housing stock from local authorities to housing associations whose investment would fall outside the PSBR rules. One transfer was endorsed by tenants in Bridgend and the other rejected by tenants in Wrexham. Other variations on the theme are under active consideration by many authorities.

The debate on stock transfer has demonstrated not only that there is no clear consensus on how social housing should be owned and managed but also, and more fundamentally, that there is no clear definition of the purpose of social housing. The case for it often seems to rest only on the historical legacy of the stock itself and local authority functions equally hallowed by longevity. What can be said from first principles about the role of social housing?

⁸ Kevin Morgan and Bob Smith, *Bold Thinking Needed to Regenerate Our Communities*, www.cf.ac.uk/cplan/downloads/2004/kjm-article1203.pdf

⁹ See Footnote 1.

First Principles

In the current intellectual climate it is conventional to suppose that all the material requirements of life can be supplied, indeed are most efficiently supplied, commercially. Specific justification is therefore required for the government to intervene in the provision of anything, whether through state agencies or by favouring some non-commercial collective to do so. The first question asked of anyone proposing public policy action is: what is the market failure? If we examine the role of social housing from this radical contemporary standpoint, the first question is not 'what form should it take' but 'why does it exist, and what is it for?'

Market Failure

It is necessary first to understand what 'market failure' means in the sense in which economists use the term. Even a market that is functioning well in its own way may co-exist with highly undesirable outcomes, the consequence of poor income distribution. If some people are too poor for their needs or demands to be effective the market will not meet their requirements. However, if it were possible to provide resources to the people concerned the market might well then meet their needs. A market failure means voluntary exchange fails to meet people's requirements to best advantage even when everyone has the money to participate. If there is no market failure social problems may be solved by income transfer. On the other hand, if there is market failure even income support may not solve problems and other policy intervention may be needed.

Market failures can arise in some markets, for example insurance or medical care, because of asymmetric information; one of the parties to a possible transaction knows much more than the other about the good or service being traded. It is well known that markets can dry up in that situation leaving wants unsatisfied. That is a well-established justification for state regulation, but it is not clear that it applies to housing.

Another type of failure arises from so-called externalities, that is the costs or benefits of a transaction are not confined to the contracting parties but others suffer or benefit as well. Such a situation leads the unguided market to excess or deficient provision, so justifying intervention. Again, however, housing does not obviously qualify on these grounds.

Are the well-known issues of homelessness, poor housing standards or shortages of affordable housing in certain areas therefore simply the issue of poverty appearing in different forms or is there something specific to housing that requires specific action other than alleviation of poverty?

A Merit Good

Historically housing has been seen as a so-called 'merit good'. That is to say it is something that is not regarded in the same light as other goods that we are content to leave to market provision, to demand and supply. However, the notion of a merit good is not always well defined. There are broadly two definitions. One is a good of such importance to the quality of life and the ability to fulfil life's potential that all citizens must be ensured access to a minimum level, amount or standard of it. Housing certainly qualifies on that definition. Yet the definition implies very little about social provision.

If the main problem is that some people are too poor to buy their minimum requirements in the market, given the cost of provision, the government can simply make a transfer to them to solve the problem. That might take the form of general income support or, perhaps, if the government thinks a more paternalistic approach is advisable, it could take the form of housing benefit, specifically to help meet housing costs. In the latter case, the government may need to regulate rents in the affected sector because neither the landlord nor the tenant has any interest in restraining them if they believe the state will pay. However, that is far from organising the provision of housing on a non-market basis. The government does not have social food production because some people are poor, it merely subsidises their income and tries to prevent monopoly in the bread market.

The second definition of merit good is more radical. There may be some goods where people believe that access should be on the basis of need not wealth or that consumption should be more equal than the consumption of goods in general needs to be. This amounts to saying that while we are content to live in a commercial society with large inequalities of wealth and income, there are some things that we think should be held outside the commercial nexus and be available to citizens on some other criteria than ability to pay.¹⁰ Is housing a 'good' of that type?

The answer is no. Generally there is no indignation that wealthy people have more spacious homes than poorer people; it is believed a natural consequence of being wealthy. Many people do feel differently about, for example, critical health care. The popularity of the national health service stems from the feeling that position in the queue should be determined on clinical grounds and money should not allow you to jump the queue. Similarly, many people prefer to see selection for élite schools or higher education accessible to all on the basis of competitive examination or some other demonstration of ability to benefit from the experience, rather than to see selection by ability to pay. However, few people think of housing in that light.

¹⁰ The law is frequently held up as the clearest example, equality before the law being the very badge of citizenship. In practice it is a very poor example. Few paupers succeed, for example, in suing Rupert Murdoch for libel or invasion of privacy.

A Changing Climate

It is true that the consensus about these attitudes has been shifting and perhaps breaking down. The growth of consumerism and individualism has reduced the popularity of collective provision even in health and education to the point where it is no longer universally regarded as reprehensible to purchase better provision than is generally available. In the immediate post-war era there were stronger socialistic attitudes in society at large. That contributed to a feeling that social rented housing was a good thing in itself – better than being beholden to a private landlord for the roof over one's head. The experience of social rented housing fitted with an economic structure where most people were members of a proletariat and conscious of their economic interdependence. For ideological socialists, harking back to attitudes now much diluted or lost, or simply wanting a society where much more is produced and consumed collectively, the attraction of social housing is evident. However, it would be hard to argue that these attitudes are now sufficiently current to justify in themselves the provision of a social housing sector. Indeed there is now an overwhelming preference for owner occupation and a stigma often attaches to social rented housing.

Diversity of Supply

One other argument is sometimes adduced for public provision, similar to one used in broadcasting. The idea is that a diversity of types of supplier improves the quality of competition in the market and therefore raises standards. If all suppliers have the same objective, the profit motive, they may all target the same market segment. Many potential suppliers does not necessarily mean a diversity of supply. Just as most commercial broadcasters provide similar fare, speculative house building, for example, shows a striking uniformity of provision; much of it is aimed at the same market segment and it looks the same all over the country. A supplier with different objectives, for instance public service, could produce a different type of product and the competition at the margin will raise standards and improve diversity.

It is plausible that specialist types of housing, for the elderly and infirm for example, would not be provided on the requisite scale even if the elderly and infirm received special housing benefit. It may well be that some public agency would need to ensure that such provision existed as well as subsidising the individual tenants. Moreover, there are not many examples of speculative building by the private sector of low cost homes to be let to the poor. Perhaps that could be induced by tax breaks or subsidies. However, enfranchising not-for-profit agencies is another, proven, approach. Additionally, a social housing provider might be more adventurous in providing more ecologically efficient housing than the market, or housing more in keeping with local styles.

If specific social objectives are to be met or weaknesses in private provision overcome, perhaps there needs to be a social housing charter whereby councils or housing associations undertake a commitment to quality and diversity, on the lines of a public broadcasting charter. It could, of course, be argued that all that is then happening is that the social bodies somehow have access to subsidised capital. A lower cost of capital means longer time horizons and an ability to work for longer-term objectives. That may be so but that does not *ipso facto* invalidate the idea of fostering a diversity of supply via a diversity of types of supplier.

Types of Social Provision

The requirements of diversity and meeting minority needs may well justify a continued role for a social rented housing sector. Moreover, whether it would be invented now or not if it did not exist, social rented housing is a reality that cannot rapidly be dismantled. Issues therefore arise as to how it should be organised and controlled. Historically, social housing was organised by local government but that is not the only possibility. It can be provided by an arm of central government or by a specialised quango. Alternatively, it could be provided by mutual organisations controlled by tenants' representatives or by not-for-profit private companies.

This is a question, unfortunately, which is seldom approached rationally and where opposing views are advanced with equally irrelevant arguments. Economically, the forms are equivalent; the income stream from a particular housing estate is the same whatever the entity that owns it, that is to say the rents it receives; and the collateral for any borrowing is the same, too, namely the buildings themselves. Given that the objectives are supposed to be the same in each case, and their finance is economically identical, the choice among these forms should be made on the basis of the suitability of their governance structure and factors such as efficiency savings, regulatory régime, innovation and standard of service provision. Each has its own strengths and weaknesses to be weighed against the requirements of the case. Unfortunately, in the UK the choice is biased by idiosyncrasies of public accounting. Because some entities' borrowing counts towards the public sector borrowing requirement (PSBR) while others' do not, government in Whitehall favours some forms over others. In particular, it seeks to discourage local authority provision of social rented housing and to switch resources to private housing associations. Getting borrowing to finance housing off the PSBR dominates other considerations. That is so although the definition of PSBR is arbitrary and British conventions are not followed in other countries.

If central government pushes one approach for specious reasons, it is often resisted simply in defence of vested interests in the traditional powers of one tier of local government. No careful study of the corporate governance case for one structure over another, backed up by evidence, has seen the light of day.

Land Use

Whatever the role of social organisations in building and managing housing, there will also always need to be a planning function that governs land use. The market failure here is evident. Pleasant locations are a so-called positional good. The more people enjoy a location, the more desirable it becomes. The free market would eliminate much of the value it sought to exploit. Moreover, given the tendency of the affluent to prefer to associate with each other rather than the poor, there are positive feedbacks in the housing market that lead to concentrations of rich and poor. At the limit that can lead to some areas spiralling downwards and becoming slums. Public policy must therefore always be concerned to plan land use and influence the location of housing of different levels of affluence.

That means that while there can be debate about whether social housing is best organised by local government, through the users' democracy of mutual structures or managerially by private not-for-profit companies, there can be no similar issue about the planning function. Because it affects all citizens in a locality it must be subject to democratic control and accountability. There is very little controversy therefore that this function should remain under local government, or occasionally regional government, control.

Housing and Economic Development

Housing investment and maintenance is an important economic activity in its own right and therefore has links to economic development. The £4 billion investment it is estimated will be required for council housing to reach the Welsh Housing Quality Standard offers large opportunities for social and economic regeneration in some of Wales' poorest areas. For example, following the stock transfer that has taken place in Bridgend, the social provider, Valleys 2 Coast, is spending an initial £70 million on an extensive programme of repairs and improvements in the first five years, and a total of £290 million over a thirty-year period.¹¹ The amount of money available to plough back into the community, with the opportunity for economic regeneration, will be considerable.

The Assembly Government is keen to maximise the regeneration opportunities from the extra investment it thinks could be ploughed into social housing in the coming decades. These go beyond economic gains such as job creation to embrace community regeneration and potentially environmental sustainability as well. However, a key question is the capacity of the building industry, training and skills providers. If full advantage is to be taken, local authorities will have important responsibilities in planning and co-ordination and may need to collaborate among themselves to maximise procurement and other efficiencies.

¹¹ Bridgend County Borough Council Local Housing Strategy 2004, www.bridgend.gov.uk

We conclude not only that social rented housing will be a fact of life for some time to come but that it should be a part of general housing provision into the future in the interests of diversity of supply and meeting special needs. The ownership and control structure of that supply is an open question and topic for debate although all indications are that it will be resolved by considerations of *realpolitik* rather than on the basis of rational debate. However, local authorities will have an essential role in facilitating and shaping housing development through their control of land-use planning, with important implications for economic and community development. That being so, what roles will social rented housing fulfil? In answering that, we need to examine how housing needs and demands in general are likely to evolve.

Factors Impacting on Housing Demand

(i) Demographic Change

Although there are many variables to be considered, the one thing we can be fairly certain about is demographic change over the next 15 years. While the population as a whole will rise by some 3.8 per cent the most startling change will be in the numbers of the very elderly. The numbers over 85 will rise by no less than 40 per cent by 2021, while the total of retirement age will rise by 11 per cent.¹² At the other end, those of school age will decline by 2 per cent.

The Assembly Government forecasts that by 2021 we will have to cater for an additional 156,000 households over the figure existing in 1998, an increase of 13.2 per cent. It predicts that the numbers of households representing married or cohabiting couples will decline by 9,000 (1.3 per cent), while those occupied by only one person will increase by 38,000 (41.3 per cent). However, lone parent households are forecast to increase by only 1.5 per cent, from 70,000 to 71,000.

These forecasts assume very little change in the dynamics at work in recent decades. Society will continue to become more atomised, with household formation continuing to exceed population growth as more people live longer and choose to live on their own, marry later, and divorce. Falling birth rates, increased longevity, inward migration of older age groups and continuing outward migration of the young will continue to combine to make Wales a more aged society. This will be particularly marked in rural areas.

¹² Welsh Assembly Government, *Strategy for Older People in Wales – Progress Report*, November 2003.

(ii) Prosperity and Poverty

The demand for social housing is likely to be influenced not only by demographic change but also by economic prosperity and the incidence of relative poverty. The popularity of home ownership and its affordability, costs in the private rented sector, and special needs, particularly those of older people and of young adults are all critical factors. What can we expect to see?

In general terms the gap in prosperity between the richest and the poorest in society has been growing and will probably continue to do so. Most important in the housing market will be tendencies in the incidence of poverty relative to middle income groups who dominate the bulk of the housing market.

Wales's position relative to England, or more accurately southern England, is also relevant. Even if economic policies in Wales are successful in reducing the prosperity gap with England it is highly unlikely that they will close the gap completely in the time frame we are considering. We must assume, therefore, that, on average, the incidence of relative poverty will remain higher in Wales than in England and will manifest itself in higher demand for provision. The range may be extended further compared with England by linguistic considerations.

(iii) Popularity of Home Ownership and Affordability

It is hard to foresee any circumstances in the next 15 years where owner occupation is not the tenure of choice for the great majority of the population. Owner occupation is already a reality for 74 per cent of the population in Wales (somewhat higher than in England), and an aspiration for some 90 per cent. Politically, the encouragement of home ownership represents a cross-party consensus. While demand will remain buoyant in some parts of the country there is restricted supply, either because there is congestion and a genuine land shortage or because of political decisions to restrict building. In such areas it is reasonable to assume that house price inflation will continue at rates above RPI, even if at a lower rate overall than between 1999 and 2004.

Affordability will, therefore, remain a problem in some places, at least for some of the time. As we have seen in recent years, inflation in house prices creates problems of affordability even for some households that do not fall below the poverty line – the so-called 'intermediate sector'. This has been evident in many cities including Cardiff, where many first time buyers already struggle to get on the housing ladder. One result is that property values in Valley areas beyond the city's boundaries have also started rising.¹³

¹³ Chartered Institute of Housing Cymru Research, September 2005 www.cih.org

In Wales affordability has attracted much attention in the context of rural Wales and the phenomenon of second home ownership. The upward pressure here will almost certainly be maintained by three factors: first, pressure from those using proceeds from higher priced properties in England to migrate to Wales; second, those in their fifties and sixties who may use inheritance windfalls arising from house inflation to purchase second homes; and third, changes to regulations relating to self-invested personal pensions that come into force in 2006 - these will allow high-rate taxpayers to treat rental income and increases in capital value of buy-to-let homes as assets for their pension, which will therefore be tax exempt.

This issue of affordability is being addressed in a number of ways: the promotion of Section 106 agreements with developers, flexible mortgages and a variety of shared-equity schemes devised both by the private finance sector and by housing associations. In England this last trend will receive an added spur from the recent announcement of a scheme to be co-financed by central Government and the private sector.¹⁴

It is too early to say whether these measures, together with increased Assembly Government funding for homelessness projects, will have a marked effect on the recent sharp increase in those presenting themselves as homeless. Some Welsh local authorities have seen a doubling in these numbers over the last four years. A continued increase, or even a continuation of the current rate, would accentuate the residualisation of social housing, making it, by default, the province of the disadvantaged or vulnerable groups, especially lone parents, the elderly, people with disabilities, and the mentally ill.

What should the policy response be? Having encouraged private investment in housing, can the government simply subsidise the need to solve the problem? What financial mechanisms are needed either to influence supply or to support individuals or households in need? As for social rented housing, what scale of provision needs to be made? How and by whom should it be made and managed?

A thread running through these issues is discrimination. Some of the potential purposes of policy may involve protecting certain groups who might be squeezed out of certain areas by housing costs although it is in the public interest that they remain. Key workers, like teachers or nurses, for example may find it difficult to house themselves adequately in areas of cities where their services are required. Welsh-speaking communities may be further eroded by difficulties in housing. However, if housing is a merit good and there is a public interest in ensuring access for key groups, that cannot be efficiently done without discriminating in favour of those groups.

¹⁴ See Footnote, page 120.

Many people believe that the only respectable basis for discrimination is poverty. But any case for extending housing support beyond the poorest (and resisting residualisation in social housing, for example) must be based on specific objectives or target groups. In such a case discrimination on grounds other than income is not merely inevitable, it is the whole point of the exercise. It is a matter for political decision whether the objectives are important enough to justify the discrimination involved but the debate should not be aborted by the word itself.

2. A BRIEF HISTORY OF WELSH SOCIAL HOUSING

To understand the present state of social housing in Wales we need an appreciation of its history. This Chapter outlines the main trends of the last hundred or so years that have shaped social housing into what it has become in Wales today. Social housing can be described as housing that is either partially or wholly subsidised by public funds. A broader definition can also be given as:

“Housing that is not provided for profit and is often let at below market rents; it is allocated to lower-income groups or to those whose incomes would not allow them to buy a home independently; the way it is produced – in quantity and quality – is laid down and regulated by the state. The social landlords themselves are also regulated in the way they provide housing. Social landlords can include local authorities, housing associations, co-operatives, limited dividends companies and private landlords.”¹⁵

The purpose, management and financing of social housing have changed over time. The above definition would not have been valid in 1950, when the term ‘social housing’ would not have existed. At that time ‘council housing’, meaning housing built and managed by local authorities with central government subsidy, was the only form of such housing. Secondly, client groups have changed. This period was marked by polarisation of tenure between council-owned and owner-occupied, with the private landlord, the dominant supplier in the 19th and early 20th centuries, being squeezed out largely as a result of rent controls, not to be removed until the 1980s. A brief history of what lay behind intervention in the housing market and an understanding of the implications of policies will give us a clearer picture of the nature of the legacies we now have to address.

The Welsh experience of social housing differs slightly from that of other areas of the UK. Even before housing was administratively devolved to the Welsh Office in 1964 there was a tradition of semi-devolved policy delivery. Economic and cultural differences have also affected the Welsh housing landscape in different ways. Otherwise, the main thrusts of UK Government policy and wider economic forces have affected Wales as much as any other region. The Welsh differences are noted below, alongside the main UK Government policy initiatives.

The history of social housing can be split into four distinct periods: the period leading up to the First World War, the inter-war years 1918-1939, the post-war period up to 1979, and the period from 1979 to the present.

¹⁵ Anne Power *Hovels to High Rise: State Housing in Europe Since 1850*, Routledge, London, 1993 page 3.

Pre-1914

Government involved itself with housing to address the alarming public health and sanitary issues of inner-city slums. The Victorians had grasped the strong connection between bad housing and ill health. The haphazard nature of urban industrial growth had led to appalling housing and health conditions. Firstly, the sanitary authorities introduced a regulative framework for new housing. But it was local government that took it upon itself to build houses for rent, financing such ventures from the rates. Central government did not get directly involved until after the First World War.

In Wales the first council houses were built in Llandudno where the local urban council built 19 houses in 1897. Other areas of Wales followed, bringing the number built to 2,525 by 1915.¹⁶

Backing up these practical social reasons for government to intervene was an ideological argument based on the idealism of utopian socialism and communitarianism. Progressive thinkers urged intervention by linking one's personal and mental fulfilment to living conditions. Council housing gave individuals their first opportunity to attain such empowerment. The scope for pioneering town planning strategies such as model villages and garden city models was identified. As far back as 1799 a Welshman, Robert Owen, had success with his model villages in New Lanark in Scotland. The best example of a garden city model in Wales is in the north Cardiff suburb of Rhiwbina.

Not all of these initiatives were instigated by local authorities. Some were driven by semi-philanthropic public utilities societies and co-operative schemes that resemble modern-day housing associations. Lacking direct central government involvement, the development of council houses up to the Great War was ad hoc and discretionary; local councils were influenced by the extent of slum deprivation and what they could afford from income from the rates.

Pre-1914 housing tenure in the UK was characterised by private landlordism. In the absence of rent controls or building regulations the private rented sector was seen as rank profiteering from the poor.

Subsequent inter-war and post-war measures were meant as attacks on private landlordism as much as on demolishing the slums. However, Wales attained a high level of owner-occupation in the second half of the nineteenth century.¹⁷

¹⁶ Malcolm Fisk *Historical Perspectives on Housing Development* in Smith, Stirling and Williams (Eds.) *Housing in Wales: The Policy Agenda in an Era of Devolution* Chartered Institute of Housing, Coventry, 2000, page 23.

¹⁷ Peter Williams, 'Home-ownership and the private housing market' in Smith, Stirling and Williams (Eds.) *Housing in Wales: The Policy Agenda in an Era of Devolution* Chartered Institute of Housing, Coventry, 2000, page 104.

There may be three possible explanations for this. Firstly, self-help, thrift and 'respectability' as cultural notions were ingrained in the Welsh working-class. Secondly, and arising partly from the first, is the preponderance of building clubs to help fund owner-occupation. Along with parts of England such as the West Riding of Yorkshire and Lancashire, these were widespread in Wales, and especially in the south Wales Valleys. Thirdly, the existence of a skilled working-class meant families could afford to buy into such schemes.

This high rate of home-ownership – Rhondda, for example had a 67.8 per cent level of owner-occupation before the post-1980 property boom is reflected even in today's housing geography.¹⁸

1918-1939

With Lloyd-George's promise of 'homes fit for heroes' housing was placed at the top of the domestic post-war agenda. Government embarked on an unprecedented programme of public spending that entailed demolition and reconstruction on a grand scale. Local authorities were charged with the task of slum clearance and the building of new council houses. This period also saw a massive increase in private house building: in all four million homes were built between 1919 and 1939, a million of which were built by local authorities¹⁹. In Wales 49,000 council houses were built and another 88,000 private houses. Owner occupation had reached 56 per cent in Wales, which was a higher proportion than in English regions.²⁰

The houses built by the local authorities in the inter-war period were regulated by central government; influential reports commissioned by the government decreed that the houses were to be spacious and include gardens. Working families from the slums were given preference to live in them. As well as building on the demolished sites of the slums in inner-city areas, local authorities built brand new estates on the edge of towns and cities.

Central government also became involved at the strategic level. The Ministry of Health in 1920 recommended 10,000 demolitions and the building of 72,400 new houses in Wales, of which 55,300 were to be local authority houses.²¹

Attacks on private landlordism also characterised this period. Governmental rent controls and the low rents charged for local authority dwellings made it much more difficult for the hitherto dominant private rented sector to compete for tenants. This was also a trend that was to be carried through to the post-war era.

¹⁸ Malcolm Fisk, *Poverty and Housing in Wales: An Account of Current Problems* in Teresa Rees and Gareth Rees (Eds.), *Poverty and Social Inequality in Wales*, Croom Helm, London, 1980, page 54.

¹⁹ Alison Ravetz, *Council Housing and Culture: The History of a Social Experiment*, Routledge, London, 2001, page 89.

²⁰ Malcolm Fisk, *Historical Perspectives on Housing Development* op. cit. page 30.

²¹ *Ibid.*, page 27.

There is a strong correlation between general housing conditions and the conclusion that state intervention was the best approach to tackling the problem. Swansea, with its history of industrialisation as the world's non-ferrous metals capital, was at the forefront of council house building and embarked on a thorough clearance-and-build programme.²²

1945-1979

This period represents the apex of government interventionist measures in the housing market. As in 1918 there was a positive mood of national rebuilding. But the post-war policy makers also had to deal with another problem, that of bomb damage to the housing stock. The effects of inner-city bombing raids demanded a new, extensive programme of demolition and new build. Some 72,500 houses were damaged in Wales in World War Two.²³ Policy makers also saw an opportunity to expand the slum clearance programme of the inter-war years.

Between 1945 and 1959 alone 120,000 council houses were built in Wales.²⁴

The social geography of Wales changed dramatically. Most towns saw a council house estate being built, usually on the edge of town. Place names like Penrhys, Gurnos, Glyncoch, Caia Park, Maesgeirchen and Ysgubor Goch became part of the Welsh vocabulary and social geography, carrying with them their own social meanings.

Again, the practical need to provide better living conditions for slum tenants had a sound ideological *raison d'être*. It was the era of the centrally planned economy and Keynesian interventionism. As Minister of Health in the post-war Attlee government with responsibility for housing, Aneurin Bevan placed great emphasis on a centrally planned economy. His vision is encapsulated in this following justification of local authorities as the agents of policy delivery

“... if we are to plan we have to plan with plannable instruments, and the speculative builder, by his very nature is not a plannable instrument....we rest the full weight of the housing programme upon the local authorities, because their programmes can be planned.”²⁵

Though placing less explicit emphasis on central planning the Conservatives pursued active interventionism by expanding on Labour's house-building. The housing portfolio was transferred from the Ministry of Health to the newly-created Ministry of Housing and Local Government.

²² *Ibid.*, page 27.

²³ *Ibid.*, page 30.

²⁴ *Ibid.*, page 31.

²⁵ Alan Murie, *Beyond State Housing in Directions in Housing Policy: Towards Sustainable Housing Policies for the UK* Peter Williams (ed) Paul Chapman, London 1997 page 87.

As Housing Minister, Harold Macmillan became a strong advocate of regeneration and mass urban house-building. There was a post-war consensus amongst successive governments that extensive council house-building was beneficial to both the economy and to the inhabitants of the new houses.

The benefits of council housing were many – through the expanding welfare state the government was seen to be doing something constructive about attacking squalor, it provided a fairly high standard of housing for low rents and was also democratically accountable. If a local authority pursued unpopular housing policies its councillors could be voted out of office. However, in reality this happened only once in the UK, in Sheffield.

Standards were not maintained; previously sound specifications which had been in use since the 1920s were sacrificed for the sake of economy and the existence of a ‘public housing apparatus’ in which the interests of the design professions and the construction industry were given great heed by central government created a gravy train.²⁶

Governments across the industrialised world had to contend with issues of public health, poverty and overcrowding. Social housing policy in Britain has taken a different trajectory to other western European countries. Government involvement was much higher than in other countries. As an historian of British housing Alison Ravetz has pointed out:

“The way it was structured, in particular its direct provision and management by local government, set the British housing system apart from the rest of the capitalist world. The continental European experience of social housing saw government subsidy channelled through independent housing agencies so that tenants were not, as here, direct clients of the local state.”²⁷

In other words it was government-sponsored rather than government-provided.

Two other notable policy initiatives of the post-war consensus era deserve a mention, though their effects were not as keenly felt in Wales as in other parts of the UK. Firstly, the phenomenon of high-rise flats is by now synonymous with the failure of policy-makers and architects to provide lasting living conditions that were better than the slums which they replaced. Local authorities were urged to build these high-rise behemoths at the insistence of governments of both parties who “treated the level of housing completions as a major political issue”²⁸. Subsidies were proportional to the height of the high rise: the higher the rise the bigger the subsidy.

²⁶ Patrick Dunleavy *The Politics of Mass Housing in Britain 1945-1975. A study of Corporate Power and Professional Influence in the Welfare State*, Clarendon, Oxford, 1981, page 34.

²⁷ Ravetz, *op.cit.*, page 4.

²⁸ Dunleavy, *Ibid.*, page 34.

The high standard of housing specifications of the inter-war period was sacrificed to the need to demonstrate government efficiency in dealing with slum clearances. They soon became ugly reminders of how a part of the grand social experiment of social housing went horribly wrong. Secondly, the New Towns programme of the post-war era saw governments dealing with urban population overspill by building new towns. The only such towns in Wales were Cwmbran, where 10,500 new houses were built, and Newtown.²⁹ During this period, too, a residualisation of the sector began as those on middle incomes progressively moved into owner occupation, leaving behind people on lower incomes occupying social rented housing.

1979-2005

The expansionist policies of the post-war governments revolutionised housing in the UK. However, by the late 1970s, there was a growing disillusionment with this social experiment: local authorities were perceived as being too powerful and a drain on the national purse whilst many large council estates had become repositories of society's social ills of poverty, violence, drug abuse and unemployment. The post-war consensus came to an abrupt halt with the election of Margaret Thatcher's Conservative Government in 1979. Rather than endorsing this consensus by continuing to fund houses to be built and managed by local authorities the government embarked on a highly controversial policy to sell the housing stock.

Between 1979 and 2001 total Government investment in all social housing declined by 65 per cent in real terms. From 1985 to 2003 the housing share of total Government expenditure fell from 4 per cent to 1.6 per cent.³⁰

Right to Buy

In 1980 the government introduced its Right to Buy scheme, by which council tenants could buy their homes from the local authority at discounted rates, extending the voluntary scheme that had previously applied under Labour governments.³¹ Ideologically, the change chimed with the twin tenets of Thatcherism – increased individual empowerment through home-ownership and a reduction in the role and size of the state. Circumstances favoured such a bold move. An increase in general affluence led to higher rates of home-ownership, while local authority provision offered tenants little choice over the location and size of their housing. Moreover, the discounted prices introduced a large element of subsidy. As Mark Boleat put it, Right to Buy was “a policy waiting to happen.”³²

²⁹ Select Committee on Transport, Local Government and Regions 2001-02. Supplementary Memorandum by Torfaen County Borough Council [NT29 (a)].

³⁰ Steve Wilcox, *UK Housing Review 2004*, Joseph Rowntree Foundation.

³¹ Council for Mortgage Lenders, *CML Mortgage Market Manifesto*, p. 25, February 2004.

³² Mark Boleat *The Politics of Home Ownership* in Williams (Ed) page 56.

The effect of Right to Buy as a policy was revolutionary. On a UK level it enabled over two million households to become homeowners and at 2003 sales were still running at around 40,000 a year.³³ In Wales the policy was greeted with as much enthusiasm as other parts of the United Kingdom, with around 130,000 households taking advantage of the huge leg-up on to the housing ladder.³⁴

Residualisation

Mirroring the impact Right to Buy had in empowering and enriching individual households was the effect it had on the function of social housing. The best houses were sold, leading to an accentuation of residualisation of stock and tenants, that is, poorer quality of stock and poorer tenants. Ravetz states that local authority housing

“... removed the mechanism by which, however controversially, managers had accommodated a fairly broad social cross-section, leaving it with a ‘residualised’ stock and populations analogous to the poorest and most immobile slum clearance tenants of former years.”³⁵

All of a sudden it seemed like the function of social housing had changed. Instead of being a subsidised form of housing for the fairly affluent working class, it increasingly became a safety net for those who could not afford to buy their own homes, even allowing for the generous Right to Buy discounts. Social housing was a way for the unemployed, the infirm and the elderly to be housed.

Rise of the Housing Associations

The Housing Act 1988 sought to encourage local authorities to see themselves as promoting housing services that were not necessarily directly provided by themselves. The notion that local authorities should become the enablers rather than the direct providers of social housing emerged. The Act set this out as a strategic role for local authorities, which together with the Right to Buy, envisaged that their role as landlords would diminish. It also identified associations as preferred providers of new social housing for rent.

As a result housing associations increasingly became the dominant providers of additional social housing stock. In part this was because local authority management of social housing stock was an a growing source of concern. Councils were seen as monopolistic and omnipotent, with the added power of control over the sensitive issue of who got which council house.

³³ Council of Mortgage Lenders *op. cit.*

³⁴ Welsh Assembly Government housing statistics,
<http://www.wales.gov.uk/keypubstatisticsforwales/housing.htm>

³⁵ Alison Ravetz, *op. cit.*, page 203.

Housing Associations were seen as bodies that could de-politicise such issues. Critics were quick to dismiss them as undemocratic and carrying the whiff of privatisation. However, through their non-profit status and with their boards accountable to the Housing Corporation, and in Wales *Tai Cymru* from 1989, they were able to counter these criticisms to some extent.

Both Right to Buy and the increasingly prominent housing associations signified the state's withdrawal from the post-war consensus of active state intervention in council housing. Although originally opposed, the Labour Party had adopted Right to Buy by 1985. Its continued support of the policy since it came to power in 1997 has done nothing to dispel the image of another cross-party consensus, this one being the diametrically opposed to the one that applied in the post World War II era.

The previously powerful local authorities had their wings clipped by central government: not only was their best housing stock sold but the government also placed tight restrictions on how they could spend Right to Buy receipts.

Additionally in Wales, the local government shake-up of 1996 which replaced the two-tier model of eight counties and 37 districts or boroughs with 22 unitary authorities brought a radical rethink of housing policy delivery. In the previous model housing was administered by borough and district councils, through housing departments and committees. Unification of the two tiers of local government resulted in a restructuring of housing as a function and in many cases its incorporation into cross-disciplinary departments responsible for a wider range of social issues. Some argue that the absence of a distinct department of housing has resulted in the function not been given its proper salience as a policy issue.

Dunleavy notes that government policy up to 1980 was marked by "a concern to attack the legacy of bad housing in the inner areas of Britain's cities left by the Industrial Revolution."³⁶ Similarly, today's policymakers are confronted with the consequences of a century-long history of housing policy. Much of the good, bad and indifferent public housing stock built between 1919 and 1980 is still housing many in Wales, whilst more than 40 per cent of local authority stock has been bought by the tenants. A total of 139,000 sales has been recorded from a stock in 1979 of 308,000 local authority and New Town dwellings before the policy was introduced.³⁷

More generally, social housing developed through the last century in response to a combination of needs and circumstances that simply do not apply in today's Wales. Home ownership now dominates the housing market and is likely to do so increasingly in future.

³⁶ Patrick Dunleavy *The Politics of Mass Housing in Britain 1945-1975* Clarendon Press, Oxford, 1981 page 36.

³⁷ Office of National Statistics SDR103/205, October 2005.

Social housing, in the sense of rented, often specialised provision for those with special requirements, such as people with disabilities and the elderly needing sheltered accommodation, or discrete sections of the market, such as the young saving to access home ownership, will not disappear. However, its provision, ownership and management will inevitably change to reflect the realities of 21st Century Wales.

3. CHANGING NATURE OF HOUSING PROVISION IN WALES

1. Background

In Wales as in the rest of the UK, meeting housing need looms large among the issues facing government and society, presenting a series of complex interlocking social, economic and financial problems.

In the past 25 years there has been a significant growth in home ownership throughout Britain, brought about by historically low mortgage interest rates, an unprecedented 50 quarters of UK economic expansion, a range of social and demographic factors, and, perhaps most significantly, the Right-to-Buy provisions introduced in 1981 that enabled tenants to purchase their council homes at a discount. Another important factor has been much easier access to mortgages, with financial deregulation in the late 1980s having a big impact.

Between 1981 and 2003 the number of owner-occupied homes in Wales grew from 669,000 to 942,000, from 62 to 73 per cent. Of this 273,000 growth in the number of owner-occupied homes during the period nearly half, 128,069 or 47 per cent, came as a result of Right to Buy sales.³⁸

The changing balance between owner occupation and social housing is stark. In 1981 13 per cent of all wards in England and Wales had half or more of their households in council housing and 38 per cent had more than a quarter of households similarly placed. By 2001 the figures had fallen to 0.7 per cent with more than half, and 12 per cent with more than a quarter.³⁹ Home ownership has been extended to lower socio-economic groups, enabling it to become the new mass tenure rather than the tenure of privilege.

2. Market Stimuli

Housing supply is failing to meet demand in the South East of England and other fast-growing regions. Meanwhile, low interest rates coupled with a more liberal mortgage market have added to the pressure, resulting in a decade-long rise in house prices following the property collapse of the early 1990s. British housing costs have now reached very high levels and in some areas first time buyers have been priced out of the market.

³⁸ Welsh Assembly Government housing statistics.

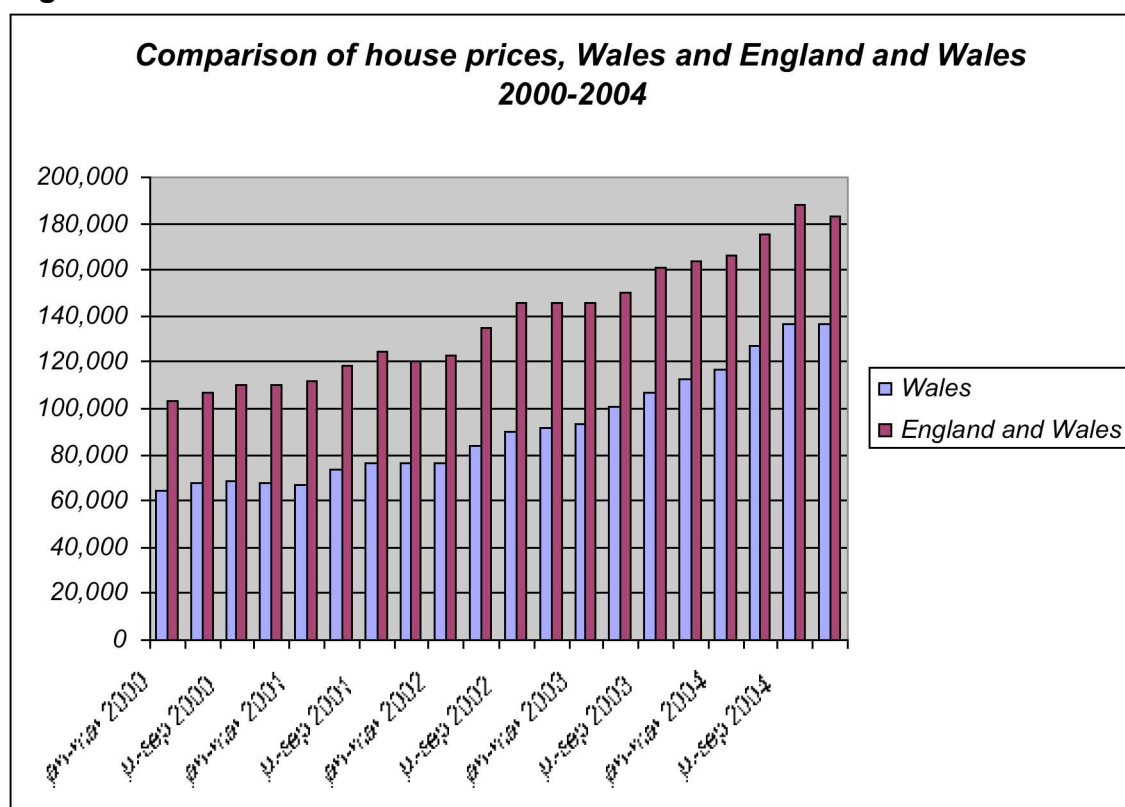
³⁹ Jeff Zifron, *Transfer of Affections: Housing Policy in Labour's Third Term*, Fabian Society, December 2004.

High salaries in the south east of England have also been at work, bringing buyers of second homes into competition with first-time buyers in many rural areas of Britain. In the year to June 2004, some time after the market started to cool in the south east, average house prices were still rising elsewhere.

In Wales prices climbed from £87,235 to £115,287, to reach an average of five times annual earnings of £21,398.⁴⁰ This latest rise followed several years of consistent increases and is part of a similar pattern in other parts of the UK.

In the period up to 1980 the market was dominated by traditional, mutually structured building societies, offering a limited range of mortgages. The period since has seen the emergence of new bank lenders, product innovation, the growth of intermediaries (paralleling the growth in complexity of mortgages), all of which have more than offset the negative impacts, especially on mobility, of the ending of mortgage interest relief at source (Miras) and the rise of stamp duty as a tax.

Figure 1



Source: Land Registry of England and Wales. Prices shown are average.

⁴⁰ Principality Building Society figures, March 2004; and *New Earnings Survey 2003*, as reported in *Welsh Housing Quarterly*, Issue 55, June 2004.

A further stimulus to the market during the 1990s was the introduction of more flexible mortgages, enabling individuals to choose how and when to repay and enabling them to switch to the most advantageous mortgages mid term. Increased rates of marriage breakdown and divorce are also leading to increased demand for homes, since divorcing couples often set up two households to replace one.⁴¹

As a result household formation is now running at a higher rate than population growth.

3. Social Housing

Demand for rented housing is directly affected by the price rises that a buoyant market has brought. As nominal prices increase, fewer new buyers from lower income groups are able to afford a home of their own, even though the costs of servicing loans may be low. Consequently they are obliged to look to the private rented sector or register for social housing and, if unlucky enough not to find accommodation, to end up homeless.

According to the Housing charity Shelter the number of families in temporary accommodation was set to hit 100,000 in 2004 compared with 41,250 families who were homeless in March 1997.⁴² Another study from *Crisis*, the homelessness charity, claimed 380,000 single people sleeping on friends' floors or in squats or hostels were effectively homeless as well.⁴³

In rural and urban areas throughout Britain there are sometimes acute problems of affordability, particularly for first time buyers. The position is further aggravated by extra demand pressures in certain faster-growing parts of the country, such as the south east of England, where population has been growing.

Affordability was particularly poor in 2004, with only 33 per cent of households under 35 able to buy on the basis of income alone, compared with 40 per cent two years earlier.⁴⁴

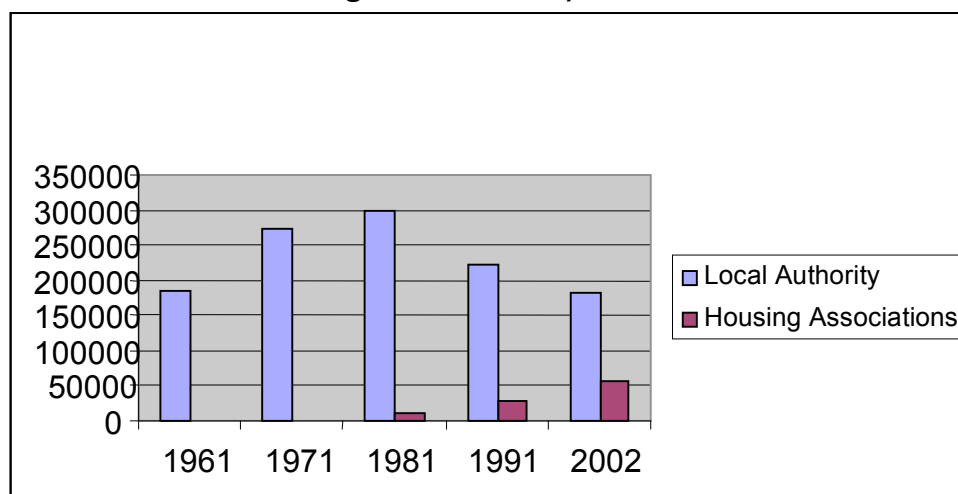
⁴¹ Annual divorce figures in England and Wales increased from 124,600 in 1972 to 166,700 in 2003, national statistics online <http://www.statistics.gov.uk/cci/nugget.asp?id=170>

⁴² Observer, 18 July 2004.

⁴³ Guardian, 13 July 2004.

⁴⁴ According to the January 2005 *Halifax Annual First Time Buyer Review* prices in 25 of the 29 Welsh postal districts were unaffordable for first-time buyers. Average prices paid by first-time buyers increased by 25 per cent in 2004 against a UK figure of 16 per cent, and the number of first-time buyers declined from 29,000 in 2002 to only 16,000 in 2004.

Figure 2: Dwelling stock estimates in Wales by tenure (local authorities and housing associations) 1961-2002.



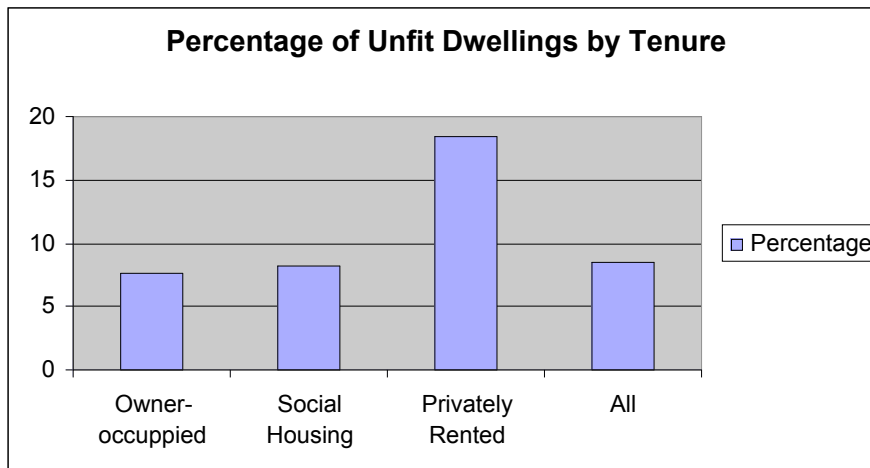
Source: Welsh Assembly Government: Welsh Housing Statistics 2004.

The outflow from the Right to Buy policies on to the private market has not been matched by new build, with the result that local authority housing now plays a much less pivotal role than it used to. Over the last 25 years, since the introduction of Right to Buy, sales have reduced the number of units owned and managed by local authorities from 5m to 3.2m, with increases in the number of housing association properties making up only part of the loss. In Wales, as shown in Figure 2, local authority owned stock has reduced from 300,000 to under 200,000 between 1981 and 2002, with the rise in housing association stock making up for less than half the loss. Moreover, because the better properties have not unnaturally been the first to be purchased, the overall quality of the stock has fallen.

4. Ageing and Unfit Stock

An important further issue is the age of the private and public sector stock in Wales. With more than one third built before 1919, its relatively poor condition in some areas means there are high costs of replacing unfit or outmoded accommodation.⁴⁵ While levels of home ownership are higher than in England, and particularly Scotland, the average age of the stock is older and, correspondingly, contains much in both the private and public sectors that is poor in quality. Parts of the Valleys, in particular, contain high concentrations of older private and public housing.

⁴⁵ According to the 1998 Welsh Housing Condition survey, 37 per cent of owner-occupied homes in Wales was built before 1919, with 13.6 per cent unfit. Social rented housing has few dwellings built before 1919 and proportionally less, 9.7 per cent, are unfit.

Figure 3

Source: Welsh Housing Condition Survey, 1998.

As Figure 3 shows, the private rented sector contains the highest percentage of unfit housing. In 1998 the Welsh housing condition survey found that some 8.2 per cent of total dwellings in Wales were unfit, compared with 7.4 per cent in England. Although it needs to be emphasised that there is no direct correlation between unfitness and the Welsh Housing Quality Standard there is an obvious relationship between the two.

In total, some £3 billion will be needed to bring Welsh local authority housing up to the Welsh Housing Quality Standard. The Government in England aims to have brought 2 million homes up to its Decent Homes standard by 2010, and also says it is on target to achieve 2 million extra homes by the same year. An extra 75,000 new social homes are planned by 2008, a 50 per cent increase on the previous plan.

5. Economic Trends

Changes in the Welsh economy and society have also left much of Wales's public and private sector housing stock in the wrong places. A study in early 2004 found that in the older mining towns at the top of the south Wales valleys there was an excess of supply over demand, including in many places unwanted council homes.⁴⁶ Jobs in south Wales have been created in the cities and towns – Cardiff, Swansea, Newport and Bridgend - and demand for housing has shifted to these areas and their hinterland at the southern ends of the valleys. Large council estates, such as Sandfields in Port Talbot, built at a time when the neighbouring steel plants employed more than 12,000 people, have lost some of their *raison d'être* as a result of the cutbacks in employment in traditional industries.

⁴⁶ *Home is where the heart is? Low demand housing in the South Wales Valleys*, Bevan Foundation, January 2004. It may be that housing market pressures since this date has eased the position even at the top end of the Valleys.

6. Rural Areas

In many parts of rural Wales the problems facing low-income families and individuals are even more acute, and the choices fewer. A fall in council house building has been accompanied by a high number of Right to Buy sales because of the attractiveness of the locations in which many of the properties are located, decreasing the overall stock available to those in need. At the same time, Registered Social Landlords, on whom the main burden of providing new social housing is now falling, have sometimes encountered difficulties in securing permission to build in rural areas.

What is needed locally are often the development of a small number of units on the edge of rural settlements. However, there are often problems in meeting this kind of demand, because of planning issues and the absence of economies of scale.⁴⁷ The loss of social housing since the Right to Buy, along with a lack of employment opportunities has obliged many young people to move from their home areas leaving behind an older population. Ceredigion exemplifies the impact of this trend, emerging in a recent study as the authority with the lowest overall birth rate in Wales.⁴⁸

7. Linguistic Considerations

Housing in Wales is a linguistically-sensitive issue. Language pressure-groups have long emphasised the link between the survival of the Welsh language in its heartland areas and housing. In the 1970s and 1980s it was the buying of second homes that drew the most attention. Later, as house prices spiralled out of the reach of a significant portion of the local population during the 1980s property boom, government was urged to legislate in favour of locals in the housing market. The argument put forward by Cymdeithas yr Iaith Gymraeg in its campaigning for a Property Act was that local communities – both Welsh-speaking and non-Welsh-speaking – were helpless in the face of rampant market forces. A lack of affordable housing, as well as a lack of decent employment, forces young people to leave their communities and look elsewhere for jobs and homes. This out-migration is mirrored by an in-migration flow of an older generation in the other direction.

The Welsh Office stated in 1988 that the Welsh language was to be a “material planning consideration” when housing developments were considered. More recently, two of Wales’ three national parks, Snowdonia and Pembrokeshire Coast, have attempted to restrict the occupation of new build to the local population. Some local authorities have also attempted similar measures.

⁴⁷ See the IWA report, *A Source of Contention: Affordable Housing in Rural Wales*, September 2003.

⁴⁸ Chartered Society for Physiotherapy figures revealed that in 2003 the birthrate in Ceredigion was 39.3 per 1,000 women compared with the British average of 55 per 1,000, and the Welsh average of 54.3, *Western Mail*, 12 December 2004.

However, it is in Ceredigion where this debate has had most salience in recent times. The local council's Unitary Development Plan of building 15,000 new homes in the area has been greeted with vociferous protests and led to a Cymuned-backed campaign, albeit unsuccessful, for a directly-elected mayor for the local authority to guard against such developments in the future.

8. Social Attitudes

Society's attitudes towards the different types of housing tenure have also changed. In particular social housing has become a less attractive option for many, brought about in part because of the combination of its declining availability and deteriorating quality, both the result of the Right to Buy process. As a result social housing is playing a very different role today from that envisaged by post war social reformers.

Fewer people see social housing as the long term answer to their housing needs, with younger people, in particular, aspiring to a home of their own.⁴⁹ Home ownership is now, to a greater extent than has ever previously been the case, seen as the tenure of choice for all socio-economic groups. Local authorities report significantly higher tenant turnover in council properties, tenants seeing a stay in council properties as a much more short-term solution to their needs than in the past.

There is anecdotal evidence that many people move readily between the two main providers of social housing - local authority and housing association – and private rented accommodation, transfers that were relatively uncommon a generation ago. It can be speculated that others see social housing as a temporary lodging en route to private ownership. Though positive in some respects, this increased mobility between and within sectors does impact on the social cohesion of council estates.

9. Exclusion

Others remain trapped in social housing because of unemployment, sickness or disability or commitments as a single parent or carer for the elderly. Indeed, some 70 per cent of council tenants in Wales are in receipt of housing benefit. The high rate of economic inactivity in Wales - some 4 percentage points higher than in the UK as a whole – is well-known. In 2003 448,600 people of working age in Wales were economically inactive, equivalent to an inactivity rate of 25.8 per cent. In the UK as a whole it was 22.0 per cent.⁵⁰

⁴⁹ Council for Mortgage Lenders, *CML Mortgage Market Manifesto*, p. 41, February 2004.

⁵⁰ Economic Inactivity in Wales, 2003 Statistical Bulletin 16/2005, www.wales.gov.uk The economic inactivity rate is the number of people who are economically inactive as a percentage of all people in the relevant age group.

Significantly, a high proportion the economically inactive live in the social housing sector since some 70 per cent of local authority tenants in Wales are in receipt of housing benefit. Other evidence suggests the speed of return to work after redundancy is much lower among those living in social housing than among those who own their own homes.

Social and economic indices hint strongly at the scale and particular location of this exclusion. Census figures for 2001 indicate that:

- The five 'heads of the valleys' local authorities feature in the top 25 of all local authorities in England and Wales with the highest percentage of its working population who have **no qualifications**. Blaenau Gwent has 45 per cent, Merthyr Tydfil 43.9 per cent, Rhondda Cynon Taf 40.5 per cent, Caerphilly 39.8 per cent and Neath Port Talbot 39 per cent.
- The same five local authorities also rank in the top ten of all England and Wales who have the highest percentage of **permanently sick or disabled**. Merthyr has 15.9 per cent, Blaenau Gwent 13.8 per cent, Neath Port Talbot 13.6 per cent, Rhondda Cynon Taf 13 per cent and Caerphilly 12.1 per cent.

In some local authority housing estates the work ethic has been seriously weakened and these have become the centres where the disadvantaged in society congregate and are congregated. Without an equity stake in society, or the means to acquire such, individuals fall further and further behind their counterparts in jobs and in their own choice of dwelling and are in no position to take advantage of modern society's offerings.

10. New Housing Construction

Construction at around 8,900 homes in 2002, across the private and public sectors, is roughly meeting expected household growth. However, a report for the Council of Mortgage Lenders pointed to a backlog of unmet need of 33,000 dwellings at 1998, made up of concealed families, private tenants that are sharing and crowded private/social tenants.⁵¹

The HM Treasury 'Barker' Review, published in March 2004, examined housing supply in the UK as a whole and concluded that a lack of new build was constraining economic growth and contributing to macroeconomic instability: new supply only accounted for 1 per cent of the housing stock. It recommended that to reduce real house prices to 1.8 per cent annually, an additional 70,000 private sector and 17,000 to 26,000 social housing sector homes a year were needed in England.

⁵¹ *Who's Counting? Demand for Homes in Wales 1998-2016*, Alan Holmans, Council of Mortgage Lenders, 2003. For example, See also Jackie Bennett, *Home Ownership in Wales: Issues and Challenges*, Council of Mortgage Lenders, October 2004.

However, Wales cannot be compared directly with England as the demand pressures differ. Consequently, the recommendations of the Barker review, which gave little attention to Wales, cannot be simply extrapolated. Indeed, a big increase in house building in Wales would probably only promote inward migration in many places and fail to meet the needs of disadvantaged groups.

11. Low-income Home Owners

In Wales, which has a higher proportion of low income home owners than England or Scotland, local authorities have made greater use of grants to help householders improve their properties. The Regulatory Reform (Housing England and Wales) Order 2002 created a new framework for local housing authorities to provide financial and other assistance for home repair and improvement. The overall objective is to improve the targeting of funds to those most in need and this could lead over the longer term to a shift away from providing a broad range of home improvement grants to new strategies involving loan finance.

4. SOME CURRENT TRENDS

How will housing markets develop in Wales over the next 25 years, and how will they meet the changing needs of society? Some current trends are clear.

1. Increase in Households

The character of households will become more distributed between family and single occupation. Household formation will continue to exceed population growth, as more people choose to live on their own, marry later, divorce, and live longer.

In 1961 there were 782,000 homes for 2,635,000 people in Wales. By 1998 there were 1,186,000 homes for 2,893,085 people. As the table below shows, whilst the population of Wales is set to grow by 92,000 (3.8 per cent) by 2021, the number of households is forecast to increase by 136,000, or 13.2 per cent.

Table 1: 1998-based Household Projections, Wales

Household type	1998	2021	Percentage change
Married couple	621,000	567,000	-8.7
Cohabiting couple	72,000	117,000	62.0
Lone parent	70,000	71,000	1.1
Other multi-person	330,000	457,000	38.4
One person	92,000	130,000	41.3
All households	1,186,000	1,342,000	13.2
Private household population	2,893,000	3,003,000	3.8

Source: Welsh Assembly Government statistics

The strongest growth, 34,000, or 41 per cent, will be in one person households:

“Increasing longevity, declining marriage and birth rates, and increasing relationship breakdown will account for the bulk of these changes.”⁵²

⁵² Mike Harmer and Selwyn Runnett, ‘Welsh Social Housing’, in Robert Smith , Tamsin Stirling and Peter Williams (Eds.), *Housing in Wales: The Policy Agenda in an Era of Devolution*, Chartered Institute of Housing, 2000.

2. An Ageing Society

Wales is set to become a more aged society, mainly as a result increased longevity, falling birth rates and to a lesser extent inward migration of people in older age groups and outward migration of the younger, particularly from rural areas. According to the Office for National Statistics, Wales has a larger proportion of older people (over 50 year olds) and a smaller proportion of younger people (20-35 year olds) than the rest of the UK. The proportion of the population aged over 60 is larger in Wales than in England, with 22.7 per cent of the population over 60 in Wales, compared to 20.8 per cent in England. Census figures have predict a further shift in the age profile of the Welsh population, including:

- An 11 per cent increase in the number of people of retirement age by 2021, meaning that 22 per cent of the population will be of retirement age.
- An increase of over 40 per cent in the number of the very elderly (over 85 years) by 2021.
- A 2 per cent reduction in the number of people of school age, meaning that 18 per cent of the population will be in this age group by 2021.

Table 2 provides an analysis of these demographic shifts in numbers rather than percentages, showing the total number of people of Retirement Age increasing by 95,000 by 2021.

Table 2: 2003 Based National Population projections by Age ('000s)

	2003	2006	2011	2016	2021
<i>Thousand</i>					
Total	2,938	2,980	3,020	3,064	3,106
Children	577	562	537	529	535
Working age	1,765	1,801	1,820	1,857	1,880
Retirement age	596	617	663	678	691

Source: Government Actuary's Department

Further analysis of the 2001 census reveals marked differences between local authorities. Counties such as Conwy and Ceredigion have a population significantly above the UK average for over 50 year olds but a much lower proportion of under 35 year olds. Recently-retired migrants and those still working are likely to continue to generate pressure on housing prices because of the differential between prices realised in parts of England and those prevailing in most parts of Wales.

Among older home owners the market for equity release products is likely to develop and strengthen as the costs of late retirement care are felt by individuals. It is estimated that older people in Britain may have as much as £460 billion of un-mortgaged equity in their homes.

3. Migration

Substantial migration is under way both into and out of Wales and will continue over the coming decades. In-migration from England into Wales has increased markedly in recent years. In the year to end June 2004 migration from Wales to other parts of the UK totalled 49,200 compared with in-migration of 63,000, mainly from England.⁵³

There is some evidence that the increase is connected with older people in southern England taking advantage of relatively high property prices, selling and moving to Wales where prices are relatively lower. Table 3 relates the changes migration patterns to changes in English house prices between 1998-99 and 2002-03. The result shows that areas with highest prices increases – Greater London, the South East and South West - have contributed most to the increase in migration into Wales.

Table 3: Change on Migration Compared to Change in House Prices 1998-9 to 2002-03

Net change in Migration to Wales	Percentage change in house prices		
	30-45%	45-60%	60%+
Less than 500 additional persons	North East North West Yorks & Humber		
500 to 2,000 additional persons		East Midlands West Midlands	
2,000 additional persons or more			Greater London South East South West

Source: Dale Hall and Jonathan Lee, 'Housing Supply, Demographics and Migration' in Alison Clements (Ed) *Game Plan: Housing, Planning and the Economy*, Chartered Institute of Housing Cymru, 2005.

It is estimated that in the period 1998 to 2016 Wales will experience a net population gain of 104,500 as a result of migration with major population exchanges taking place each year.⁵⁴ The major housing impact is in north and west Wales where incomers are pushing up prices and making them less affordable for local people.

⁵³ Office of National Statistics, *Inter-regional Migration Movements within the UK*, June 2005.

⁵⁴ Alan Holmans, *Who's Counting? Demand for Homes in Wales 1998-2016*, Council of Mortgage Lenders, 2003.

One measure of the current impact is that cash transactions made up 28 per cent of house sales in Wales in 2004, the highest proportion of any part of the UK. In addition, it can be surmised that people are likely to become more mobile, with the growth in participation in higher education leading to more people moving away from their home areas to live, both outside Wales and within. This could lead to further loss of young people from rural areas and other economically fragile areas, such as the Valleys.

4. House Prices

If the experience of recent decades is any guide, house prices in Wales are likely to continue to grow broadly in line with those in the rest of the UK, with a time lag of around 18 months compared with London. Factors that will tend to put upward pressure on prices include:

- Commuter overspill from Bristol into Monmouthshire and from Cheshire into north-east Wales.
- Inward migration of retirees, especially in rural west and north Wales.
- Civil service redeployment to the cities of south Wales, and to a lesser extent from Cardiff to other Welsh centres such as Newport, Merthyr Tydfil and Colwyn Bay.
- Growth in student numbers in Welsh colleges and universities consequent upon UK Government plans to increase to 50 per cent the proportion of 18-year-olds attending higher education institutions.
- Continued investment from the public sector in infrastructure, business development, health and education, particularly if a further round of Objective One funding becomes available.
- Private sector developments, including Airbus UK in north-east Wales, gas terminal development in Pembrokeshire, and financial services growth (such as ING) in Cardiff.

5. Preference for Home Ownership over Other Forms of Tenure

The preference for home ownership seems unlikely to abate, but how far the gap between the 74 per cent home-owning figure and the 90 per cent or so who aspire to the status is likely to close depends on a range of factors. It seems reasonable, however, to expect a continued growth in intermediate, that is to say shared equity tenures. These combine elements of home ownership with social provision as a stepping stone into home ownership for those on lower incomes. Enhanced provision may also be made for groups such as the elderly who wish to release equity from their homes. At the same time few younger people envisage that they will remain council tenants for an extended period. Wrexham's 1999 Housing Needs Survey of its population on the following page provided one snapshot of preferred tenure options.

Table 4: Preferred Tenure Options in Wrexham in 1999

Preferred Tenure	First Choice	Second Choice	Current tenure
Owner occupation	64	3	61
Council renting	28	12	32
Low cost/shared ownership	3	28	0
Housing Association	2	25	3
Private - unfurnished	2	20	3
Private - furnished	1	4	1
Don't know		8	

Source: Wrexham 1999 Housing Needs Survey

In Wrexham the first choice option was clearly owner-occupation. Moreover, since then there has been a surge in the Right to Buy option in the borough, especially between 2001-05: 580 houses were sold in 2002-03 alone.⁵⁵

Equally noteworthy, however, is the second choice option for low cost or shared ownership schemes. These provide a measure of the aspirations of those who are not owner-occupiers but see these schemes as a step towards owner-occupation. Significant, too, is the 25 per cent who nominated housing associations as a second choice option. This perhaps reflects contrasting perceptions between council and housing association tenure, with the latter having a better image. Catherine Green, Wrexham's former Housing Strategy and Support Services Manager, commented:

“There is a real issue over the future nature of tenancy in social housing. In a means-tested publicly-funded environment can we offer secure tenancy for life, as was envisaged during much of the 20th century? Is social housing in practice destined to be the housing option of last resort and stigmatised as a result? Today just under 60 per cent of Wrexham's tenants are in receipt of housing benefit, with the proportion rising. There is no question that today there is a real class divide between property owners and non property-owning people.”⁵⁶

⁵⁵ In Wrexham's 2005 Housing Needs Survey households were similarly asked about their tenure preference, but in the form of what tenure they would both like and expect to move to. The results, shown in the table below, reveal a different response, reflecting the different question. However, home ownership, followed by council renting, still emerges as the strongest preference.

Housing tenure aspirations and expectations in Wrexham 2005(%)

Tenure	Like	Expect
Buy own home	52.2	51.4
Rent from Council	29.9	29.1
Rent from RSL	8.1	6.4
Private rented	8.7	11.0
Tied	0.9	0.9
Shared Ownership	0.0	0.9
House / Flat share	0.3	0.3
Total	100	100

⁵⁶ Catherine Green, interviewed 24 January 2005.

These changes in attitudes to social housing raise big questions about its role and who it should be for. As we have seen there is no doubt that the number of households will rise in coming decades. What is more questionable is whether the proportion of home-owners will rise from the relatively high (in Wales) 74 per cent.⁵⁷ The extent that it does, or that policy intervention encourages it to rise, will make social housing provision more residual. In future social housing will increasingly be aimed at people who need support or some form of sheltered accommodation, especially teenagers, the elderly and people with disabilities.

6. Growing Demand for Affordable Homes

Strong demand is likely to persist for affordable homes, especially for first time buyers. This is the case across both urban and rural Wales, with perhaps the pressures strongest in the latter. For example, Gwynedd's *Housing Strategy 2004-2008*, estimates that an extraordinary 44 per cent of the population are in need of affordable housing.⁵⁸ The Strategy estimates that 3,143 affordable housing units will have to be provided between 2000 and 2010 to meet demand.⁵⁹ In 2004 the average salary in Gwynedd was £19,800. This allowed a maximum mortgage of £69,000 for a single person, and £109,000 for a couple. Yet the average cost of a house was £134,000. In addition to low incomes, people in the county face difficulties in accessing the housing market because of:

- Out migration
- External pressures on the housing market
- Age of the housing stock
- Environmental policies, especially within the National Park

Taken together these factors encapsulate the affordability problem in the county. There is an increasing gap between income levels and the cost of housing. Moreover, there is a spatial pattern to the problem with affordability most difficult in rural and coastal areas – within the National Park, the Llyn peninsula, and the coast of Meirionnydd. These are areas where incomes tend to be the lowest and local people tend to compete with outsiders with greater resources. In urban Wales, Wrexham is typical of authorities that have seen their waiting lists for council properties expand. In early 2005 its waiting list was 4,000 compared with an average of around 3,000 in recent years. According to authority officials the increase was largely due to younger people unable to gain a step on the housing ladder. As the authority's *Local Housing Strategy 2004-2009* put it:

⁵⁷ Council for Mortgage Lenders, *CML Mortgage Market Manifesto*, February 2004.

⁵⁸ Gwynedd County Council *Local Housing Strategy 2004-2008*: "Over the longer period, a need of 1,572 affordable housing units is projected for 2000-2005, and 3,143 affordable housing units for 2000-2010 to meet the need for affordable housing. 44% of the population of Gwynedd are estimated to need affordable housing" (paras. 38-39).

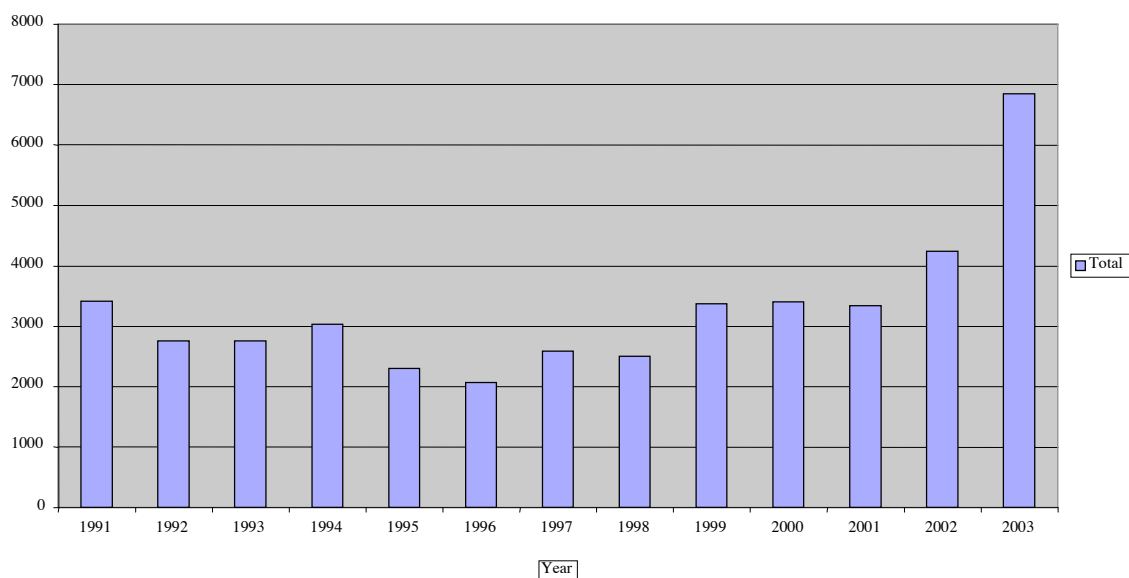
⁵⁹ *Ibid.*, paras. 38-39.

“Increasingly throughout the borough, local people are experiencing difficulties in securing affordable housing. This is being caused by a combination of decline in available council and other affordable rented housing and the inward migration of commuters, retired people, and workers in some sectors. These pressures raise property values beyond the reach of many local people.”⁶⁰

7. Right to Buy

Right to Buy sales remained buoyant throughout the 1990s and early 2000s. As Figure 4 shows, sales declined in the mid-1990s before increasing again after 1998. There was a marked increase in 2003 – a 61 per cent increase on 2002 – with almost seven thousand homes sold. Figures for the first six months of 2004, of 2,790, maintained a high rate of sales. The post-1999 increases are probably due to both the general rise in house prices and the changes to the Right to Buy discount, which was reduced from a maximum of £24,000 to £16,000 in April 2003. In 2004 there were 4,900 completed Right to Buy sales in Wales, a drop of nearly 2,000 on the previous year. Even if the rate were to settle at a lower annual figure of, say, 2,000 per year this would still imply a reduction in the stock to 120,000 properties over 20 years.⁶¹

Figure 4: Right to Buy Sales in Wales 1991-2003



Source: Welsh Assembly Government housing statistics

⁶⁰ Wrexham *Local Housing Strategy 2004-2009*, Para. 293.

⁶¹ Office of National Statistics, SDR103/2005.

8. Low Cost Home Ownership

It seems likely that governments of whatever hue will continue to wish to promote home ownership and move progressively further away from the previous large single tenure social housing estate model. In dealing with a range of social problems mixed tenure is now seen as preferable, and developments are increasingly likely to seek to mix such social provision as is provided with one or other forms of home ownership.

With many in lower income groups increasingly unable to compete, however, in the unsubsidised home ownership market, and in danger of losing touch with the home-owning majority – with all the long-term consequences that might create for social harmony - various bridging schemes have been promoted to try to enable excluded groups to taste property ownership, often in mixed tenure environments. In recent years low cost home ownership has been encouraged by Right to Buy but more recently by other schemes including, principally Shared Ownership and Homebuy.

In addition there is scope to use the planning system to promote low cost ownership through Section 106 agreements. These arise out of obligations imposed on builders through the planning system to incorporate affordable units into developments. A significant number are handled through the various low cost home ownership platforms. Chapter 5 contains a more detailed discussion of the operation of Section 106 agreements and shared equity schemes.

In some respects Wales, through the Homebuy model, has been a pioneer in developing means to achieve new flexibility in both the housing market and in housing tenure. A recent review of equity release schemes by the Council of Mortgage Lenders found that they tend to operate in isolation, servicing only part of the overall need for assistance.⁶² It concluded that shared ownership has been the most successful model so far in securing both access to and the sustainability of home ownership, though it is restricted in its application through limited public funding.

9. Homelessness

Across Wales an increasing number of people are presenting themselves as homeless. Acceptances by Welsh authorities rose from 4,390 in 2000-01 to 9,856 in 2004-05.⁶³ A recent Assembly Government report *Housing in Wales – The 21st Century*, observed that local authorities had found that the rise was:

⁶² Fiona Hoyle *Improving flexibility in housing market: a review of current schemes*, CML, December 2004. See also the CML 2004 report, *The Potential Market for Equity Loans in the UK*.

⁶³ Office of National Statistics

“... due to a combination of factors including the effects of the revised Priority Need Order of 2001⁶⁴, the current position of the housing market, pushing demand through to the rented sector and a reduced level of allocations in the Social Housing sector due to the Right to Buy. At present this is not confirmed by more than indicative evidence.”⁶⁵

The findings of this study underline emphatically this ‘indicative evidence’. In Torfaen, for example, housing officers dealt with 1,100 homelessness presentations during 2003-04, which was a 50 per cent increase on previous years. The Council’s Housing Strategy Manager, Kellie Beirne, said the increase was the result of under-investment combined with an affordability crisis:

“Given the current level of resources available from the Assembly Government it is impossible for us to keep pace with the housing market and respond to the increasing incidence of housing need. One of the most serious manifestations of the affordability/under-investment predicament is the increase in homelessness. We are being consistently informed that some smaller, often unheard of, local ‘mortgage lenders’ are operating ‘self certified’ mortgages, loaning ridiculous amounts of money, well beyond the average 3.5 times annual household incomes. This not only marks the willingness of such businesses to capitalise on the affordability gap, but the real desperation and despair driving people to go to any lengths to get on the property ladder.”⁶⁶

In Powys the number of people presenting themselves as homeless has doubled to around 1,000 per year in the last few years. Homeless applications were 527 and 562 in 2001-02 and 2002-03, but jumped to 1,111 in 2003-04. According to the Head of Housing and Domiciliary Support Services, Catriona Graham, the increase was due to the following combination of factors:

1. State of the housing market, with rapidly increasing house prices putting properties beyond the reach of more and more people, especially young people.
2. Private landlords opting to sell their properties at what they perceive to be peak market prices.
3. New regulations required by the Assembly Government to consider a greater range of categories of people as homeless and in priority need.
4. The establishment of an independent advice service in the county by Shelter.

⁶⁴ In 2001 the Assembly Government issued regulations extending the range of groups of people categories as vulnerable and thus eligible to be considered as homeless: ex offenders, people leaving the armed forces, children who had been in council care, and victims of domestic abuse.

⁶⁵ Assembly Government, *Housing in Wales – The 21st Century*, presented to the Social Justice and Regeneration Committee, 23 February 2005, Para. 4.4.3.

⁶⁶ Kellie Beirne, *op.cit.*

5. The new people included within the changed statutory definition of homeless made in the 2001 order has inevitably contributed to the increase in the numbers presenting themselves as homeless. Alongside this the Assembly Government has increased funding for homelessness projects from £650,000 in 1998-99 to just under £5 million in 2005-06, funding 102 projects across Wales.⁶⁷ This increase sounds substantial. However, given the pressures it is not meeting the demand. As Catriona Graham told us:

“The council agrees with expanding the categories of homelessness, but the fact is that we have no new resources to deal with the extra demand. At the same time the properties we have available have been declining as a consequence of ‘Right to Buy’. In some areas more than 50 per cent of all general needs Council house lettings are now made to applicants found to be homeless or threatened with homelessness. The increase has also placed considerable strain on the temporary accommodation used by the Council, and has led to an increase in the use of bed and breakfast in some areas.”⁶⁸

In November 2005 the Welsh Assembly Government declared it was taking “concerted action” to deal with the rising homelessness problem:

“We are revising our National Homelessness Strategy to ensure an increased focus on prevention. We have significantly increased funding for local authorities and voluntary organisations to improve frontline services. We are preparing legislation to reduce the use of bed-and-breakfast hotels for homeless people.”⁶⁹

10. Growing Divergence Between Rich and Poor

The growing gulf in prosperity between the richest in society and the poorest is likely to be maintained or even increase. A recent report by Shelter shows that the growing housing wealth of the UK is unevenly distributed, with the rich getting richer. The more expensive houses have risen in value to a far greater extent than less expensive houses. For example:

“For the average value of property in Kensington you can now purchase 24 properties in Leven in Fife. In 1983 you could purchase three.”⁷⁰

⁶⁷ *Housing in Wales – The 21st Century*, *op.cit.*, Para. 4.4.6.

⁶⁸ Catriona Graham, Head of Housing and Domiciliary Support Services, Powys County Council, interviewed 25 November 2004.

⁶⁹ BBC Wales website, 20 November 2005.

⁷⁰ Bethan Thomas and Danny Dorling *Know Your Place: Housing Wealth and Inequality in Great Britain 1980-2003 and Beyond* Shelter, 2004

Similarly, in Wales, such disparities are very much in evidence. Even within the same local authority area huge differences appear. In Swansea, for example, postcode analysis reveals that house prices for area SA34, which is the Mumbles area, have increased from an average of £83,257 in the October-December 1998 quarter to £255,437 in the latest October-December 2004 quarter. This represents a 300 per cent increase. In another part of Swansea, SA133, the average price of a house was £23,900 in October-December 1998. The increase to £35,542 for October-December 2004 represents only a 67 per cent increase.⁷¹

These growing divergences in wealth levels make it likely that upward pressure on Welsh house prices will continue to be exerted by migrants from England using house sale proceeds for retirement or to seek a less stressed or less expensive life in Wales. Gross Value Added for Wales is only 78.9 per cent of the UK average (2001, UK=100) while gross household weekly income is 80 per cent of the UK total.⁷²

11. Inter-generational Inheritance Patterns

Successive hikes in house prices over the last 30 years mean that many people in their fifties to sixties stand to gain large inheritances from their parents in the coming decade. Many may choose to invest their windfall in second, holiday homes, increasing the pressure on affordability in areas such as west and north west Wales.

Shelter's recent report into growing housing wealth inequality reveals that current levels of housing wealth inequality are unprecedented.⁷³ The share of national wealth held in the form of housing has almost doubled from 22.1 per cent in 1971 to 42.0 per cent in 2002. It is almost twice as high as the financial worth of all life assurance and pension funds.⁷⁴ A recent report by the Institute of Actuaries states that the aggregate housing wealth of people over 65 in the UK comes to £1,100 billion.⁷⁵ It states that the potential impact of this wealth "could be significant," and also calls for more equity release schemes to be introduced to enable this age group to take advantage of their wealth.

Undoubtedly there will be a tendency for inherited wealth to be concentrated in the hands of those who are already home-owners and relatively well-off. On the other hand there is some evidence that in future people will tend to spend accumulated wealth rather than pass it on.

⁷¹ Land Registry of England and Wales website.

⁷² Office of National Statistics, *Key Statistics for Wales: Regional Trends 38*, March 2005.

⁷³ Bethan Thomas and Danny Dorling *op.cit.*

⁷⁴ Shelter, *Know Your Place: Housing Wealth and Inequality in Great Britain 1980-2003 and Beyond*, 2004.

⁷⁵ *Equity Release Report 2005* Faculty and Institute of Actuaries, 2005.

For example in a recent attitudinal survey two-thirds of those with some potential to leave a bequest in the future said they would enjoy life and not worry too much about saving their assets to leave a bequest.⁷⁶

12. Buy-to-let Pension Investment

Under the regulations of self-invested personal pensions that come into force in 2006, the UK government will allow higher-rate taxpayers to treat the rental income and increase in capital value of buy-to-let homes as assets for their pension, which will therefore be tax exempt.

Alongside this higher rate tax relief on pension contributions means that any purchase under SIPP will be subsidised by 40 per cent. This will inevitably place more pressure on two areas of housing in Wales:

- Holiday properties in west and north Wales where strong demand is already pushing prices beyond the range of many local people.
- Student accommodation in Wales' university towns and cities.

13. Private Rented Sector

The private rented sector seems likely to continue its recovery, though this will be more pronounced in growing urban/student centres to which young people will increasingly turn for their tertiary education and first jobs. This sector may also play a growing role in housing young couples saving to buy a home. Indeed, many potential purchasers of lower-cost properties now find themselves in competition with buy-to-let purchasers who are acquiring property as a long-term investment, or as pension provision.

Buy-to-let was originally encouraged into existence in the 1990s by the introduction of short-term tenancies, which made it easier for landlords to reclaim their properties. Another factor was the growth of negative equity after the 1991 property decline, which encouraged individuals to rent out their houses (possibly moving to cheaper accommodation themselves) rather than take the loss on a sale, (if one were even possible). Buy-to-let mortgages have increased from 44,000 in mid-1999, to 408,000 in 2003 worth £39 billion.⁷⁷

⁷⁶ Karen Rowlinson, *Attitudes to housing assets and inheritance*, CML Housing Finance, July 2005.

⁷⁷ Council for Mortgage Lenders, *CML Mortgage Market Manifesto*, p. 19, February 2004.

14. Demolition and New Settlements

Some public and private sector homes in the oldest urban areas, such as the heads of the Valleys, will become surplus to requirements.⁷⁸ They will need to be demolished, with replacements being built in more suitable modern locations, close to urban facilities – upscale supermarkets, sports and leisure facilities, schools and hospitals – and to motorway junctions. This last phenomenon is explicitly accepted in some of the strategic plans put forward by local authorities

15. New Build Requirements

There is some dispute over whether new building in Wales is meeting demand. The Chartered Institute of Housing and the House Builders Federation have both made out a strong case for increasing the number of houses built. However, policymakers will need to ensure that plans address the real needs of the population rather than merely meet the objectives of the house builders.

A survey published by the Council of Mortgage Lenders in 2003 forecast the future demand and need for new dwellings in Wales to be 8,600 per year (6,100 private sector and 2,500 social sector) between 1998-2016.⁷⁹ The research also identified a backlog of unmet demand of 33,000 dwellings as at 1998, made up of concealed families, private tenants that are sharing and crowded private/social tenants. Current new building levels were 8,372 in 2001 and 8,894 in 2002. Whilst this is broadly comparable with the levels of new build identified, it does not address the outstanding unmet demand. This led Jackie Bennett, the Council of Mortgage Lenders' Senior Policy Adviser, to judge that the Kate Barker review of housing supply in the UK, published by the Westminster Government in 2004, was "a missed opportunity in terms of Wales". As she put it:

"The review was established with a UK remit, but Barker decided that because of the devolved nature of housing and planning policies, many of the recommendations only apply to England. Barker estimated that in England to have a real impact on reducing the trend in increases in real house prices the number of additional new homes required would need to be almost double the current new build rates. Although she did not calculate specific figures for Wales, using the same criteria would mean increasing the number of new homes being built in Wales each year from the current 8,900 to 15,000 or more."⁸⁰

⁷⁸ Bevan Foundation, *Home is where the heart is: Low demand housing in the South Wales Valleys*, January 2004.

⁷⁹ Alan Holmans, *Who's counting? Demand for homes in Wales 1998-2016*, CML, 2003. The research was based on population and household projections.

⁸⁰ Jackie Bennett, *Home Ownership in Wales: Issues and Challenges*, Council of Mortgage Lenders, October 2004; Kate Barker, *Review of Housing Supply, Delivering Stability: Securing our Future Housing Needs – Final Report*, HM Treasury, March 2004.

However, Mike Harmer, Head of Housing Research and Information within the Assembly Government's Department of Social Justice, questions whether it is legitimate to extrapolate the Barker analysis to Wales:

“The numbers of completions in Wales are broadly in line with the growth in household numbers - unlike South East England and some other regions, and broadly in tune with Holmans's aggregate requirements figure (though the balance between home ownership and subsidised housing is different). I would question the interpretation of 'backlog' need. In part this should be viewed as an inevitable feature of any housing market. The duration that people stay in the backlog is the important consideration, as well as whether they are content to be there. All other indicators of 'stress' in the housing system suggest that there are few supply problems in Wales. Even if there were, a Barker-style solution of large increases in completions would achieve little in most parts of Wales since it would simply suck in more in-migrants, rather than doing anything to lower prices or satisfy indigenous existing needs.”⁸¹

A Barker-style assessment of housing need in Wales would be one way of adjudicating between these two views. Meanwhile, in the absence of a significant deterioration in overall economic conditions, leading to much higher levels of unemployment or restrictions on lending, it seems likely the availability of finance for home purchase will continue to be good, enabling home ownership to stay within the reach of most wage earners, particularly double income families.

In particular, parts of the upper Valleys that have seen little private sector development since World War II have attracted interest, in some cases because these areas have been lifted by the rising tide of house prices generally along the more accessible M4 corridor. It also seems likely that local authorities in Wales, despite objections in some areas to the particular location of schemes, will continue to make available sufficient land to meet the demands posed by new household formation.

16. Housing and Planning

Increasingly councils are looking to their planning function to interact with statutory duty to enhance the provision of affordable homes in their areas. In fact their housing and planning functions are moving closer together. In future it may well be that the administration of local authority housing is seen as being associated as much if not more with planning as social services.

⁸¹ Communication with the IWA, 7 February 2005.

5. CHANGING POLICY CONTEXT FOR SOCIAL HOUSING

1. Welsh Assembly Government's National Housing Strategy

The Welsh Assembly Government's housing policy is a result of a wide-ranging consultative process dating back to the early days of devolution. Indeed, the pre-devolution Welsh Office had already established a National Consultative Forum on Housing in Wales in 1998 and produced *A Framework for a National Housing Strategy*. This was followed by the setting up of four independently chaired multi-agency task groups, including one on social housing. Its report, *Sustainable Social Housing for the 21st Century*, concluded:

“The Group considers the trend of falling housing investment to be unacceptable and fears that unless measures are taken to reverse the trend, the problems in Wales's social housing stock will only get worse.”⁸²

The groups' reports culminated in the publication of a National Housing Strategy. *Better Homes for People in Wales* in 2001. This provides the framework within which current housing policy in Wales is structured, allowing for new policy to be incorporated according to changing circumstances. It sets out a vision that everyone in Wales should have the opportunity to live in good quality, affordable housing; They should be able to choose where they live and whether buying or renting is best for them and their families. It acknowledges the impact of housing on other policy areas, notably health and economic development.

Local authorities are the main partner in the delivery of the strategy which requires them to compile five-year local housing strategies for their areas. Outlining how they intend to tackle a range of housing and housing-related issues. *Better Homes* emphasises the co-ordinating role of local authorities, especially in their dealings with housing associations:

“We believe that local authorities are best placed to identify local housing need and have given them the lead role in determining priorities for Social Housing grant investment through registered social landlords. We will continue to support local authorities in undertaking needs surveys and producing Local Housing strategies so that investment decisions will be increasingly evidence-based and strategic.”⁸³

⁸² Sustainable Social Housing for the 21st Century: Report to the National Assembly, National Housing Strategy Group 3, 2000, page 3,

⁸³ Welsh Assembly Government, *Better Homes form People in Wales*, 2001, page 11.

Many of the recommendations of the task groups ask the Assembly Government to lead local authorities on a range of issues. However, *Better Homes* places the onus on local authorities to come up with evidence-based strategic thinking. It is certainly the case that when the implementation of *Better Homes* was subject to a review at the end of 2003, the issue was foregrounded by a background report commissioned for the review:

“Local authorities are struggling to come to grips with their strategic housing role. In many local authorities this role is not well understood, by both Officers and Members. As a consequence it is generally, with a few notable exceptions, poorly resourced and as a consequence poorly developed.”⁸⁴

A more recent update, undertaken by the Assembly Government itself, concedes that it should give clearer guidelines to local authorities:

“We need to consider what support we can give to authorities in developing their strategic housing function.”⁸⁵

The consultant to the Strategy Review Group concluded that an Assembly Government imposed workload on local authorities was at least partially responsible for their difficulties:

“In defence of local authorities, many are small and have limited resources to apply to the strategic housing function. All would appear to be suffering from strategy overload with the Assembly Government requiring them to develop the following strategic documents in a 12-month period: Housing, Homelessness, and Black and Minority Ethnic Groups strategies, a Housing Revenue Account Business Plan, and a Private Sector Renewal Policy.”⁸⁶

2. Social Housing Funding

There is widespread concern within the Welsh housing policy community that housing has been gradually declining as a financial priority within the Assembly Government's budget since 2000-01. The detailed housing spending plans for 2002-2002-03 to 2005-06 are shown in Table 5 on the following page. The total budget set by the Assembly will increase during this period by just over £2 billion, a 20 per cent increase over the four years. During this time investment in housing will increase by 10 per cent. If the housing increase is adjusted to allow for inflation, then expenditure after four years will have increased by around 2.5 per cent.

⁸⁴ Simon Inkson, of HACADS Chapman Hendy consultants, *Report for the National Housing Strategy Task and Finish Advisory Group*, 2003, Para. 4.1.

⁸⁵ Assembly Government, *Housing in Wales – the 21st Century*, report to the Social Justice and Regeneration Committee, 23 February 2005, Para. 3.8.

⁸⁶ Simon Inkson, *op. cit.*, Para 4.3.

The total public sector contribution to housing in Wales can be compared by including the changes in Housing Revenue Account Subsidy. This expenditure, which falls from £206.7 million to £140 million over the period, is managed but not decided by the Welsh Assembly Government. When this managed expenditure is included then total housing provision declines by seven per cent over the four years.

Table 5: Assembly Government's Housing Spending Plans 2002-03 to 2005-06

	£ '000s			
	2002/03	2003/04	2004/05	2005/06
Social Housing Grant	£56,400	£56,400	£60,400	£65,400
Supported Housing Revenue Grant	£12,992	£14,092	£14,792	£15,392
Local Authority Capital	£209,203	£206,053	£212,964	£215,404
Housing Revenue Account Subsidy	£206,700	£194,000	£168,000	£140,000
Other revenue -				
Home Energy Efficiency Scheme	£11,085	£13,388	£14,121	£14,121
Homelessness and Rough Sleeping	£4,620	£4,700	£4,917	£4,917
Home Improvement Agencies	£1,360	£3,250	£3,335	£3,340
Housing Management Education and Training	£1,333	£1,833	£1,833	£1,833
Research, Surveys, Evaluations and Publicity	£1,134	£1,884	£1,884	£1,884
Housing Management Promotion	£390	£390	£429	£413
Rent Officers	£1,743	£2,043		
Community Fire Safety		£4,000	£5,000	£5,000
Rapid Response Adaptations Programme		£1,000	£1,000	£1,000
HMO licensing			£1,000	£1,000
Supporting People		£2,000		
Stock transfer, Community Mutuals support etc		£300	£500	£500
Anti scald valves, CO detectors		£250	£500	£500
Regulation Inspection Programme		£300	£300	£300
BME Supporting Housing Revenue Grant		£200	£200	£200
Other revenue total	£21,665	£35,538	£35,019	£35,008
Total Housing	£506,960	£506,083	£491,175	£471,204

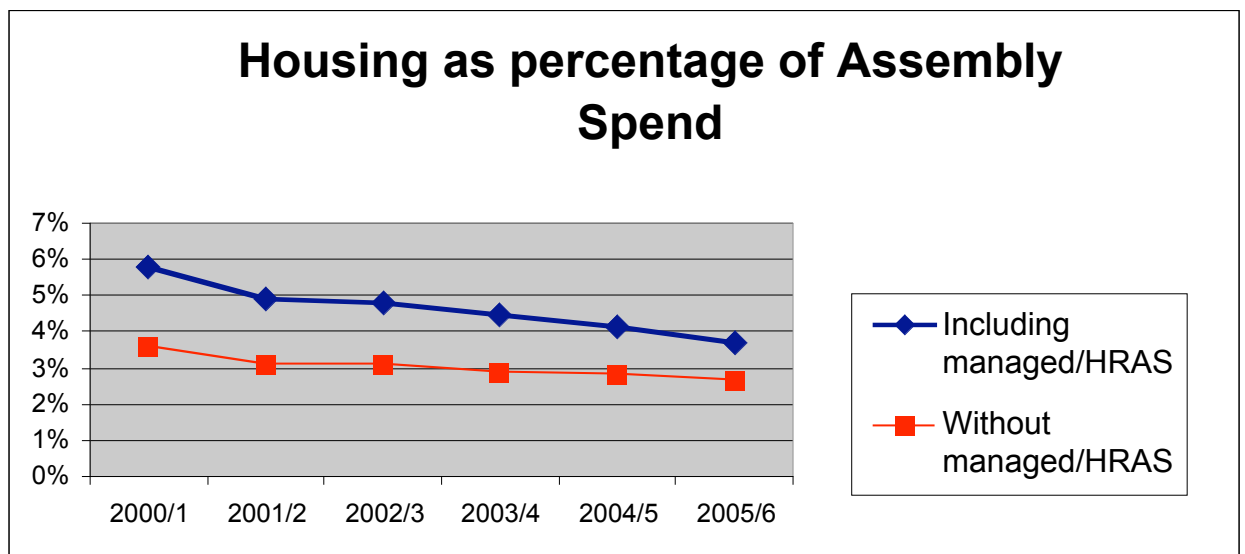
Expressed as a percentage of the total Assembly Government budget the housing share falls gradually each year through the current budgetary period. This is shown in Figure 5, together with amounts for 2000-01 and 2001-02, showing the decline, both with and without the Housing Revenue Account subsidy.

In the same period housing spending rose in England by roughly 10 per cent, and in Scotland, by 15 per cent. This variation is the result of devolution. Given the record so far there is little reason to expect that there will be a substantial increase in the Assembly Government's housing budget.

Instead, many local authorities have little option but to consider stock transfer if they are to bring their social housing up to the Welsh Housing Quality Standard. Indeed, the housing consultant who reported to the Assembly Government's review of the National Housing Strategy at the end of 2003, was unequivocal:

"The achievement of the Welsh Housing Quality Standard in the social housing sector is dependent upon the widespread transfer of housing stock."⁸⁷

Figure 5



Source: Chartered Institute of Housing Cymru, A Response to the National Assembly for Wales Spending Plans for Housing, 2002-2006.

However, in the previous paragraph he observed:

"There are doubts about whether there is adequate funding, both public and private, to support widespread stock transfer in Wales and also about the capacity of the construction industry to meet the demands that the additional expenditure would place on it.

"However, the achievement of a substantial number of the objectives is almost entirely dependent upon transfer taking place in a substantial proportion of Welsh local authorities and therefore stock transfer must be seen as central to the Assembly Government's Housing Strategy."⁸⁸

⁸⁷ Simon Inkson (Associate with HACAS Chapman Hendy), *Report for the National Housing Strategy Task and Finish Group*, Para. 3.3, 2003.

⁸⁸ *Ibid.*

3. Social Housing and Economic and Community Regeneration

Links between investment in housing and economic and community regeneration are being increasingly stressed by the Assembly Government. This was a major reason behind its decision to commission Berkeley Hanover Consultants to examine the issue during 2004-05.

There is also a growing awareness among some local authorities of the opportunities for economic regeneration that major new investment in social housing will offer, but generally only amongst those who are actively contemplating transfer. So, for example, at Swansea where there are plans for a transfer to a Community Mutual to be put to a referendum in 2007, the head of housing, Phil Roberts commented:

“We need an all-Wales perspective on the ways new housing investment can pump-prime economic regeneration. At the same time there needs to be regional collaboration within Wales to maximise benefit on procurement. If housing associations and new stock transfer organisations established by councils compete with one another this will only serve to push up prices. We also need to guard against leakage of contracts outside the local housing economies, thereby losing potential economic regeneration.”⁸⁹

As yet, however, such awareness is confined to a minority of councils. This is clear from the findings of the initial draft report of the Berkeley Hanover study:

“Most of the authorities that we interviewed have not identified any linkage between housing renewals and either (i) regeneration and/or (ii) economic development. Only two authorities have integrated their housing strategy with their economic development and regeneration plans. In the few cases where some connection has been identified they do not seem to know what to do about it and how to exploit any opportunities that may arise.

“Also, when housing is considered within the context of economic development plans it seems to be less in terms of regeneration and more in terms of labour market impacts. Overall, it was noticeable that whilst the level of capital expenditure was seen to be highly significant in the local context, liaison between housing departments and economic development officers appeared to be minimal.”⁹⁰

On the question of impressions of the capacity of the construction industry to meet increased demand, the consultants note:

⁸⁹ Interview, 27 February, 2005.

⁹⁰ Berkeley Hanover Consulting, *The Potential Impact of Large-Scale Housing Renewal*, draft report, December 2004, paras. 2.56 and 2.57.

“The majority of the unitary authorities do not believe that the local construction industry has the capacity needed to meet the renewals. Only one out of the 18 authorities interviewed was not concerned by the lack of construction capacity. Most of them expect that the increased demand will lead to a rise in prices from local contractors. In most cases significant labour will have to come also from outside the region. Small local firms simply do not have the capacity (or inclination) to meet the demand and they will also not be able to compete with larger firms from outside in terms of best value. The overall capacity of the industry will also depend on timing especially if authorities undertake renewal work simultaneously. Most of the authorities prefer to use local companies and builders, but usually the larger contracts go to ‘outside’ companies.”⁹¹

On supply chain management the consultants recorded:

“Most of the UAs are familiar with the concept of supply chain management, but some have not identified them yet. In general, they tend to use a mixture of local and national suppliers and most of them are engaged in some form of partnering arrangement with one or more local company. Most authorities would like to see these partnerships extended and would be interested to link up with other authorities to develop a regional strategic approach.”⁹²

On labour policy goals the consultants recorded minimal response:

“Only three out of the 18 authorities have undertaken a local labour market study. The majority of the authorities did not have specific labour policy goals/targets. Only three mentioned the need to take on more apprenticeships in order to address training needs and to increase activity and skills levels.”⁹³

4. Local Authorities and Housing Associations

Since the inception of the National Assembly in 1999 local authorities’ strategic housing role includes programme management of housing associations, in particular for new build and acquisition of social housing. In England the Housing Corporation has this role. However, in 1999 the equivalent of the Housing Corporation in Wales, Tai Cymru, was subsumed into the Assembly Government. This change provided Welsh local authorities with an opportunity to collaborate with housing associations in a new way.

⁹¹ *Ibid.*, Para. 2.58.

⁹² *Ibid.*, Para. 2.59.

⁹³ *Ibid.*, Para 2.660.

Housing associations remain the sole provider of new social housing, but have to undertake this role within a strategic framework set out by local authorities. This provides the opportunity for achieving a closer fit with local social housing needs as laid out in the local authorities' housing strategies.

In mid 2004 the Welsh Assembly Government proposed new arrangements for Social Housing Grant distribution and delivery in Wales, affecting the respective roles of local authorities and housing associations. A new programme management system is to be put in place by the end of 2005 based on the following principles:

- National funding priorities will be set by the Assembly in accordance with its National Housing Strategy.
- Local authorities will bid for Social Housing Grant allocations for programmes of up to three years. Neighbouring authorities will be encouraged to develop cross boundary strategies.
- Housing associations should work together in consortia to establish joint development bodies – to be called Agreed Programme Developers - to secure economies of scale. The consortia should have the capacity to deliver programmes worth £10 million a year, suggesting that no more than six or seven will emerge at the end of the process.

The Assembly Government proposes that, once allocations have been agreed:

- Local authorities should agree a detailed programme with one or more of the Housing Association consortia
- The consortia will work up detailed scheme proposals for submission to the Assembly Government.
- The Assembly Government will agree delivery plans with the consortia and monitor individual schemes
- Completed schemes will be handed over to a local association for management.

5. Right to Buy and the Residualisation of Council Housing in Wales

The Right to Buy legislation, introduced in the 1980 *Housing Act*, led to the selling, often at a significant discount, of much of the Welsh council housing stock. During the period 1979 to 2004, more than 139,000 council properties were sold, or more than 40 per cent of the total.⁹⁴ These sales reduced the proportion of council housing from 28 per cent to 14 per cent of the total Welsh housing stock. During the same period, housing association stocks rose from 11,000 to 57,000 units, constituting an increase from 1 to 4 per cent of the total housing stock.

⁹⁴ Office of National Statistics, SDR103/205, October 2005.

The Right to Buy had the effect, desired by the Conservative government of the 1980s and 1990s, of promoting home ownership and reducing the role of local authorities in housing.

The maximum discount available to tenants under the Right to Buy in Wales is currently £16,000, reduced from £24,000 in April 2003. The reduction was announced near the end of 2002 which gave a three-month window of opportunity to tenants to buy under the larger discount and, according to housing officers interviewed as part of this study, resulted in a surge of sales in many authorities in Wales.

The new Housing Act 2004 places an obligation on landlords to impose a covenant in RTB conveyances giving them a "right of first refusal" when the householder comes to sell the property. If the former landlord (or another social landlord) does not wish to purchase the property, then the householder is free to sell on the open market.

As an alternative to this in rural areas, landlords can impose a covenant restricting the ability of householders to sell their homes only to people who have lived or worked in the local area for the previous three years. Also, the Housing Act 2004 extends the period for repayment of discount from three to five years. A householder selling within five years of exercising the Right to Buy will have to repay all or part of the discount (calculated on a sliding scale).

Right to Buy has resulted in the gradual 'privatisation' of some of the most desirable council properties in Wales. It is probably the case that as the policy has continued and as the perceived advantages of home ownership have spread, many properties initially deemed as less desirable have also been sold. At the same time social and economically disadvantaged tenants became more concentrated in social housing.⁹⁵

The result is that much of the remaining council housing stock in Wales has become residualised, and unattractive to prospective tenants. Many estates demonstrate complex and inter-related characteristics of social exclusion. As Dave Adamson has observed:

“... large local authority estates, often built on hill top locations above the valley floor... demonstrated high rates of tenant turnover resulting in unstable and transient populations. Allocations policies operated by many local authorities concentrated social problems in key communities and by the late 1990s high void rates and declining demand were reaching levels where estate abandonment could be identified.”⁹⁶

⁹⁵ See Harmer, M. and Runnett, S., 'The Changing Role and Nature of Welsh Social Housing', in R. Smith, T. Stirling and P. Williams (Eds.) *Housing in Wales: the policy agenda in an era of devolution*, CIH, 2000, pages 121-140.

⁹⁶ Dave Adamson, 'Communities First: Contemporary Community Regeneration Policy in Wales', in *Journal of Community Work and Development*, 2003 (4), page 82.

6. The Welsh Housing Quality Standard

The Welsh Housing Quality Standard (WHQS) defines a broad set of housing quality indicators.⁹⁷ They set minimum standards that should be met, so that “all households in Wales ... shall have the opportunity to live in good quality homes” that are:

- In a good state of repair
- Safe and secure
- Adequately heated, fuel efficient and well insulated
- Fitted with up-to-date kitchens and bathrooms
- Well managed (for rented housing)
- Located in attractive and safe environments
- As far as possible suit the specific requirements of the household (e.g. specific disabilities)

It is noteworthy that these criteria have created a steeper hurdle for Wales than the quality standard that applies in England, since they extend to location and the need for an ‘attractive and safe’ environment. Despite the fact that these requirements are to some extent subjective, they undoubtedly reflect the contemporary aspirations of tenants. These have changed substantially in the last twenty to thirty years. In the 1970s and 1980s council tenants’ aspirations for their property might have been ordered according to the following priorities:

1. Security of tenure
2. Condition of property
3. Rent levels⁹⁸
4. Location

We argue that the first and last of these priorities have now been reversed, to:

1. Location
2. Condition of property
3. Rent levels
4. Security of tenure

This is because environmental issues and factors such as the general character of estates, safety and crime levels have risen in importance. For instance, in Wrexham’s housing needs survey, undertaken in 1998, while 60 per cent of respondents felt there had been little change in their neighbourhood in recent years, 27 per cent said things were getting worse, and cited the following reasons:

⁹⁷ Welsh Assembly Government, *Better Homes for People in Wales: A National Housing Strategy*, 2001.

⁹⁸ Rent levels might be a higher priority if it were not for the fact that many tenants are in receipt of housing benefit.

- Speeding traffic on local roads: 40 per cent.
- Gangs of young people: 36 per cent.
- Theft from or theft of vehicles: 28 per cent.
- Break-in or attempted break-in at home: 28 per cent.
- Problems with neighbours: 13 per cent.⁹⁹

There is every likelihood that such concerns will have heightened in the intervening period. Compared with such issues, security of tenure, being in practice no different whether the social landlord is a council or housing association, has receded in importance for tenants. In the autumn of 2002, local authorities were required by the Welsh Assembly Government to estimate what investment would be needed to improve their housing stock to the WHQS. The sum of those estimates was £3 billion.

During the Autumn of 2004 Berkeley Hanover Consulting carried out a survey of Welsh local authorities commissioned by the Welsh Assembly Government. This was part of the wider study referred to earlier to examine the potential economic regeneration impact of large-scale investment in upgrading Wales's social housing so that it could meet the WHQS. The conclusion was that generally local authorities welcomed the Standard which they did not find over prescriptive:

“It is generally seen as providing useful headline standards to which authorities can work towards. The Standard is obviously open to interpretation and each UA already appears to be interpreting it in different ways, specifically in light of their stock archetypes, the varying needs of their tenants, the overall stock condition and available funds. Specific problems are likely to be encountered by the various authorities in the physical implementation of the WHQS. Many authorities have already indicated that they are uncertain how to deal with some of the impracticalities of the standard.”¹⁰⁰

In an update on the National Housing Strategy, submitted to the Social Justice and Regeneration Committee in February 2005, there was more than a hint that the Welsh Assembly Government was losing patience with the local authorities' progress towards meeting the Welsh Housing Quality Standard. Some local authorities had yet to submit their Business Plans and many that had been submitted were inadequate:

“The Minister of Social Justice and Regeneration wrote in December 2004 to each local authority reminding them of the importance of submitting satisfactory Housing Business Plans and indicating that next year's Major Repairs Allowance may be conditional on receipt of the same.”¹⁰¹

⁹⁹ Wrexham County Borough, *Local Housing Strategy 2004-2009*, Appendix 9.

¹⁰⁰ Berkeley Hanover Consulting, *The Potential Impact of Large-Scale Housing Renewal*, draft report, December 2004 paras. 2.100 and 2.101.

¹⁰¹ Assembly Government, *Housing in Wales – the 21st Century*, Para 4.2.7, February 2005.

In recent years the Welsh Housing Quality Standard has dominated the housing policy agenda in Wales. This has had two diametrically opposed consequences:

1. It has served to focus the attention of housing officials and councillors in the local authorities on their immediate role as social landlords.
2. Simultaneously, however, it has forced them to consider the long-term future for their role as landlords and whether it is sustainable. The key question is whether achievement of the Welsh Housing Quality Standard in the social housing sector is dependent upon the widespread transfer of housing stock.

The various options that local authorities have in meeting the Welsh Housing Quality Standard, and their consequences for the future of social housing in Wales, are considered in Annex 4.

7. Housing Benefit

Following changes in housing legislation local authorities are no longer required to apply rental income towards the costs of housing benefit for council tenants. However, as a result of that change, since 2004 some £80 million a year has been deducted from the Treasury block grant to the Assembly Government. This is to compensate the Department of Work and Pensions which now has to meet those costs. About 70 per cent of local authority housing tenants in Wales are on housing benefit. It is noteworthy that this does not apply in Scotland because Scottish financial arrangements for council housing were different pre-devolution.

There is generally believed to be a strong case for the Assembly Government to make a pitch for this anomaly to be removed and for Wales to be treated equally with Scotland in this regard. This could release a substantial sum of money for investment in social housing in Wales, or for other purposes.

The housing benefit issue is also important because it effectively limits the rents that local authorities can charge. This is simply because a majority of their tenants are effectively capped in terms of how much they can afford to pay by the housing benefit levels set by the Treasury.

8. Affordable Housing and Planning Regulations

During 1004-05 the Assembly Government reviewed the framework relating to the provision of affordable housing, including the Technical Advice Notes on *1. Joint Housing Land Availability Studies* and *2. Planning and Affordable Housing*, and the way in which Social Housing Grant is distributed and delivered.

In July 2005 guidance on the powers available to local authorities and their partners was brought together in a single reference document or 'toolkit'. This provides a definition of 'affordable housing' in relation to two categories:

- (i) Social rented housing
- (ii) Intermediate housing: this includes low cost home ownership schemes such as Homebuy and other schemes where prices or rents are above those of social rent but below market housing prices or rents.¹⁰²

Affordable housing has been given increasing prominence in the housing policy agenda. With house prices having spiralled out of the reach of many first time buyers, government is being urged to develop initiatives to assist them in getting on the first rung of the property ladder.

In the process an intermediate housing sector is emerging, aimed at those with sufficient means to become homeowners without outside assistance. There are broadly three categories of affordable housing:

1. 100 per cent ownership, with the discount coming in the form of land "given" by the developer.
2. Homebuy schemes, where a purchaser can staircase to full ownership. This involves the occupants having full legal ownership of the property, but assisted with an equity loan.
3. Equity sharing arrangements, often involving a housing association, but with a local authority brokering the arrangement through the planning system. In such schemes occupants take a percentage equity stake in a property with the balance made up of an equity loan from a social landlord. This entails the occupant paying rent on the un-acquired equity. When the occupant moves the same percentage in value from the property is taken, but the ownership remains with the registered social landlord. Torfaen Borough Council have pioneered one such socially rented affordable housing scheme. Its Help2Own scheme is explored in Chapter 7.

TAN 1 Joint Land Availability Studies

This advises local authorities on monitoring the future supply of land for new housing. It requires local authorities to conduct annual or bi-annual studies within their areas to check there is a sufficient supply of land available. They are urged to have a five-year land supply to satisfy the needs identified within the authorities' local housing strategies and unitary development plans. Local authorities are also urged to link the supply of land to the demand for housing.

¹⁰² Welsh Assembly Government, *The Affordable Housing Toolkit*, July 2005, page 9.

However, lack of communication between local authorities' housing and planning departments has sometimes undermined this aspiration. As a recent report concluded:

“A shortage of small- and medium-sized developable sites within or close to villages and market towns is often a significant hurdle to providing affordable rural housing. Even where land is available, it is frequently not possible to acquire it at a price level that enables affordable housing to be delivered without significant public subsidy.”¹⁰³

The new guidelines to TAN 1 clarify ways in which local authorities can improve joint working between their housing and planning departments and other stakeholders.

TAN 2 Planning and Affordable Housing

Planning Policy Wales, published by the Assembly Government in 2002, states that the need for affordable housing is a “material planning consideration” for local authorities when they consider planning applications.

A local authority is required to base their Local Housing Strategy on an adequate understanding of total requirements. This means it should undertake a Local Housing Needs Assessment to identify the need for affordable housing in its area for a five-year period. TAN 2 states that local authorities should:

“... indicate how many affordable homes are required in the plan area, set indicative targets for specific suitable sites, and indicate in policies the intention to seek to negotiate with developers for the inclusion of an element of affordable housing on such sites.”

The aim is that if a local authority has identified a need then new housing developments should incorporate an element of affordable housing.

TAN 2 enables local authorities to impose an affordable housing quota with developers, ensuring a mix of tenures within new housing estates.

TAN 2 also gives local authorities the right to denote rural exception sites. Affordable homes can be built on these sites which are outside the ‘settlement boundary’ specified in their Unitary Development Plans.

¹⁰³ Business in the Community, *Developing new affordable rural housing*, February 2005, page 6.

Section 106

Local authorities are being urged to make greater use of Section 106 of the Town and Country Planning Act 1990. It is a planning tool local authorities can use in a variety of circumstances. It is a legal agreement in which a developer negotiates with a local authority on the proportion of affordable housing a new housing estate should incorporate.

The recent review of TAN1 and TAN2 came about following a report published by the National Assembly's Environment, Planning and Countryside Committee which stated:

“... planning authorities need greater flexibility to develop policies that respond to the local housing market, within a national framework developed by the Assembly. We also felt that the options already available to Planning Authorities to develop these policies should be clarified. Where there is acute pressure on the housing market the committee also recommends the development of new policies for new build housing that favour local people, where that need is proven by thorough rigorous assessments.”¹⁰⁴

Rural Exception Sites

The Affordable Housing Toolkit draws particular attention to policy on 'rural exception sites' to tackle the pressures on affordable housing in rural Wales:

“Planning policy includes special provision for rural exception sites for affordable housing to meet local need. Rural exception sites can be located within or adjacent to rural settlements on sites that would not be released for market housing. Such sites potentially have a significant role to play in helping ensure the viability of rural communities. However, available evidence suggests that limited use has been made of this policy in Wales. The Assembly Government wishes to promote greater use of this policy. Local authorities, and where they exist rural housing enablers, should work with local communities to undertake community housing needs assessments and identify potential rural exception sites.”¹⁰⁵

Linguistic Considerations

The Welsh Assembly Government is currently conducting a linguistic impact assessment on the considerations the Welsh language should be given within the planning system.

¹⁰⁴ Environment, Planning and Countryside Committee, *Planning Aspects Associated With the Provision of Affordable Housing and Sustainable Communities in the Countryside*, .

¹⁰⁵ *The Affordable Housing Toolkit, op. cit.*, page 11.

The case of Pembrokeshire Coast National Park restricting the occupation of new build and converted property to local people is being challenged. The Planning Inspector's verdict on the issue is pending. One contentious issue is the use of the word 'local.' The use of the word local is accepted as a definition but under the present regulatory framework, anything more robust, for example a stipulation around the ability to speak Welsh, could be successfully challenged. For instance, a case could revolve around definitions of 'Welsh-speaking'.

9. Homebuy

The Homebuy model of low cost home-ownership (where the individual receives an interest-free equity loan from a housing association and gets a mortgage on the remaining part) is seen by many as having the potential to be developed as a much more widespread solution to affordability constraints for first-time buyers. The Welsh system is more flexible than the English model in that there is provision to vary the size of the equity loan. While the equity loan is usually for 30 per cent of the approved purchase price, in Wales it can be raised to 50 per cent in the following circumstances, but only where the applicant can afford 70 per cent:

- In rural communities, defined primarily on the basis of population density.
- In schemes that offer a mix of tenures as an aid to community sustainability.
- To assist owner-occupiers whose homes are required for demolition and redevelopment, and who are intending to remain in their present community.

10. New Homelessness Regulations

In 2001 the Assembly Government issued regulations extending the range of groups of people categorised as vulnerable and thus eligible to be considered as homeless and in priority need:

- Ex offenders
- People leaving the armed forces
- Children who had been in council care
- Victims of domestic abuse¹⁰⁶

The result was that new people have been included within the statutory definition and contributed to the increase in the numbers presenting themselves.

¹⁰⁶ Welsh Assembly Government *Annual Report on Social Inclusion in Wales*, 2002.

Local authorities generally agree with the expansion of the definitions but some say they have not been given extra resources to deal with the increased demand. On the other hand, Welsh Assembly has increased funding for homelessness in recent years. This money is not hypothecated so local authorities have discretion in how much they allocate to the function. Moreover, the Assembly Government has additionally funded the production of local authority homelessness strategies.

11. Lifetime Homes

These are homes which incorporate a set of 16 standards which enhance the accessibility and adaptability of the home, enabling wider use by people with temporary or permanent mobility problems. The concept has been developed by the Joseph Rowntree Foundation which funded a small-scale study on attitudes to Lifetime Homes in Wales in 1997-98.¹⁰⁷

As a response to the recommendations, the former Welsh Office set up a working group to look at the implications of incorporating the Lifetime Homes standards into new build and renovation work carried out by social landlords. The National Assembly's Local Government and Housing Committee recommended that the standards be incorporated into new-build social housing from 1 April 2001. During 2005 a revised standard on Lifetime Homes was issued by the Assembly Government. These included recommendations on building in ways which take account of the needs of people with disabilities, including those who have sight loss.

12. Communities First

Housing stock remaining in local authority hands tends to be found in areas of social disadvantage and exclusion. For instance, a great deal of local authority social housing is to be found within Communities First areas in Wales. There is obviously a big role for housing renewal to play, both in terms of upgrading the standards of the housing stock itself, but also in the wider investment and economic regeneration and skills training and capacity building of Communities First areas. There should be major opportunities for connecting housing renewal with economic and community regeneration in the coming decade.

¹⁰⁷ Charter Institute of Housing in Wales, 1998.

13. Developing NHS Policy on Waiting Lists

We can expect Wales to follow England in more closely integrating local authority social services departments with the NHS to ensure that patients can leave acute hospitals as soon as possible after treatment and receive further care in more appropriate locations, freeing up beds for others. In England local authorities have been made to pay if patients are staying in hospital as a result of an inability to find alternative sheltered or supported accommodation for recuperation.

6. CONTRASTING APPROACHES TO STOCK TRANSFER

In her Minister's report to the Social Justice and Regeneration Committee in December 2005 (see Table 6 below), Edwina Hart recorded that, leaving Bridgend to one side (since stock transfer had taken place) of the remaining 21 Welsh local authorities:

- She believed that four were likely to be able to achieve the Welsh Housing Quality Standard by 2012 using their own resources,
- Six authorities believed they could meet the WHQS using their own resources, but her officials had outstanding questions relating to their plans
- The remaining eleven authorities were unable to meet the WHQS using their own resources.

Table 6: Position of Local Authorities in achieving Welsh Housing Quality Standard by 2012

Local Authority	Position at December 2005
Bridgend	Stock transferred to Valleys to Coast Housing Association in September 2003
Monmouthshire Swansea Torfaen	Business plans demonstrate that resources available to them will be insufficient to meet the Welsh Housing Quality Standard and they have resolved to ballot in 2006.
Newport	An independent Housing Commission has considered all funding options and has recommended a ballot to transfer stock. The Authority is considering how best to proceed.
Blaenau Gwent Conwy Gwynedd Merthyr Tydfil Neath Port Talbot Rhondda Cynon Taff	Business plans submitted by these Authorities they can achieve WHQS using their own resources. Officials have raised concerns in relation to technical and/or financial aspects of the plans which are not yet resolved.
Carmarthenshire Denbighshire Pembrokeshire Powys	The business plans of these Local Authorities demonstrate that they are likely to be able to achieve WHQS using their own resources. Initial concerns in relation to technical and/or financial aspects of the plans have now been resolved
Wrexham	The authority is unable to achieve WHQS within the resources available to it. Following an unsuccessful ballot the authority is considering options.

Source: Minister's Report to Social Justice and Regeneration Committee, 7 December 2005

Depending on their geographical location, condition of their housing stock, economic circumstances and political outlook, local authorities across Wales have contrasting attitudes towards stock transfer. The following assessments of housing officers in Powys, Gwynedd, Wrexham, Swansea, and Bridgend, recorded in early 2005, offer a glimpse of these differences.

Powys

Stock transfer is not new to the county. The former Montgomeryshire District Council transferred 200 1960s system built homes on the Oldfield Estate, Welshpool, to Clwyd Alyn Housing Association in 1991, following a successful campaign and tenant ballot. The old three to five storey flats and maisonettes were transformed into new houses and flats over the next four years.

In 1996, following its absorption by the Welsh Development Agency, the majority of the tenants of the Development Board for Rural Wales chose the new Powys unitary authority as their landlord: 900 chose the county and the remaining 300 opted to transfer to the Newtown Housing Association.

In advance of the framework set out by the Welsh Housing Quality Standard, the council consulted with tenant panels and conferences in 2000 and 2003 about the possibility of stock transfer. Tenants made it clear that they wished to retain their local authority landlord, provided the current levels of investment and improvement could be maintained. A positive assessment of the council's capacity to achieve the Welsh Housing Quality Standard has reduced the need for further consultation. However, with more survey work and assessment to take place between now and 2006, the issue will be reviewed next year.

Gwynedd

There is a strong business case for Gwynedd to transfer its stock. The authority carries a £40 million debt on its housing stock, which also has an estimated breakage cost of some £12 million – giving a total of around £52 million which would be under-written by the Treasury in the event of transfer. However, a number of factors are militating against transfer, including:

- A lack of political will because transfer is perceived as undermining the council's role.
- Registered social landlords tend to be unpopular among councillors and viewed with scepticism as a result.
- Lack of appreciation of the economic benefits within the council's corporate team.

- The cost of holding a ballot amongst the tenants, estimated at £1million.
- If housing were transferred, the Council would lose an estimated £1 million contribution to its core budget overheads from the housing division. This would have to be made up to some extent from increases in the core contribution from other services.

Ffrancon Williams, the Council's Head of Housing Services, stated:

"It should be emphasised that even if stock transfer were achieved in the next year, by itself this would not result in Gwynedd reaching the Welsh Housing Quality Standard by 2012. This is because there simply is not the capacity within the county to undertake the scale of building work that would be required. The overall result of these considerations is that there is a defensive rather than proactive approach to strategic housing policy within the county's administration. There is a need for a catalyst which can only come from outside the authority."¹⁰⁸

Wrexham

Wrexham's stock condition survey, carried out in 2000 and re-visited in 2002 to take account of the WHQS, revealed that the authority would have to invest some £270 million to bring the authority's housing up to standard by 2012 (an investment programme of £28 million to £30 million a year). The finance available during the intervening period was between £70 million and £75 million, leaving a shortfall of some £200 million. In addition the council had an accumulated debt on its housing stock over 50 years of some £45 million, with a negative equity on the value of the stock of some £80 million.

On the basis of these figures the council decided that its only option for achieving the WHQS by 2012 was to transfer its stock. However, a tenants ballot, held in March 2004, was voted against by 58 per cent to 42 per cent, on a 66 per cent turn-out. Commenting on the result Wrexham's *Local Housing Strategy 2004-2009* states:

"Following the clear vote against the stock transfer option plans are being formulated that will determine the measures that need to be taken in the short, and in the medium term to long term, to rebalance the Housing Revenue Account, and to remain in balance for the forthcoming years. This is in the face of housing subsidy loss of 28 per cent, and an anticipated loss of rental income, and a lowering of the asset base as Right to Buy sales continue."¹⁰⁹

¹⁰⁸ *Ibid.*

¹⁰⁹ Wrexham's *Local Housing Strategy 2004-2009*, Para. 233

The Strategy continues, laconically:

“The Authority will find the Welsh Housing Quality Standard difficult to achieve under present financial arrangements” (Para. 230); and “Based upon the projection of the Major Repairs Allowance [£7.7 million from the Assembly Government in 2004-05] and use of available capital receipts [mainly from useable Right to Buy receipts, estimated at £1.8 million in 2004-05] it will not be possible for the Council to achieve the WHQS within the Assembly timescales” (Para. 333).

The referendum defeat can be attributed to the following combination of factors:

1. The council found it very hard to get its message across. Regulations required it to present a ‘neutral’ assessment of the transfer proposition. On the other hand, the opponents of the transfer were not subject to such constraint. In the event the information the council put across was long, detailed and complicated. Although legally it was a well-argued case many people may not have understood it.
2. Tenants were aware that housing association rents were higher than council rents and afraid that rents would go up.
3. The Labour Party in Wrexham de-selected former Labour Wrexham AM, John Marek, who disagreed with the principle of stock transfer. Some local elected members conducted a vigorous opposition campaign.
4. A week before the poll great publicity was given to the Chester and District Housing Trust – the RSL to which the Chester Council had transferred its stock – being taken into supervision by the Housing Corporation. Their business plan had failed to predict the volume of sales of its stock that occurred under Right to Buy.

It is likely that the council will have to look at other options which may include the Community Mutual model which would allow tenants a greater participatory role. For there to be a further ballot the Council would need to be convinced that there was political support for the proposal. At the same time it is unlikely that the combination of adverse circumstances faced in 2004 would be replicated in another ballot on the issue.

Swansea

The council estimates the cost of meeting the Welsh Housing Quality Standard to be £340 million over ten years – an average of £22,000 per property.

However, based on current resources, only £170 million will be available to be invested over this period, which leaves a £170 million shortfall in resources required.

In assessing the option of retaining and improving its stock the council considered the new, more flexible rules around 'prudential borrowing'. Essentially this is about cutting your cloth on current expenditure to create space for additional borrowing. Consequently, a council must identify an income stream to meet the additional debt repayments - either through budget cuts or income increases. For some authorities, the gap between what it needs to spend and what it can access is relatively small. In such cases the prudential borrowing route may be enough to close it. However, in Swansea's case, with the historic £130 million debt (including premature debt redemption penalties) having to be serviced by £8 million year on year, even the most severe of budget cuts (that is, cutting management costs to nil) would only provide about half of what would be needed.

Given that the Welsh Housing Quality Standard cannot be achieved on the basis of current resources the council undertook an option appraisal. This subjected eleven possible options or concepts to a set of seven criteria or outcomes considered desirable. Table 7 on the following page shows the result, in which only large-scale voluntary transfer to a community mutual model scores a positive benefit across all seven criteria.

Three further 'Gateway Tests' or questions were applied to each of the options set out in Table 7, as follows:

1. Is it within the policy framework of the Welsh Assembly Government?
2. Is it able to access the funding to meet the Welsh Housing Quality Standard?
3. Have most of the assessment criteria been met?

On the basis of these three questions only three options emerged as possible options for the Council, each involving Large Scale Voluntary Transfer (LSVT):

1. To an existing Registered Social Landlord (housing association)
2. To a specially created RSL
3. To a Community Housing Mutual (an RSL which is a housing co-operative).

As Swansea's *Local Housing Strategy 2004-2009* puts it:

"The Appraisal concluded that the only option available, if the Authority is to meet the Welsh Housing Quality Standard, is to transfer the housing stock to a new organisation, thus allowing private finance to be invested in the stock. The preferred model is a newly established Community Housing Mutual organisation."

**Table 7: Outcomes of Swansea Housing Options Appraisal
(0 = neutral; - = worse position; + = benefit)**

OUTCOME OPTIONS	Delivers WHQS	Affordable to tenants	Responsive to members	Democratic and accountable	Safeguards/creates jobs	In Council interest	Meets Council strategy
Status Quo	-	0	0	0	0	-	0
PFI	-	0	-	0	-	-	0
ALMO	-	0	0	0	0	+	0
LSVT (existing)	+	+	0	0	-	-	0
LSVT (created)	+	+	0	+	+	+	+
LSVT (CHM)	+	+	+	+	+	+	+
Trickle transfer	-	-	0	-	-	-	-
Partial transfer	-	-	0	0	-	-	-
Securitisation*	-	0	0	0	0	+	0
Improvement Allowances**	-	-	-	0	-	-	-
Sell Off	-	-	-	-	-	-	-

Source: Swansea County Council Housing Department

* This has close similarities to the PFI model in that a special purpose vehicle (SPV) is set up and uses the 'security' of the rental stream as collateral for additional borrowing. The main difference with PFI is that the Council retains a majority interest on the SPV and the stock is essentially retained by the Council. The UK Treasury has made it clear that it would regard this as Public Sector Borrowing and therefore subject to the public sector rules. As such, it would not be permissible under Treasury rules.

** These are about giving tenants an allowance to carry out the work themselves. The idea is that the Council would put up a portion of the money needed in the hope that tenants would make a contribution themselves. It was an idea floated by one or two council members at the time of the appraisal. Apart from retaining ownership of the stock, the idea has some fundamental drawbacks not least that it probably would not achieve meeting the Welsh Housing Quality Standard (the whole object of the exercise). Other notable drawbacks were in relation to where the money would come from and if direct from the HRA, then why not spend it anyway.

There will be significant financial changes in the event of stock transfer going ahead in Swansea. The result would be significantly increased resources for social housing, combined with wider opportunities for investment in economic regeneration. Amongst the most important identified by the council are:

- The Treasury will write off current housing debt of £130 million – currently the Council is spending £8 million each year on debt charges.

- There will be retention of the notional surplus of £4 million each year.¹¹⁰
- Benchmark rents will be charged to new tenants with a rent guarantee given to transferring tenants, who will not have to pay the benchmark rent until the new improvements are completed
- There will be full use of capital receipts accrued as a result of continuing Right to Buy for transferring tenants, without a compensating increase in the amount of negative housing subsidy payable.
- Welsh Assembly Government will provide gap funding to enable a business plan to be developed that is acceptable to potential funders.

These arrangements will allow the spending of some £34 million a year over ten years on the housing stock, the environment and the estates. This compares with current spending of around £17 million. There will be considerable impact on wider economic regeneration for Swansea, with local procurement and investment in skills training. It is calculated that the new investment will be repaid by year 22 when the new organisation will be able to generate surpluses for reinvestment.

Bridgend

In November 2002 the council tenants of Bridgend County Borough Council voted to transfer the whole of the 7,200 units (including 6,500 houses and 700 leasehold properties and garages) owned and run by the council to a newly formed housing association. The actual transfer took place in September 2003 with the new body, Valleys to Coast Housing, assuming control of the stock. To date Bridgend is the only Welsh local authority to undertake large-scale voluntary transfer of its stock.

For such a politically sensitive issue as stock transfer a political consensus is of the utmost importance. There was near consensus for stock transfer within Bridgend Council and this, together with a strong council leadership that stressed the practical benefits, produced strong messages for the council tenants.

¹¹⁰ The Welsh Assembly Government sets a 'notional' housing account for each authority, and determines what the income and expenditure should be. This is often different from reality on the ground and in Swansea's case, the authority ends up with a notional surplus which has to be returned to the Assembly Government. Although lost to Swansea, these surpluses are pooled together and re-circulated within the Assembly Government's housing account. The transfer business plan looks at the 'real' account. As the new organisation would be outside the public sector finance controls there would be no relevant surplus. It would be able to keep it to support new borrowings.

Peter Cahill, Chief Executive of Valleys 2 Coast and Jim McKirdle, Bridgend Council's Head of Housing and Community Well Being, both emphasised that strong leadership and political consensus on the benefits of transfer were crucial to the success of the venture. According to McKirdle, the approach was "non-ideological and pragmatic."¹¹¹

The condition of the housing stock was a major consideration in pursuing stock transfer. Twenty three per cent of Bridgend's council housing stock was unfit, the highest in Wales with the average being 8.2 per cent.¹¹² Peter Green, Bridgend's Principal Housing Officer, said the stock was "suffering from years of under-investment."¹¹³ The backlog of repairs alone stood at an estimated £26 million. With no income forthcoming from the Welsh Assembly Government to meet the backlog and future costs, stock transfer was not only a practical solution to the problems but the only means for tackling the unfitness of the housing stock.

One of the conditions that came with stock transfer was that eligible tenants carried with them the Right to Buy their homes, as under local authority direct control. Future tenants do not have the 'Right to Buy' but a 'Right to Acquire', which, as the consultation document given to Bridgend council tenants puts it:

"... is based on a grant rather than a discount and is generally less generous than the Preserved Right to Buy Scheme."¹¹⁴

Since transfer took place Right to Buy sales have depleted Valleys 2 Coast's stock by over 300 homes. A backlog of applications had accrued in the period between the ballot and the transfer and tenants were also aware of the opportunity to beat the April 2003 deadline of the change in the discount regulations.

Valleys 2 Coast predicts that around 50 homes a year will be sold under Right to Buy in the next few years. It forecasts that this number will tail off after this period since larger mortgages will be needed to cover the cost of buying homes as a result of rising house prices and a reduction in the level of discount. Chief Executive Peter Cahill believes that continuing Right to Buy sales are not to be feared as giving new owners a stake in their community, brings with it benefits so long as the homes sold off are replaced to sustain the rented housing stock. As he put it, "Right to Buy is not bad news. Not replacing the properties sold is bad news."¹¹⁵

¹¹¹ Interview, 8 March 2005.

¹¹² Welsh House Condition Survey, 1998.

¹¹³ Interview, 8 March 2005.

¹¹⁴ *Your Home Your Future Your Choice: Formal Consultation on Bridgend Council's proposal to transfer all of its homes to Valleys to Coast Housing*, Bridgend County Borough Council and Valleys to Coast Housing, 2002, page 45.

¹¹⁵ Peter Cahill, *Housing, Health and Jobs*, Regeneration Institute lecture, Cardiff University, 16 March 2005.

Valleys 2 Coast refuse to accept the notion of the continual residualisation of the social housing sector. One of the main motivations behind stock transfer and Valleys 2 Coast's subsequent works programme was the importance of helping to transform the residualisation of the social housing stock.

Spiralling house-prices has made owner-occupation more difficult. And with Right to Buy offering less discount on local authority homes since 2003 there are new people registering on waiting lists. Low salaried households which cannot afford home ownership are registering, along with the more traditional social groups. Peter Cahill said this was a gradual change but one that would become more apparent in future:

“The role that the newly-created housing associations can play in this change away from residualisation and marginalisation is crucial. Our homes must become the first choice, not last resort option for those in need.”¹¹⁶

A further benefit of stock transfer is the opportunity for economic regeneration. With Valleys 2 Coast spending an initial £70 million on an extensive programme of repairs and improvements in the first five years, and a total of £290 million over a thirty-year period, the amount of money available to plough back into the community is considerable.

The council's Local Housing Strategy demonstrates that it is aware of this opportunity which it places in the following context:

- The total cost of the works programme mirrors Ford's current investment programme in Bridgend.
- The average annual expenditure for the first five years post transfer is significantly higher than the current £8 million Objective 1 programme in Bridgend.
- Nearly £15 million alone will be spent on the installation of double-glazing in the first five years of the programme.

Understandably there is pressure on Valleys 2 Coast to both press on with its programme of repairs and to maximise the benefits to the local economy. To this end it has initiated the following:

- Bridgend Council's 80-strong Direct Labour Organisation was absorbed by Valleys 2 Coast upon transfer.
- A target of 75 per cent has been set for all workers employed in Valleys 2 Coast renovation work to have a Bridgend postal address.
- Issuing contracts to local companies wherever possible, or, in the event of that not being possible, ensuring that companies from outside the area undertake to employ local people.

¹¹⁶ Interview, 28 February 2005.

Valleys 2 Coast admits that achieving some of these objectives has been difficult, mainly due to what the council's *Local Housing Strategy* describes as a "severe shortage of skilled persons in the construction trades."¹¹⁷ To alleviate this Valleys 2 Coast has, in partnership with the Welsh Assembly, Bridgend County Borough Council and other agencies established a training centre which opened in late 2005 where it is anticipated that more than 45 people will receive construction training annually. Valleys 2 Coast's economic regeneration activities include 'bottom-up' initiatives such as participating in local events, and efforts to use local SMEs in its works programme.

A major consequence of stock transfer is the changing responsibilities of the local authority. Supporters of the scheme say it can be a liberating experience for the local authority, freeing it up from its time-consuming, labour-intensive role as a large-scale landlord. As a result it can play a more strategic role in identifying housing need and forging partnerships with other public and private bodies. Bridgend's *Local Housing Strategy 2004-2009* emphasises this aspect:

"The housing options appraisal and the transfer process have given considerable focus to the strategic benefits of partnerships and a common agenda. The needs of residents, irrespective of tenure, have been emphasised and a new impetus has emerged. As a result the Council is much better placed to drive forward the Local Housing Strategy from a significantly different and forward-looking platform."¹¹⁸

¹¹⁷ Bridgend Local Housing Strategy 2004-2009, Para. 4.1.1.

¹¹⁸ Bridgend Local Housing Strategy 2004-2009, Para. 2.6.

7. NEW ROLES FOR LOCAL AUTHORITIES AND HOUSING ASSOCIATIONS

As we have seen in earlier chapters, due to Right to Buy local authority housing stock has diminished over the last 25 years while, at the same time, stock within the ownership of housing associations has risen. Table 8 charts the change.

Table 8: Changes in ownership of Wales' social housing stock 1981-2003

	1981	2004
Local Authority Stock	298,000	162,000
Housing Association Stock	11,000	64,000

Source: Welsh Assembly Government housing statistics

As previous chapters have discussed, stock transfer is now very much on the agenda for Welsh local authorities. However, Bridgend is the only one so far to have transferred and elsewhere the extent of the debate varies widely. Some authorities have yet to address the issue in a comprehensive way. A small number believe they can retain their stock and meet the Welsh Housing Quality Standard through prudential borrowing. Others are undertaking an in-depth analysis of their options and preparing to hold a referendum of their tenants on a transfer proposal. The authorities profiled as part of this study provide examples of all these categories. The debate over stock transfer is likely to intensify in the coming few years for the following reasons:

1. Most local authorities have no other source of significant extra investment to meet the Welsh Housing Quality Standard.
2. In some authorities the relatively poor condition of much of the council housing stock will intensify the case for stock transfer. This was certainly the case in Bridgend.
3. The continuing pace of transfers being undertaken in England will demonstrate the potential of extra investment that stock transfer can generate. By March 2005, over one million UK council homes had transferred to RSLs, about 90 per cent of these being in England. The vast majority of transfer ballots achieve a 'yes' vote, hovering at around 84 per cent of all ballots since 1996.

Within ten to twenty years it is highly likely that very few local authorities in Wales will retain ownership of their current social housing stock. They will continue to have an extremely important housing function, but ownership and day to day management of social housing will pass into the hands of Registered Social Landlords, either in the form of a newly established 'conventional' RSLs such as Valleys 2 Coast in Bridgend, or a Community Mutual, as is being envisaged by Swansea.

It is noteworthy that local authorities do not have a statutory duty to own or manage council housing. On the other hand, they do have statutory duties to:

- Produce a local housing strategy.¹¹⁹
- Monitor the condition of private sector housing.
- Respond to the needs of the homeless.
- Assist in providing affordable housing to meet requirements identified in their local housing need assessment.

It is on these inter-connecting statutory functions that local authorities will concentrate in future. This, of course, will entail a significant change in their role and their relationship with Registered Social Landlords. They will have to emphasise much more than they have done in the past their strategic housing function, acting as facilitator between the public and private sectors.

This will need a change of attitude on the part of some authorities. As Peter Williams, Deputy Director of the Council of Mortgage Lenders, told us:

“There has been great animosity between local authorities and housing associations in Wales. There are tensions in many areas across the UK, but in Wales the attitude of some local authorities is politically venomous.”¹²⁰

He suggested five reasons for such attitudes:

- (i) Local authorities see housing associations as taking over their rightful role.
- (ii) They resent what they see as the privileged access of housing associations to private finance.
- (iii) They resent the fact that the Right to Buy applies in a differential way in the housing association sector where there is a “Right to Acquire”. The perceived consequence is that while local authorities have been losing stock, housing associations have been gaining.
- (iv) They regard housing associations as unaccountable to their tenants.
- (v) They view housing associations as being within the private sector and therefore representing a form of private finance initiative.

Peter Williams added:

¹¹⁹ This ‘duty’ may shortly disappear under Welsh Assembly Government proposals to ‘rationalise’ – in effect to reduce – the number of regulations relating to local government. If introduced the initiative, known as *Plan Rationalisation*, will end the requirement for local authorities to produce a *Local Housing Strategy* beyond 2008. Yet, it is hard to see how local government can fulfil its housing function, however that is defined, without having a clearly laid out strategic plan.

¹²⁰ Peter Williams, interview 7 January 2005.

“Many of these reasons are totally spurious, for instance the notion that housing associations are unaccountable. In fact, I do not believe there is a strong case any more for local authorities to remain as social housing landlords. This is not to say that they should not continue to have an important role in the provision of social housing, for instance in using their planning powers to promote shared equity or social housing in association with housing associations.”¹²¹

Equally there will need to be significant changes in the way housing associations operate in Wales. As Peter Williams asked:

“Do we have too many housing associations? There are over 100 but only about 30 with a development role. If we pursue stock transfer these numbers will increase. Is there a case for rationalisation? We need some assessment of the optimum infrastructure to deliver social housing.”¹²²

The Assembly Government is taking up this point with its emerging policy for granting Approved Tender Status to a relatively small number of housing associations, or groups of associations across Wales, perhaps five or six. The position will become more complex as more authorities transfer their stock in the coming years. In these circumstances there will be a strong argument to create a regional structure within Wales for strategic investment and decision-making, following the emerging housing market areas analysed in the following Chapter. Day to day management will, of course, continue to be undertaken at the local level. Meanwhile, the respective roles of local authorities and housing associations will change in the ways discussed below.

LOCAL AUTHORITIES

In future Local Authorities will need to better understand and enhance their strategic housing development role. This is wide-ranging and includes the following activities:

- Regularly updating a Housing Strategy for the authority, embracing partners such as housing associations, NHS Wales, and the local construction industry.
- Annual updating of the authority’s unitary development plan
- Identifying land suitable for development for housing and creating a supply of allocated sites.
- Undertaking regular housing needs surveys to underpin housing initiatives associated with the authority’s planning function.

¹²¹ *Ibid.*

¹²² *Ibid.*

- Entering into partnerships with housing association and the construction industry to co-ordinate new build for the intermediate housing market.

Some good practice examples of how local authorities have engaged in their strategic housing role can be found at Annex 5. Recently the Chartered Institute for Housing Cymru, while highlighting the importance of the local authority strategic housing role, has also pointed out that it is poorly understood:

“The need for a strong strategic housing function in local authorities across Wales has been increasing, mainly as a consequence of the impact of housing market imbalance and the affordability problems that have developed in many areas. At the same time there are serious concerns that the centrality of housing and the importance of the strategic housing function is not well understood at any level. The centrality of housing to many issues does not appear to be fully appreciated at a national level. Whilst some national plans, for example the Heads of the Valleys Strategy *Heads We Win* and the *Older Persons Strategy* recognise the centrality of housing to the delivery of the aims and objectives of these strategies, the contribution of housing appears more often to be underplayed, as in the *Wales Spatial Plan*, or almost completely overlooked in respect of *A Winning Wales*.”¹²³

The importance of the strategic housing function and its apparent weaknesses at a local level were highlighted in the Review of Better Homes, undertaken by the Assembly Government and reported to the Local Government and Housing Scrutiny Committee in 2004. The review concluded that the function was:

“... not given sufficient priority and resources by the majority of Welsh local authorities, and its corporate connections were weak or under-developed.”¹²⁴

The report went on to make a series of recommendations on how the strategic housing function could be strengthened, including cross-boundary partnership initiatives and emphasising the inter-relationship between housing, health and social care.

In future the local authority’s strategic role will increasingly be seen alongside what is becoming regarded also as its ‘enabling’ role. This point was emphasised by Kellie Beirne, Torfaen’s Housing Strategy Manager:

¹²³ Chartered Institute of Housing Cymru, *Taking the Lead: Building a stronger strategic housing role*, November 2005.

¹²⁴ Report of the National Housing Strategy Task and Finish Advisory Group, 2004.

“Developing and promoting the ‘enabling’ role requires very different ways of working to the conventional model of local authority direct service provision. The strategic housing function today represents a shift in balance in terms of the type and scale of interaction required between public and private sectors to deliver effective housing across the board. Understanding the workings of local housing markets, regarding every local household as a potential ‘customer’ and recognising that genuine partnerships are the only means of delivering, are just some of the challenges facing us. Enabling blanket social housing provision will not be an adequate response. Rather, delivering a range of affordable housing ‘products’ in a number of different contexts requires innovative, diverse and proactive approaches in order to respond to the requirements of individuals, for many of whom local authorities have not previously had direct responsibility.”¹²⁵

This approach is reflected in Torfaen’s main housing objectives, which. All of these emphasise collaboration with other agencies, in particular housing associations, rather than the authority’s role as an owner and manager of housing stock.

Torfaen’s Main Housing Objectives

1. Working with partner RSLs to maximise available resources to develop relevant numbers of affordable homes in areas in which people wish to live.
2. Maximising the use of planning Section 106 Agreements, thus securing more affordable homes through the planning system.
3. Forming direct partnerships with local house builders to develop new and innovative low cost homes – utilising flexible tenure, re-sale covenants, affordable by design and Homebuy.
4. Adopting a balanced approach to developing affordable housing – by targeting areas of high demand in Pontypool and Cwmbran, but also working with key agencies to stimulate demand in the north as part of an overarching approach to regeneration.
5. Working with public health and private sector housing agencies to implement the emerging empty properties strategy.
6. Developing more fully a framework to explore regional opportunities for new housing provision.

In these activities councils will need to work in partnership with other parts of the social housing sector, health authorities and the private sector as well. A number of local authorities have set up Strategic Housing Forums for the purpose, a good example being the one in Torfaen, described on the following page.

¹²⁵ Interview, 22 December 2004.

Torfaen's Strategic Housing Forum

The county borough's housing strategy cannot be delivered in isolation from other agencies and organisation working in related fields. As a result during 2003-04 the council created a new vehicle, the Torfaen Strategic Housing Forum. Its membership is made up of local agencies and individuals with a stake in housing issues, for example Registered Social Landlords, lenders, house builders, tenants, private landlords, estate agents, the local health board and the voluntary sector. Its role is to oversee the formation and implementation of Torfaen's Local Housing Strategy, to ensure that all relevant partners are working together to deliver and monitor outcomes. Local authority representation on the Forum is limited to a small number of key housing, planning and social services personnel.

However, an underpinning 'Officer Support Group' made up of other council service representatives and officers from external organisations provides a high degree of assistance and co-ordination. The Forum ensures communication between the main stakeholders, allows the development of policy innovation, and also acts as a lobbying arm for the Torfaen communities, for example with the Welsh Assembly Government.

Authorities will have an increasing role in assisting first-time buyers and private and social housing tenants to gain a foothold in the housing market. The main activity will involve imaginative use of planning laws (Section 106) and Homebuy to promote shared equity schemes in collaboration with Housing Associations and the construction industry. A template is provided by Torfaen's Home2Own scheme, described in Annex 5.

In addition councils will need to collaborate with other housing authorities, commissioning research and initiating cross-border policy initiatives. The emergence of the South-East Wales Housing Forum, the Welsh Rural Housing Network, and the North Wales Regional Partnership (see Annex 6), is a clear indication that many authorities are already appreciating the importance of these roles.

HOUSING ASSOCIATIONS

In the coming decades many if not most local authorities are likely to cease to own and manage housing, and instead concentrate on their statutory roles as described above. In the process the ownership and management of social rented housing will rest entirely with registered social landlords.

According to Catherine Green, Wrexham's Housing Strategy and Support Services Manager, this will produce an immediate benefit, for as she told us:

“The provision of social housing needs to be integrated, and not split between housing associations and local authorities. Integration of provision would produce a more balanced tenancy profile and it should be easier to achieve in Wales because the Assembly Government undertakes a regulatory role over the housing association sector.”¹²⁶

If our forecast proves correct, in the coming decade the profile of the Housing Association movement in Wales will radically change. At present there are more than 100 Housing Associations in Wales in ownership of property, but many of them are very small. The largest, Wales and West has in the region of 7,000 homes in different parts of the country. This compares with the new Valleys 2 Coast, created as a result of the Bridgend stock transfer, which owns 6,500 properties.

Only 33 of the current housing associations are classified as ‘developing associations’, that is to say with a role in new build developments or acquisition. As discussed in Chapter 5, the Assembly Government is in the process of giving some of them the status of ‘Agreed Programme Developer’. The aim is to have fewer associations involved in new build. This, it is believed, will accrue economic benefits from larger scale operations, to make procurement more efficient, and to save on the costs of bureaucracy. Currently, housing associations across Wales are coming together to form consortia to bid for Agreed Programme Developer status, with perhaps six or seven consortia likely to emerge.

Within the next five years we can expect them to be joined by perhaps five new organisations to which council housing stock will have been transferred from local government, some of them Community Mutuals. This figure should increase to perhaps 15 over the next ten to 20 years. Housing Associations will increase their activities in the following areas:

- Being the main provider of new social housing provision.
- Acting in close collaboration with local authorities and the construction industry in enabling new entrants to access the housing market via shared equity schemes.
- Engaging in carefully planned programmes of demolition of housing stock and their replacement with new properties tailored for specific tenant requirements, such as older people, single people and single parents, and sheltered accommodation more generally.

¹²⁶ Interview, 24 January 2005.

8. HOUSING MARKET AREAS OF WALES

The nature of the housing system, including the provision of social housing, is influenced by the nature of economic activity in a locality or sub-region. In turn economic development is to a great extent determined by the pattern of settlements, including their closeness to, or distance from, dense urban settlement, their rurality, their communication links and commuting patterns. Policy makers within the Assembly Government are giving attention to the potential economic impact of large-scale investment in social housing as a result of efforts to reach the Welsh Housing Quality Standard by 2012. Local authorities, too, are becoming increasingly aware that their housing strategies cannot be developed in isolation. This is testified by the recent emergence of the regional housing policy networks in Wales, described in Annex 6.

Assembly Government Sustainable Economy Objectives

An examination of the Assembly Government's objectives in promoting a sustainable economy reveals housing policy to be at the core of achieving the outcomes required. For example, of the ten objectives listed in the Wales Spatial Plan, *People Places and Futures*, at least six directly impinge on housing:

- Reconnect people with labour markets and improve skills through focused investment in our less well-off communities.
- Achieve a critical mass of population and business activity in our key economic areas.
- Ensure area hubs, as important economic drivers and service providers, are attractive for private sector investment and as places where people want to live, work and visit.
- Attract and retain well-educated and skilled migrants, as well as attracting back young people born in Wales, responding to demographic trends.
- Promote the efficient management and use of resources for the benefit of business, local communities and the environment.
- Enhance the natural and built environment, which is an economic asset.¹²⁷

A recent overview of Welsh housing policy by the Assembly Government recommended that an analysis of housing market areas should underscore any assessment of housing requirements:

“The Wales Spatial Plan ... highlights the emergence of regional plans and strategies and indicates that where regional collaboration results in agreement on specific proposals such as housing allocations, this will be reflected in future revisions of the plan.

¹²⁷ Welsh Assembly Government, *The Wales Spatial Plan, People, Places, Futures*, 2004, page 21.

Collaborative working is also our recommended approach in relation to Black, Minority and Ethnic communities housing strategies and homelessness issues in some parts of Wales. Throughout Wales we recommend that the analysis of housing requirements should be based on housing market areas.¹²⁸

Consequently, an understanding of the housing market areas— that is to say, areas exhibiting similar market characteristics and influenced by the same broad factors such as commuting patterns or inward and outward migration – is highly relevant to any discussion of future provision and policy. An analysis should help identify varying issues that will need to be addressed in different parts of Wales over the coming decades. For example, rural areas might be facing a problem of supply (as housing stock is sold off through right to buy) whereas in other parts of Wales, such as the Valleys, it might be a problem of condition. The results should be of use in looking forward to see what measures might be required over the next two decades in different parts of Wales to meet contrasting problems. These would need to be predicated on assumptions about whether existing trends were likely to continue or change.

An analysis of housing market areas should also help to establish how big a role or otherwise stock transfer might play in different areas. For example, in some places, because of the prospect of reasonable sums of money being available for investment in the public sector estate, possibly through buoyant right to buy, stock transfer might be less important. In other areas where there was a large renewal problem it might be the only option under current Treasury rules. In some places, too, a stock transfer option might need to be accompanied by demolition, and the introduction of new forms of tenure, through the refashioning of estates.

Dividing Wales into Nine Housing Market Areas

This Chapter delineates a provisional outline of the housing market areas of Wales. Three recent publications have provided us with a starting point:

1. The Assembly Government's Spatial Plan, *People, Places, Futures*, published in 2004, divided Wales into six regions:

- (i) North West Wales – Eryri and Môn.
- (ii) North East Wales – Border and Coast.
- (iii) Central Wales – Powys, Ceredigion and much of Carmarthenshire.
- (iv) South East – the Capital Network, embracing Bridgend, Cardiff the central and eastern Valleys, Monmouthshire and Newport.
- (v) Swansea Bay – Waterfront and Western Valleys, including Llanelli, Neath and Port Talbot.
- (vi) Pembrokeshire – the Haven, and including western Carmarthenshire.

¹²⁸ Assembly Government, *Housing in Wales – The 21st Century*, report to the Social Justice and Regeneration Committee, 23 February 2005, Para.. 4.7.2.

2. *An Analysis of Local Housing Strategies*, prepared for the Welsh Assembly Government during 2004 considered local authorities according to the categories shown in Table 9.

Table 9: Assembly Government Delineation of Housing Authorities (2004)

Rural	Carmarthenshire, Ceredigion, Conwy, Denbighshire, Gwynedd, Anglesey, Monmouthshire, Pembrokeshire, Powys
Valley	Blaenau Gwent, Bridgend, Caerphilly, Merthyr Tydfil, Neath Port Talbot, Rhondda Cynon Taf, Torfaen
Urban	Cardiff, Swansea, Newport
Other	Flintshire, Vale of Glamorgan, Wrexham

3. *Home Ownership Affordability in Wales*, by Professor Steve Wilcox, of the Centre for Housing Policy, University of York. This provided an analysis of the difficulties that working households face in accessing home ownership in every area of Wales at the end of 2003. It showed the ratio between local house prices for 2/3 bedroom dwellings at the end of 2003 and the household earned incomes of local working households aged from 20 to 39. The great majority of first time home buying households are drawn from this population group. An analysis of the results suggests that, keeping to local authority boundaries and taking incomes and house prices in relation to one another, there might be eleven housing market areas in Wales, as follows:

- | | |
|--------------------------------------|---------------------------------------|
| 1. Wrexham and Flintshire | 6. Powys |
| 2. Conwy and Denbighshire | 7. Monmouthshire |
| 3. Gwynedd and Ynys Mon | 8. The seven Valley authorities |
| 4. Ceredigion | 9. Newport |
| 5. Pembrokeshire and Carmarthenshire | 10. Cardiff and the Vale of Glamorgan |
| | 11. Swansea |

However, taking these three studies together with commuting patterns, and again ensuring that the designations do not cut across local authority boundaries, we judge that nine housing market areas are more appropriate, as shown in Figure 6 on the following page. They are:

1. **Wrexham and Flintshire**
2. **Conwy and Denbighshire**
3. **Gwynedd and Ynys Mon**
4. **Ceredigion**
5. **Powys**
6. **Pembrokeshire and Carmarthenshire**
7. **Swansea and Neath and Port Talbot**
8. **Cardiff, Vale of Glamorgan, Bridgend, Rhondda Cynon Taf, Merthyr Tydfil, Caerphilly, and Blaenau Gwent**
9. **Newport, Torfaen, and Monmouthshire.**

Figure 6: Nine Welsh Housing Market Areas

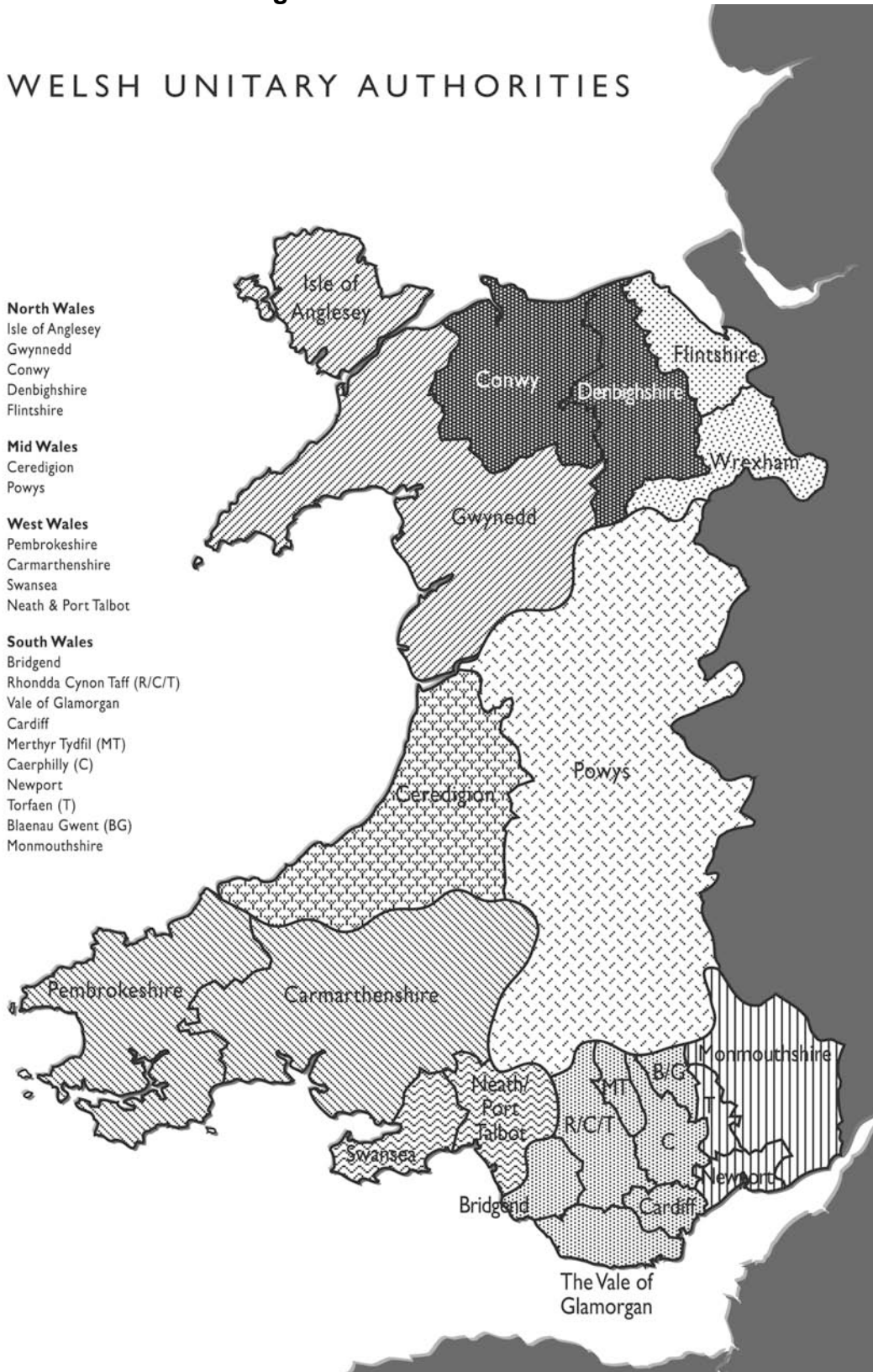
WELSH UNITARY AUTHORITIES

- North Wales**
- Isle of Anglesey
- Gwynedd
- Conwy
- Denbighshire
- Flintshire

- Mid Wales**
- Ceredigion
- Powys

- West Wales**
- Pembrokeshire
- Carmarthenshire
- Swansea
- Neath & Port Talbot

- South Wales**
- Bridgend
- Rhondda Cynon Taff (R/C/T)
- Vale of Glamorgan
- Cardiff
- Merthyr Tydfil (MT)
- Caerphilly (C)
- Newport
- Torfaen (T)
- Blaenau Gwent (BG)
- Monmouthshire



We have based this assessment of what constitutes the Welsh housing market areas by undertaking a statistical analysis of all 875 wards in Wales based on 2001 census data for:

- Housing tenure - privately owned, social rented and private rented.
- Households containing pensioners only and single pensioner households.
- Lone parent with dependent children households.

In addition we have applied the 2000 Index of Multiple Deprivation (2000) for purposes of comparison. This information is summarised by county area in Table 10 below.

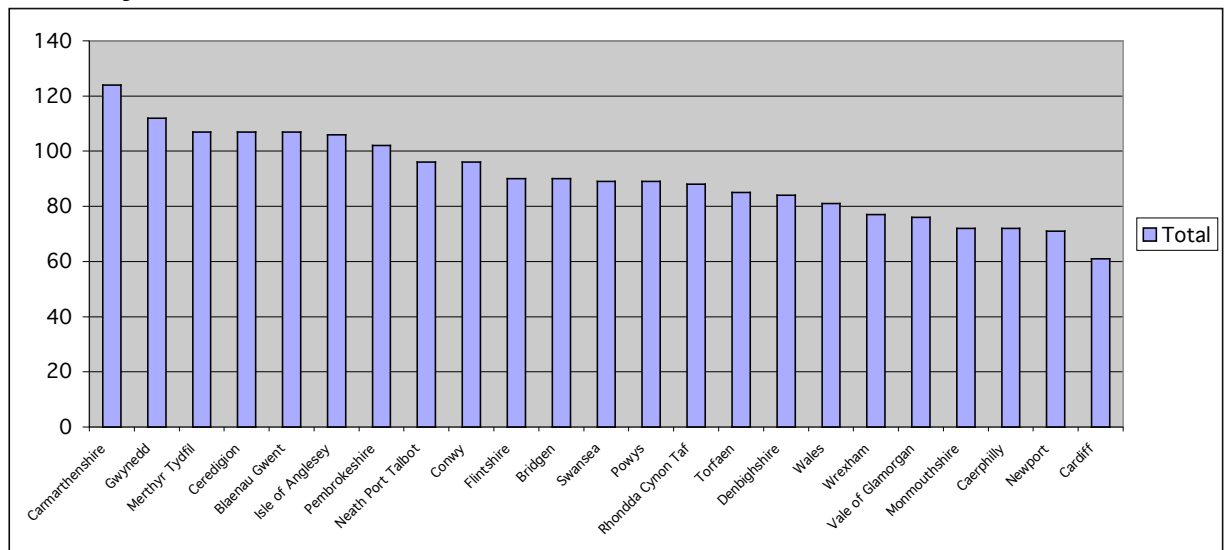
Table 10: Key statistics by local authority area

Local Authority	Tenure: Privately Owned (%)	Tenure: Social rented (%)	Tenure: Private Rented (%)	Households containing pensioners only (single and couples) (%)	Single Pensioner Households (%)	Lone parent with dependent children (%)
Blaenau Gwent	62.61	28.87	6.82	25.19	16.41	8.96
Bridgend	77.11	14.42	6.25	24.41	14.42	7.21
Caerphilly	72.65	21.37	4.91	23.07	14.13	8.15
Cardiff	69.82	16.94	11.13	21.99	13.55	8.65
Carmarthenshire	72.42	17.15	7.94	28.19	17.15	6.8
Ceredigion	69.99	11.99	15.72	27.37	16.4	4.91
Conwy	73.37	11.89	12.65	32.51	19.19	5.97
Denbighshire	72.52	13.21	12.19	29.4	17.99	6.5
Flintshire	75.89	16.54	6.48	22.47	13.52	6.23
Gwynedd	66.62	18.33	11.88	28.04	17.45	6.31
Isle of Anglesey	68.01	16.99	11.57	27.19	16.15	6.88
Merthyr Tydfil	67.11	22.84	6.25	24.42	15.48	9.64
Monmouthshire	76.20	14.72	7.56	26.58	15.1	5.28
Neath Port Talbot	71.30	20.25	5.88	26.43	16.35	7.9
Newport	70.53	21.67	5.44	23.76	14.38	9.21
Pembrokeshire	69.37	17.43	11.13	27.32	15.65	7.34
Powys	69.19	15.35	12.54	28.47	16.64	5.1
Rhondda Cynon Taf	75.17	14.70	7.40	24.47	15.03	7.77
Swansea	69.54	19.41	8.48	26.46	15.81	7.53
The Vale of Glamorgan	77.80	12.94	7.92	24.44	13.79	7.76
Torfaen	68.26	26.40	3.75	25.21	15.05	7.38
Wrexham	65.55	26.18	6.97	23.82	14.92	6.03
WALES	71.32	17.91	8.59	25.6	15.46	7.28

Source Census 2001

In addition we examined the percentage increase in house prices by local authority area between 2002 to 2005, shown in Figure 7 on the following page.

Figure 7: Percentage increase of house prices in Wales by local authority area 2002-05



Source: Welsh Assembly Government housing statistics:
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

Using these statistics a number of patterns begin to emerge which point to the different problems that adjoining local authorities across Wales share and the scope for greater co-operation between local authorities where broadly similar issues arise in contiguous areas. We have delineated these nine housing market areas in Wales using existing local authority boundaries. However, as the commentary below indicates, a more sophisticated analysis would need to take into account other patterns that cross borders, in particular in the heavily populated parts of south Wales. To test our judgement we have overlain this map on a GIS analysis of the following sets of statistics, produced at ward level across Wales. Five are on the basis of housing occupation, as follows:

- Socially rented
- Owned outright or with mortgage
- Privately rented
- Occupied by pensioners only
- Occupied by lone parents

And, finally:

- Multiple social deprivation by ward.

These six maps are produced in colour on the following pages. The first five are accompanied by a local authority ranking of the statistics. Taken together these different representations of the statistics demonstrate that the nine housing market areas each embrace local authorities with broadly similar concentrations in each category. However, there is a major proviso to this judgement. This is in the urban areas of Wales, particularly in the south east where, for example, local authority boundaries sometime fail to capture similar concentrations of social housing tenure.

Figure 8: Homes socially rented by ward (2001)

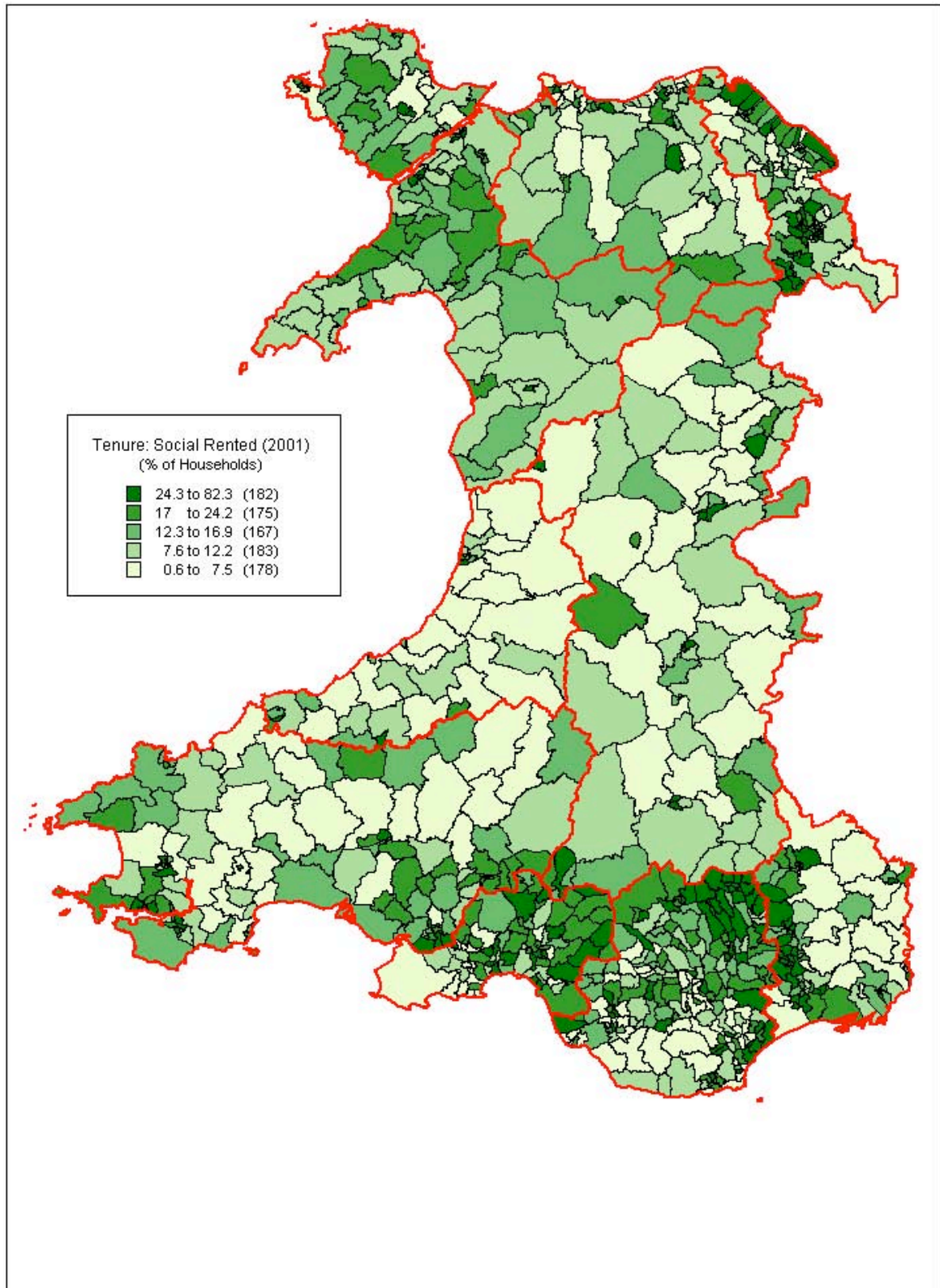


Figure 9: Ranking of concentration of homes socially rented by local authority (2001)

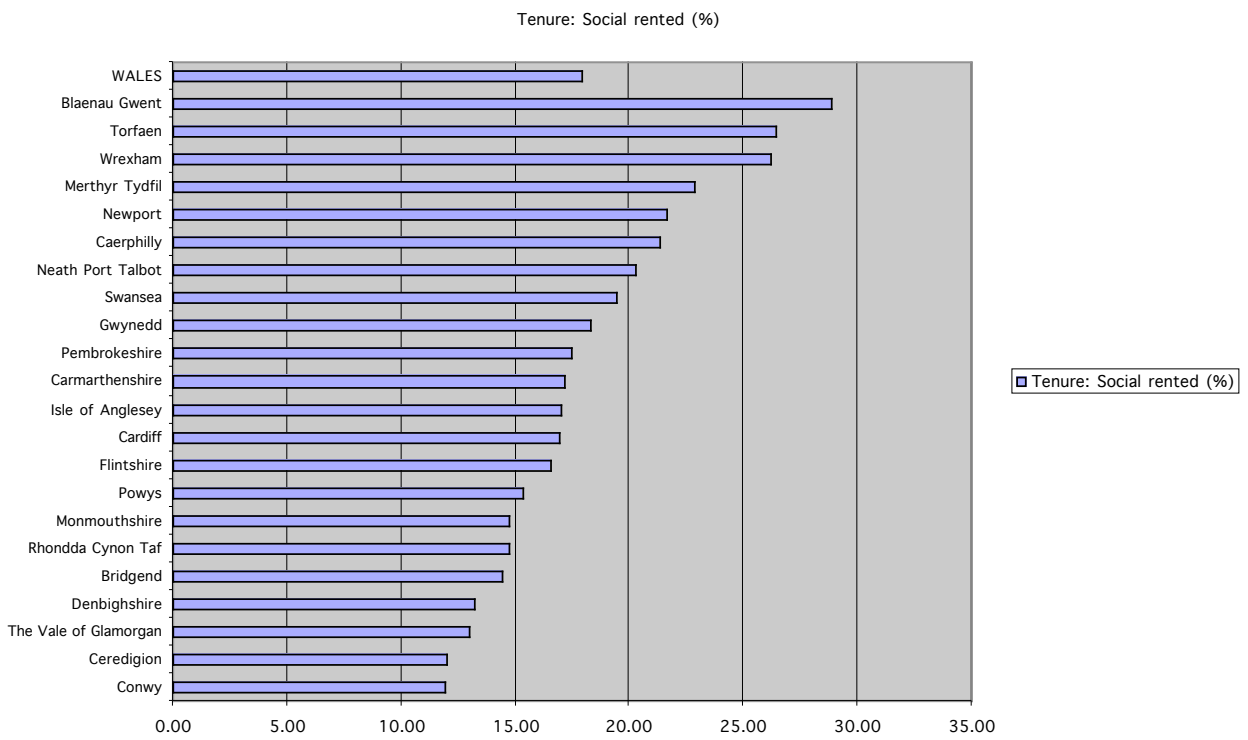


Figure 10: Homes owned outright or with a mortgage

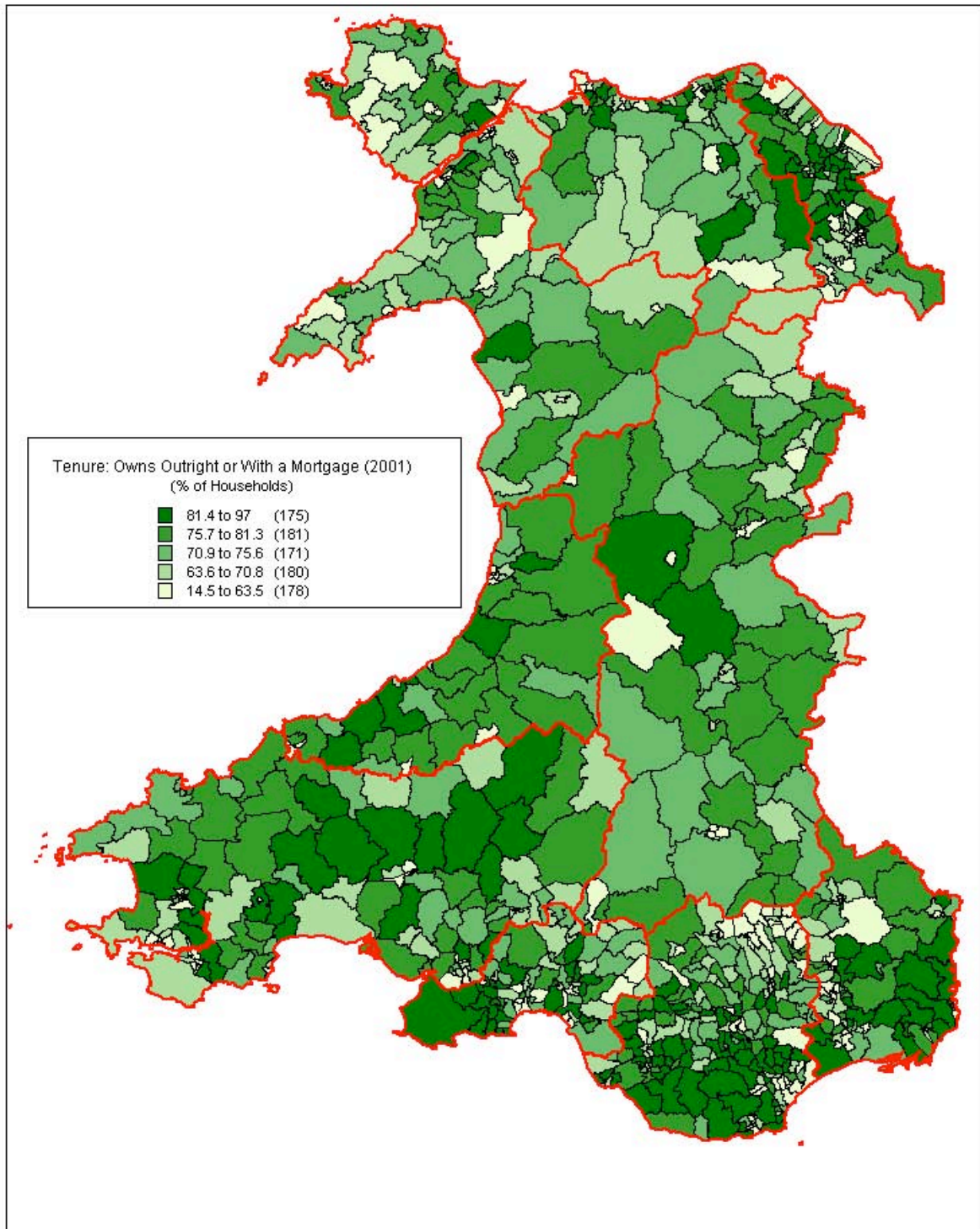


Figure 11: Ranking of concentration of homes privately owned by local authority (2001)

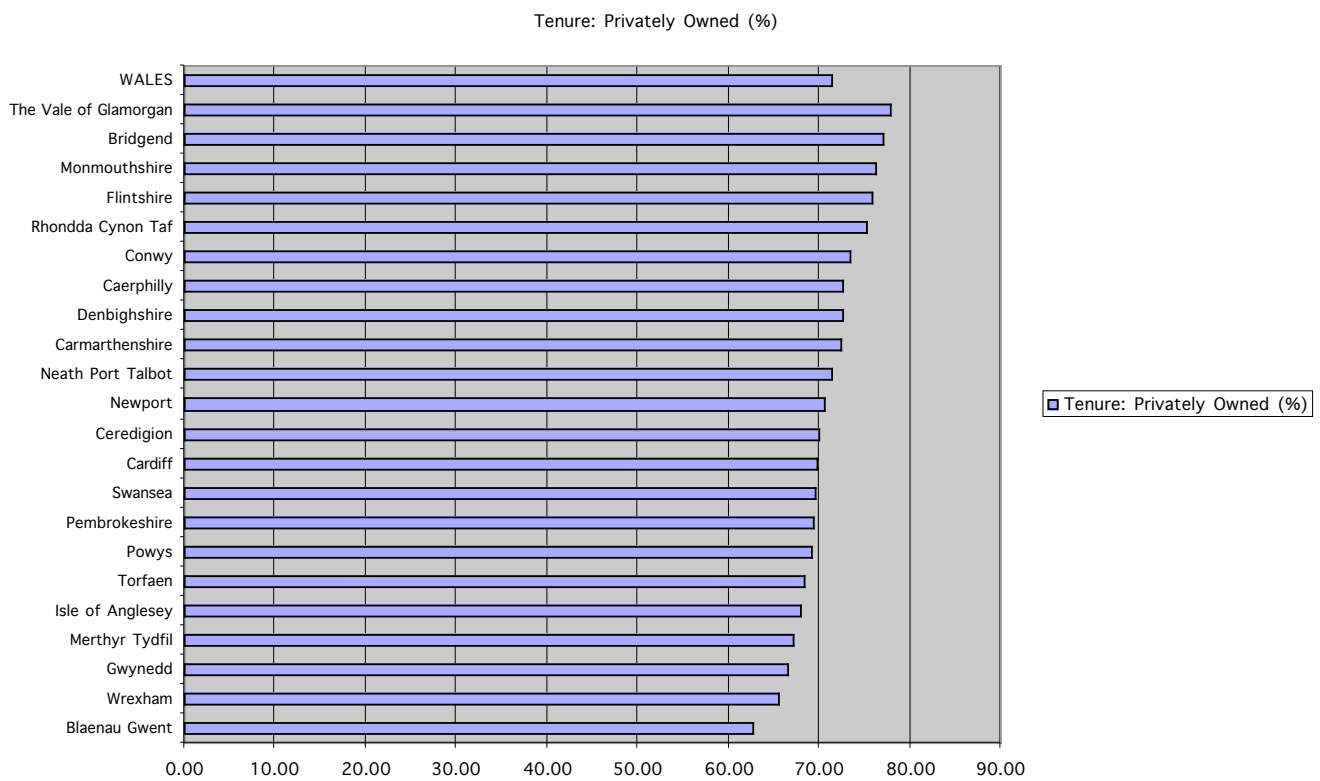


Figure 12: Homes privately rented by ward

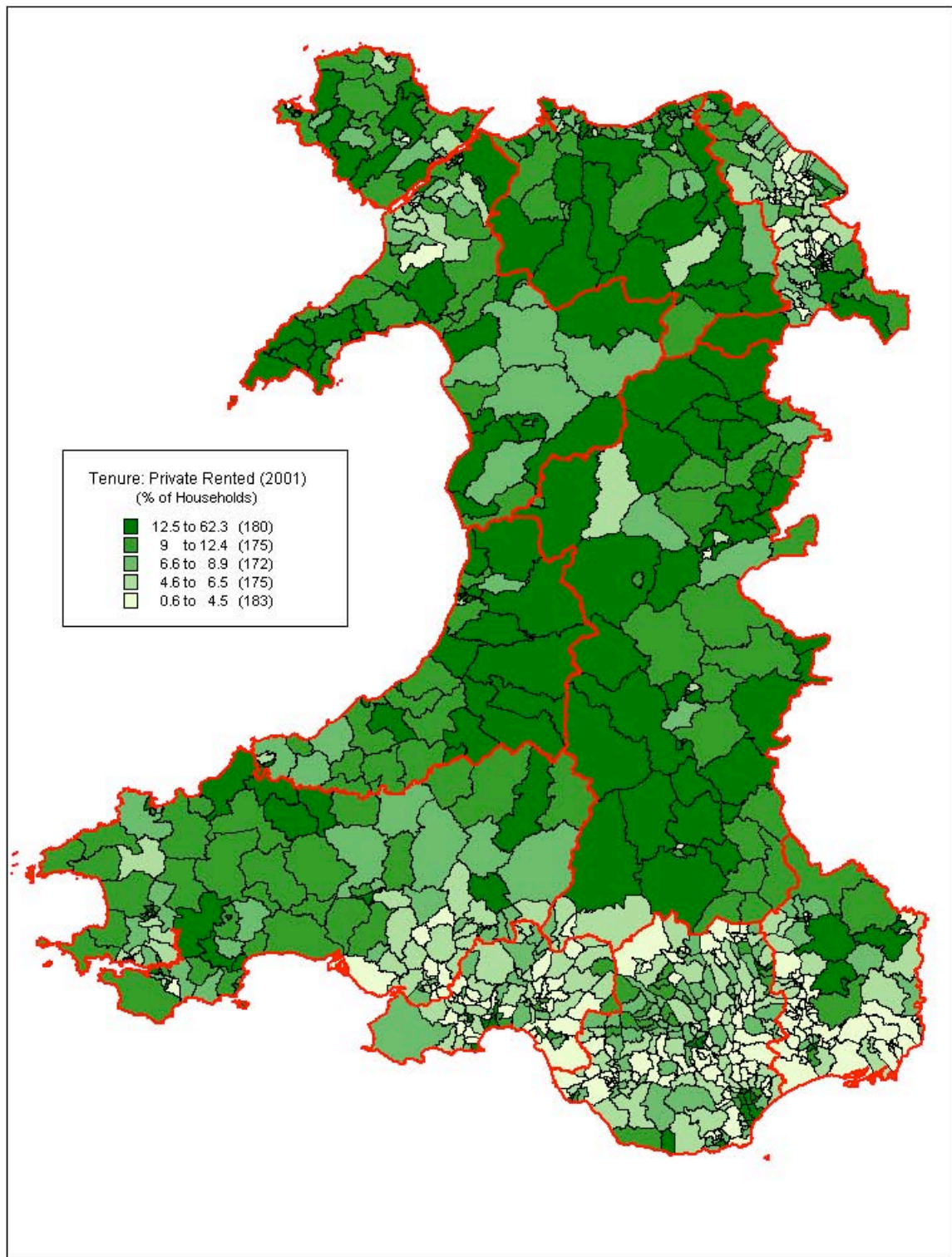


Figure 13: Ranking of concentration of homes privately rented by local authority (2001)

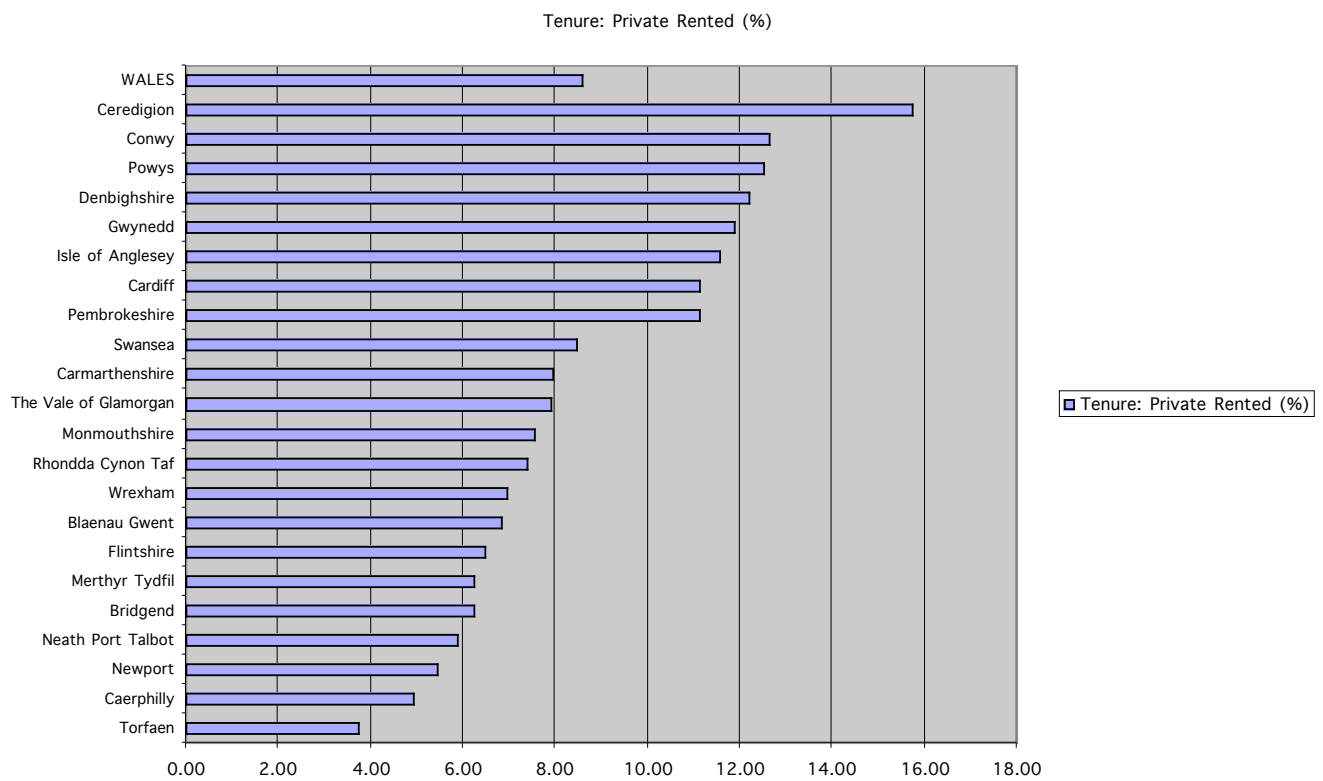


Figure 14: Homes containing pensioners only

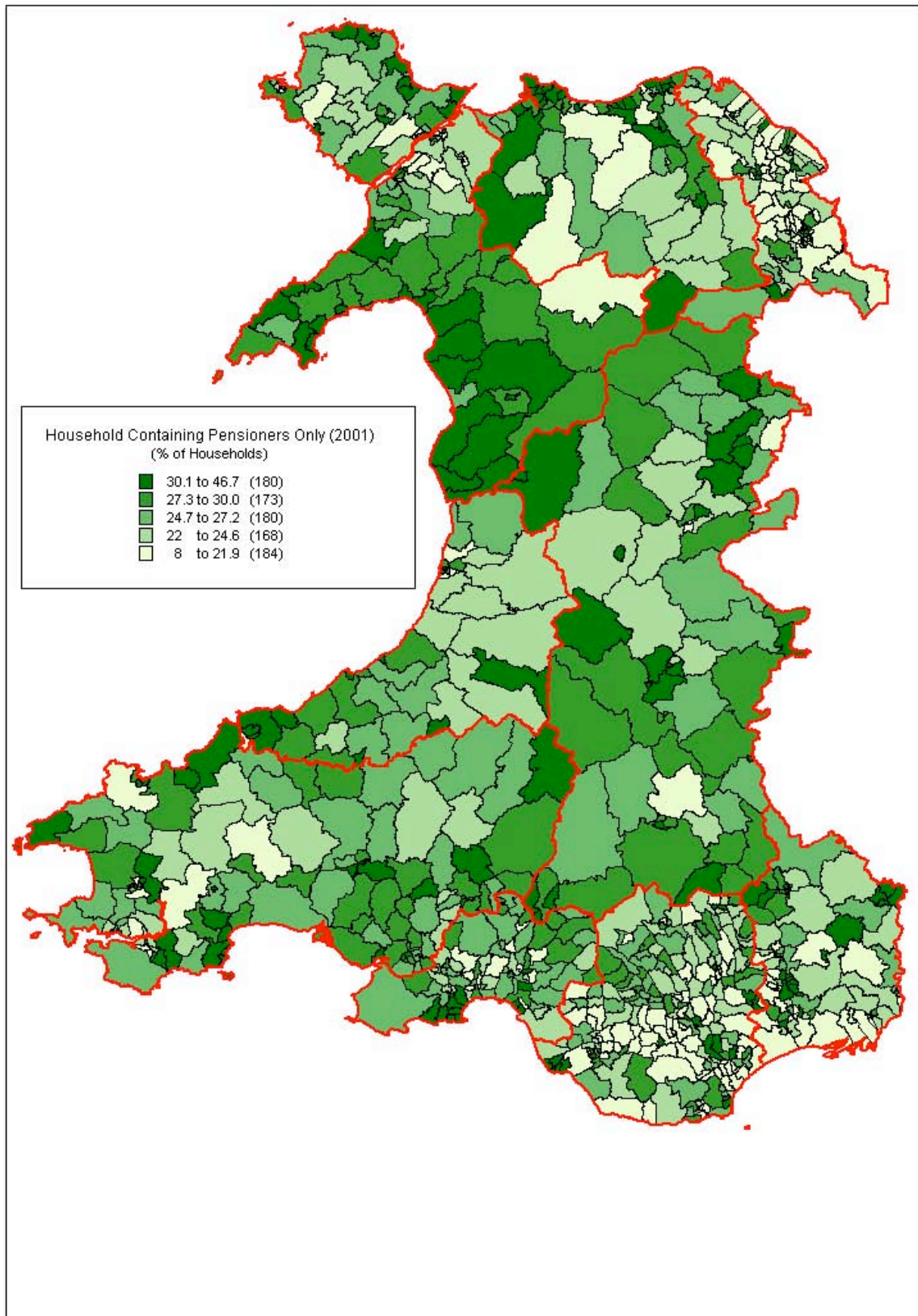


Figure 15: Ranking of concentration of homes containing pensioners only by local authority (2001)

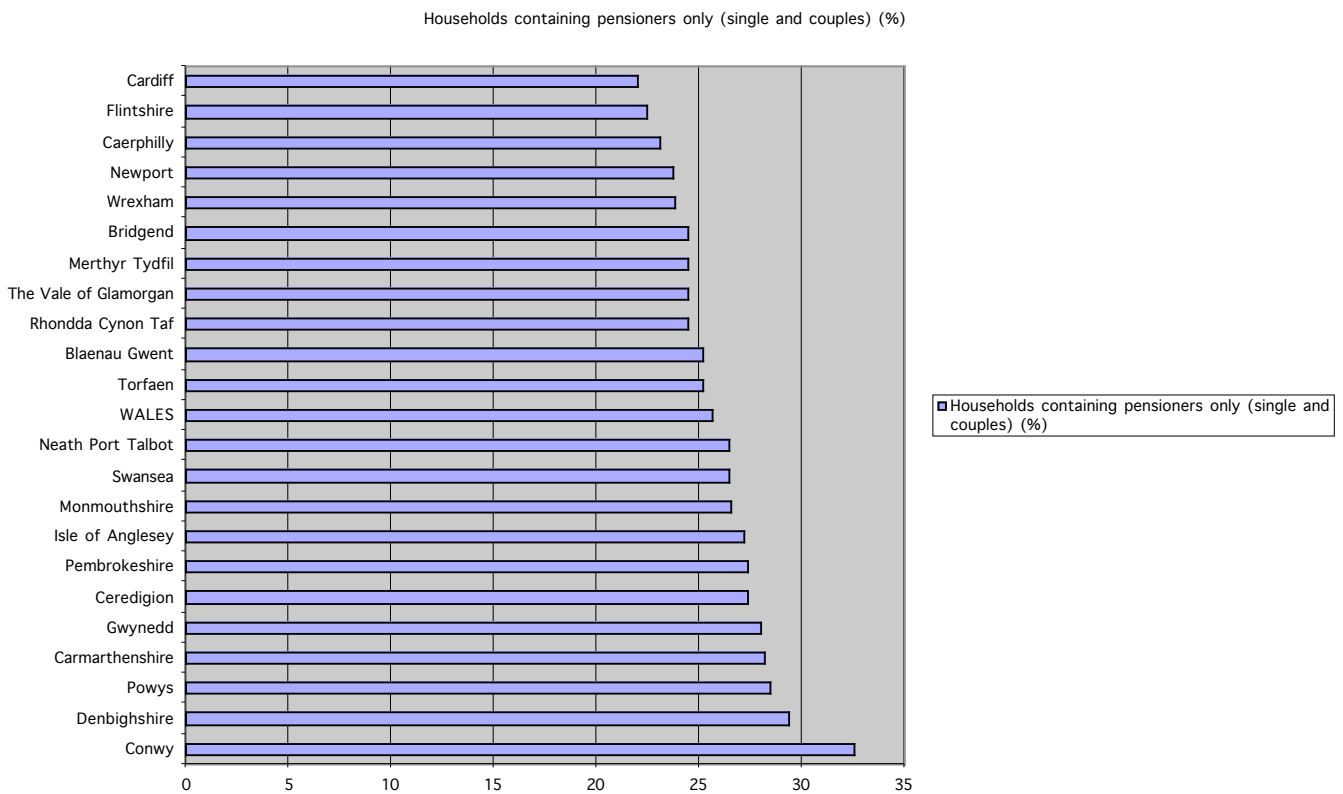


Figure 16: Lone parent households by ward

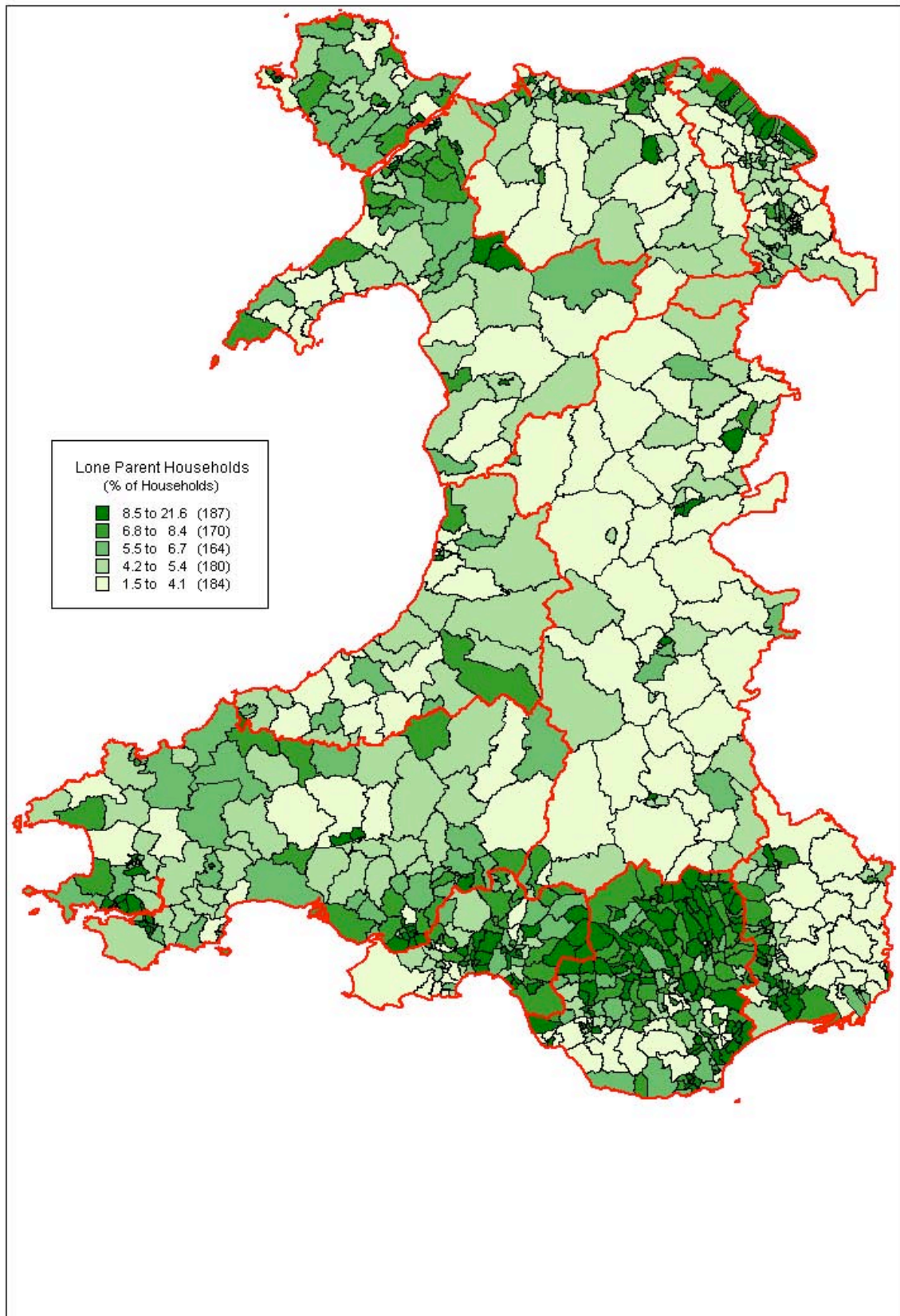


Figure 17: Ranking of concentration of homes containing lone parents by local authority (2001)

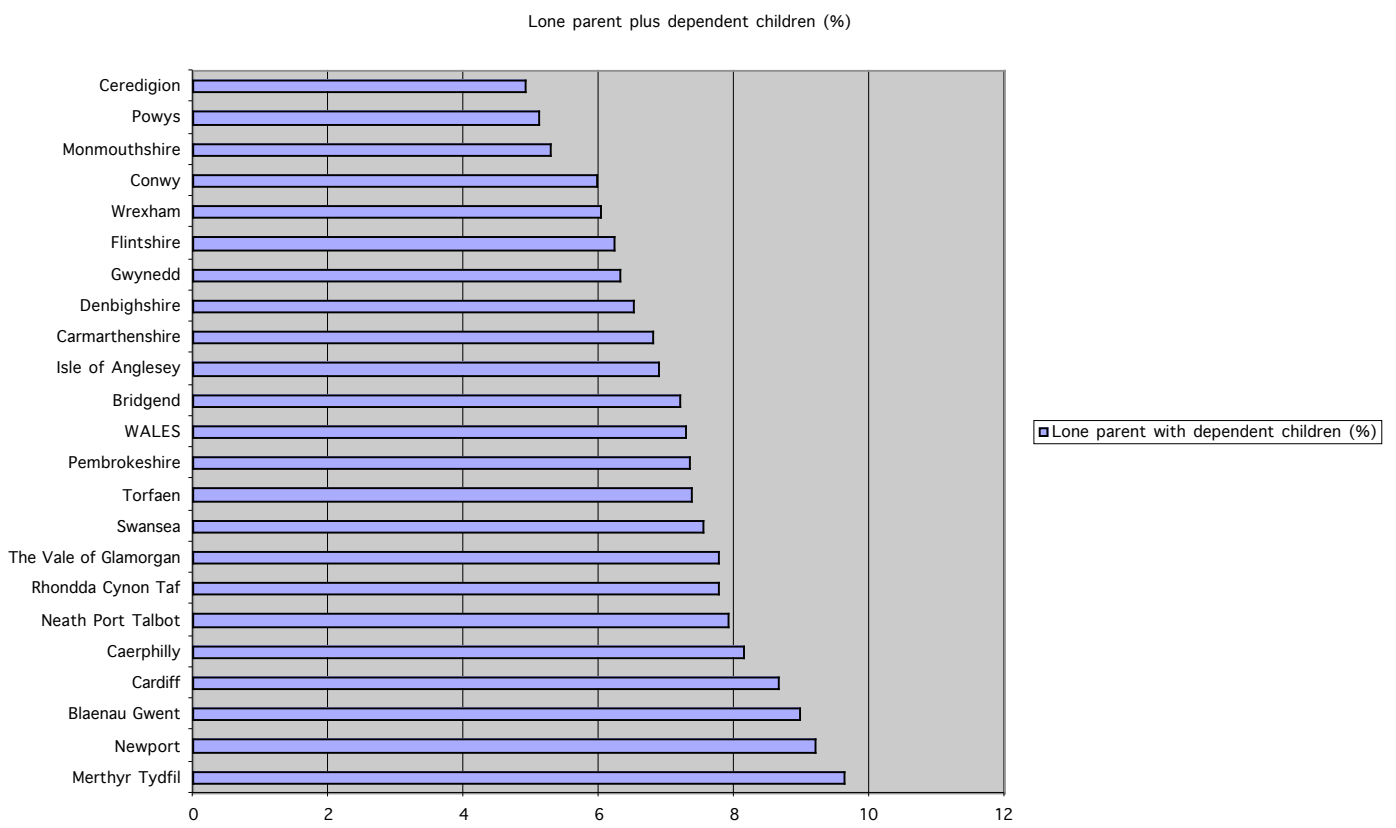
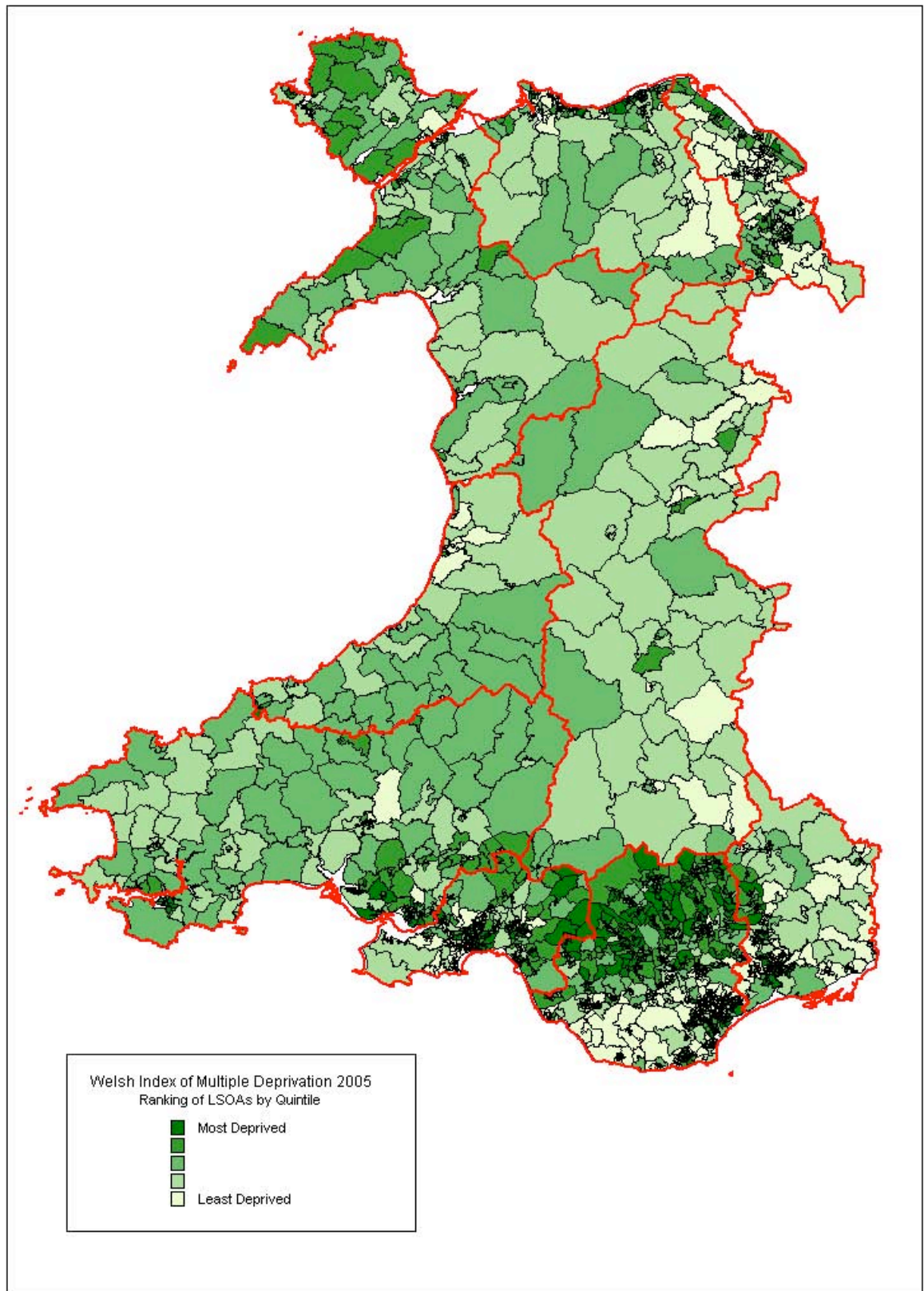


Figure 18: Multiple level of deprivation by ward



So, for instance, the Vale of Glamorgan, Cardiff, Bridgend and (perhaps surprisingly) Rhondda Cynon Taf have a relatively low concentration of social housing compared with Caerphilly, Merthyr and Blaenau Gwent. Similarly, Monmouthshire is out of kilter with Torfaen and Newport in this respect, as is Wrexham with Flintshire. Nonetheless, in these cases we judge that commuting patterns outweigh tenure in judging where the housing market areas of adjoining authorities should be placed. A detailed description and analysis of the nine housing market areas we have identified here can be found at Annex 6 of this report.

When considering these housing market areas mention should be made of the South East Regional Housing Forum (described in Annex 5). This comprises a collective of ten local authorities that combine the two housing market areas we have identified for south east Wales. Arguably, these should constitute a single housing market area on their own. On the other hand, a report commissioned by the Forum, identified five distinctive housing market areas within the region:

- The urban-based area around and to the south of the M4 corridor
- Rural Monmouthshire
- The urban area to the immediate north of the M4 corridor
- Mid Valleys
- Heads of the Valleys¹²⁹

Our judgement, which identifies two market areas focusing on Newport and Cardiff, gives precedence to commuting patterns and retaining the integrity of local authority boundaries. This last is to provide a context within which local authorities can seek collaboration with their neighbours in maximising the regeneration benefits offered by investment in social housing. It is noteworthy, therefore, that in 2006 the South East Wales Regional Housing Forum is embarking upon a project to develop a Housing Market Model for south east Wales aimed at identifying key cross-boundary housing market trends and issues.

¹²⁹ *South-East Wales Regional Housing Market Study*, Regeneration Institute, Cardiff University, July 2005.

9. FUTURE TRENDS

1. The Housing Market

Predicting future developments in the commercial market is probably the most problematic area of housing policy forecasting. However, changes in the market can have profound consequences for social housing, as has been the case over the past five years which have witnessed steep rises in house prices.

As discussed earlier in this report, this has produced a major issue of affordability, especially for first-time buyers, though ameliorated to some extent by the relatively low interest rates in the period. In turn this has concentrated the minds of housing authorities on developing new mechanisms to provide affordable housing, in particular utilising the planning system through Section 106 agreements with property developers.

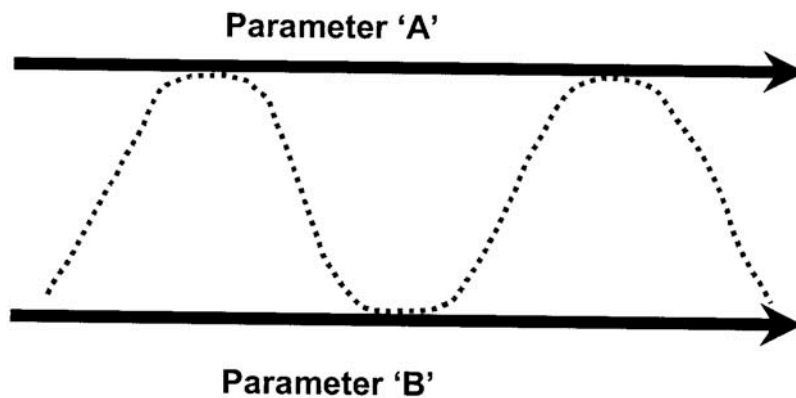
In producing a future housing strategy it is therefore necessary for policy makers to make some assumptions about likely trends in the housing market. Of the five authorities examined as part of this study, only Swansea City Council attempted this in producing its local housing strategy in 2003. It is worth briefly providing a summary of the conclusions since in broad terms they can be read across to the rest of Wales.

Swansea's *Local Housing Strategy 2004-2009* developed three scenarios for the future which took into account five influences on future trends:

1. **Economic** –house prices, UK macro-economic forecasts, local economic forecasts and employment levels.
2. **Demographic** –population projections, age profiles and household formation rates.
3. **Social need** –mobility data and the impact of an ageing population.
4. **Housing development forecasts** –the unitary development plan and views of the main developers.
5. **Housing preferences and aspirations** of the population.

The first two scenarios were described as the two main extremes that could happen to the housing market in future. These were regarded as essentially the two parameters within which the housing market would operate. In-between a most likely scenario was developed. The process was illustrated by the diagram shown in Figure 19.

Figure 19: Parameters within which the housing market will operate in future



The extremes or parameters within which the market was predicted to operate in future were:

- A The UK experiences a deep long lasting recession with a steep increase in unemployment, especially in areas such as Swansea. The net result is a downturn in the housing market and property prices. Repossession rates and the number of people applying for social housing increases.
- B Interest and inflation rates fall and unemployment declines. In line with the UK economy the local economy experiences rapid growth with a long period of house price inflation. Demand for social housing declines as more households can now afford to fulfil their aspirations and become owner-occupiers.

After considering these optimistic and pessimistic 'extremes' the council concluded that the most likely outcome would fall somewhere between, and made the following predictions for the future of social housing:

- The next ten years will be characterised by a period of economic stability with owner occupation continuing to be the tenure of choice amongst the large majority of the population.
- House price inflation will continue but at a lower rate than between 1999-2004. It will be especially high in some growth areas, notably the Eastern 'gateway' to the city and along the M4 corridor. There will be a growth in the number of executive homes as people from other parts of the UK who have a link with Swansea/Wales return to retire. Often these people will return from areas that have relatively high house prices causing them to fuel house price inflation in parts of the city.

- Demographic factors will to a great extent shape the future role of social housing with the housing needs and aspirations of older tenants and prospective new younger tenants being critical. As older tenants are gradually replaced by new younger tenants, the turnover of social housing increases.
- There will be an increase in demand for properties suitable for single person households.
- There will be a growth in the black and ethnic minority communities.
- There will be a slight increase in the popularity of the private rented sector as more people take advantage of the flexibility of this tenure. The 'buy to let' market mainly for students will expand slowly from established areas as the market becomes saturated.

On the basis of these predictions the authority determined on the following main themes for its housing strategy:

1. How to prevent social housing's market share diminishing in future.
2. How to cater for the housing needs of an ageing population. This includes the need to introduce different models of housing for older people as demand for older person's accommodation increases.
3. How to cater for the housing needs of the black and ethnic minority population.
4. The need to regenerate areas and communities where the housing market is depressed.
5. The need to address the issue of affordability in key areas such as rural areas and the 'Eastern gateway' of the city.

2. Changing Demand for Social Housing

Local authorities report that the impact of house price increases in recent years has substantially increased the numbers joining local authority waiting lists. The result is that local authorities and housing associations are now obliged to house an increasing number and variety of people, many of whom they have not been in contact with in the past.¹³⁰ There has emerged what can be termed a demand in the 'intermediate sector', that is to say people in work and outside the housing benefit system but who are unable to afford to get on to the first rung of the housing ladder without assistance. Local authorities are beginning to address this demand by devising a variety of shared equity schemes in association with housing associations. Through judicious use of the planning system house builders are being required to allocate a proportion of new developments to 'affordable housing'. The rationale is summarised in the *Powys Housing Strategy 2004-2009*:

¹³⁰ Interviews with housing officials in Torfaen, Wrexham, Gwynedd, Powys and Swansea as part of this study.

“The rapid and concerted increase in house prices, coupled with the low-wage economy of Powys, raises some serious questions about whether people living and working within Powys can compete in the current housing market. One of the main issues for Housing and Planning Authorities is how to assist local people who wish to buy or rent housing in the communities in which they live and work but who are unable to do so either because of the high cost of housing or because of the lack of suitable housing.”

These issues affect both urban as well as rural authorities. For instance, Torfaen’s Housing Strategy Manager, Kellie Beirne, described her authority’s position in the following terms:

“In order to update a ‘snapshot’ needs survey undertaken in 2001, the Authority commissioned a Housing Market Analysis during 2003-04. This demonstrated that house prices in Torfaen have increased by more than 35 per cent over the last two years with the average house price now exceeding £106,000, marking quite a departure from the former image of Torfaen as a relatively inexpensive place to buy a home. Average ‘entry level’ prices (based on a traditional 2 bed terrace) are now upwards of £85,000, a considerable increase on £49,232 in 2002.

“One of the tangible effects of this affordability predicament, or as some might rightfully suggest ‘crisis’, is the fact that local authorities and RSLs are now accommodating an increasing number and variety of groups – many of whom we haven’t come into contact with in the past. In the current market situation, those households who might have previously satisfied their ‘housing demand’ on the open market are prevented from doing so and as such, ‘demand’ or ability to pay is transformed into ‘need’ or the requirement for subsidy.

“Most of the people on our waiting list are within an income range of £15-20,000 a year. Without assistance they have no hope of stepping on to the housing ladder. Most of the people on our waiting lists have an ability to pay, but not at current prevailing market rates. Consequently our housing strategy is now geared to enabling a wide range of low cost home ownership schemes, including an extension of the Homebuy scheme funded through both public subsidy – the Social Housing Grant - and the private sector.”¹³¹

One question for the future is how long the house price pressures of recent years will persist and so continue to drive these trends? However, it is a reasonable assumption that prices will not fall substantially in the coming decade. Further, if past experience is replicated, although earnings will gradually catch up with house price inflation, this in turn will fuel increased prices since:

¹³¹ Kellie Beirne, Housing Strategy Manager, Torfaen CBC, interviewed 22 December 2004.

- New build is not matching demand. For instance, during 2003-04 the Assembly Government £1.1m Social Housing Grant allocation to Torfaen (which was spent in full) enabled the development of just eleven new homes. Yet, during the same year, the council 'lost' 480 homes due to Right to Buy, saw its waiting list rise to 5,000, compared with 1,000 in recent years, and had 1,100 homelessness presentations, a 50 per cent increase on recent years.¹³²
- All trends suggest that the number of households will increase, especially single person households.

Compared with a generation ago when there was a mix of demand for social housing across the age groups, today demand is increasingly concentrated within two age groups:

- a) Young people in their twenties and early thirties who see their occupancy of social housing as a temporary expedient while they gather resources to enter the home ownership market.
- b) Older people who are already in the social housing sector or need to enter it for health or infirmity reasons.

3. Constructive Residualisation

Two questions arise when considering the future of social housing. Can it be planned for as an option for long-term occupation by a broad cross-section of the population, though generally those on lower incomes? Alternatively, will it inevitably become further residualised as subsidised accommodation for the vulnerable in society?

In the course of this study we received contrasting views on these questions, views that often reflected the local circumstances from which they were made. For instance, acknowledging that there may be a different perspectives in urban and rural Wales, Catriona Graham, Powys Director of Housing and Community Care, said:

“We are firmly of the view that there are great merits in allowing people on low incomes, often key workers in the community, to put down roots in the rented social housing sector. This may mean that in future we will have to operate a quota system in dividing our provision in perhaps three ways, with some of our stock being allocated to vulnerable groups with a need for relatively specialised accommodation, such as sheltered accommodation for the elderly; some allocated to those presenting themselves to the council as homeless; and some allocated to local working people with families on low incomes.”¹³³

¹³² *Ibid.*

¹³³ Interview, 24 November 2004.

As we have seen in chapter 5 the managers of Valleys 2 Coast, so far Wales's sole stock transfer organisation, are determined to combat residualisation and achieve a balance of tenants across its portfolio. Professor Alan Murie, Head of the School of Public Policy at the University of Birmingham, suggested that residualisation may have bottomed out. He argues that, in the first instance, the demographic trends discussed above be may moving in favour of social housing. As noted, the present age distribution within the sector results in a relatively high proportion at the younger end, between 18 and 30, and a high proportion of tenants over 60 years old. Professor Murie commented:

“That is to say, the middle range of the age distribution has hollowed out. This is the group that tends to be economically active, in reasonably paid work which enables them to get in the housing ladder, often exercising their Right to Buy if they were previously council tenants. However, this age structure may not persist into the future. The elderly end of the current tenancy pattern may not be replaced to the same extent. It could still be residual but not in the same way as today. If we invest in social housing then a significant proportion of the present younger tenants may opt to stay in the sector as they progress through their middle years. It will depend to some extent with what we do with social housing. If we reinvent it and produce higher quality social housing it will become more attractive. The key issue is how it will compare with the bottom end of the home ownership sector and with the private rented sector.”¹³⁴

He continued that there were are least two categories of people in home ownership: (i) middle class, relatively high income home owners who live in attractive neighbourhoods; and (ii) low income home owners who live in older, poorly maintained property, appreciating only slowly in value, and often ill served by public services:

“In future we may see an increasing rejection of the second category of home ownership with social housing becoming a more attractive option for these people. Over the last 20 years the quality of social housing has got worse compared with housing in these competitive areas. Today social housing is tired, with the bulk of it more than 50 years old.

“A good deal of the owner-occupied sector is also old, but new entrants to the market often have the opportunity of buying modern, starter homes. On the other hand, if we had more newly built, well designed social housing, situated on mixed tenure estates then more people could be expected to choose to rent in the social housing sector rather than opt for home ownership in run down Victorian terraces.”¹³⁵

¹³⁴ Interview, 14 March 2005.

¹³⁵ *Ibid.*

At the same time Professor Murie acknowledged there was an underlying trend towards residualisation, with both market pressures and the thrust of Government policy encouraging the majority inclination for home ownership. This could be accentuated by possible future policy interventions such as:

- Right to Buy being extended to Housing Associations.
- New social housing being directed to the needs of older people, specific categories of the vulnerable, and the homeless.

Since the May 2006 general election government announcements have made clear that the intention is to further promote home ownership amongst first-time buyers. Chancellor Gordon Brown announced plans to help first-time buyers by part-funding mortgages and taking a share in their equity. Through a proposed deal with the Council of Mortgage Lenders, mortgage lenders and the government would share equally 25 per cent of the equity party of the Homebuy scheme. The result would be the occupant would receive 12.5 per cent of the Equity Loan from the Government, 12.5 per cent from the lender, with the 75 per cent balance being a mortgage from the same lender. This scheme would be aimed at 20,000 home buyers over five years.¹³⁶

Professor Murie said that such policy interventions, combined with market trends could move social housing provision progressively towards a form of 'constructive residualisation'. If this happened a number of consequences would follow:

"Private landlords will not have the same social housing sector to compete with, and could exploit the situation. In such a situation we may need to have recourse to greater regulation of this sector, returning to something like the fair rents regime of a previous era. If social housing is increasingly the preserve of needy and vulnerable people then there will be a strong case for reviewing and progressively restructuring the benefits system. We could gradually move from attaching benefits to dwellings rather than means-tested incomes. For example, we could begin by saying that everybody aged over 75 in the social rented sector should live rent-free rather than be eligible for housing benefit. In this way we could develop a simpler and less intrusive approach and also make great savings on bureaucracy."¹³⁷

Torfaen's Housing Strategy Manager, Kellie Beirne, told us:

"The use of the term 'social housing' in relation to the market interventionist role of Local Housing Authorities is no longer by itself, a relevant one. Increasingly, we are driven by what the market needs.

¹³⁶ Briefing from Council of Mortgage Lenders. At November 2005 this arrangement had still to be finally worked out between them and the Government.

¹³⁷ *Ibid.*

“What we should be looking at in this context is subsidised housing as opposed to blanket social rented housing and this may take various forms and types. Instead of traditional social rented housing, the concept of ‘flexible tenure’ or ‘tenure neutral’ allows us to meet the expectations and aspirations of individuals as well as their housing needs.

“Providing more adaptable and innovative forms of subsidised housing (flexible tenure, assisted home-ownership and sub-market rented) offers clear opportunities for integrated communities and will allow us to move away from the very rigid approach often reflected in the terms ‘owner occupier’ and ‘social renter’. Traditionally, these concepts sit at opposite ends of the spectrum, with little thought to what falls in between.”¹³⁸

Of course, the choices represented by the views reported above, may be taken out of the hands of local authorities by the housing demand pressures they face. In many parts of Wales low income families on waiting lists who in the past could have expected to be found a council house within a reasonable period of time are being shunted from the top of the list by homeless people. They are being displaced because people presenting themselves, in effect, in an emergency position. Local authorities are fire-fighting in circumstances such as these. To some extent, therefore social housing is becoming, by default, the province of disadvantaged or vulnerable groups, especially lone parents, the elderly, and people with disabilities.

Looking ahead, it is difficult to foresee circumstances in which the majority of those not already owning their property will not continue to aspire to do so. This ambition will be accentuated if, as expected by this study, stock transfer schemes are implemented throughout much of Wales in the coming decades.

The experience of Bridgend has shown that tenants there are continuing to exercise their Right to Buy option. And as properties are refurbished to reach the Welsh Housing Quality Standard we can expect Right to Buy to remain or even increase as an attractive choice. Consequently, we can expect the proportion of the social housing sector to continue to decline in relation to the private sector. In turn this will increase the tendency for what is left to be reserved for disadvantaged and vulnerable groups.

We can also expect the barriers between the social rented sector and the market sector to be reduced by greater use of shared equity and other low-cost homeownership schemes. Of course, this may not result in a reduction in the number of properties within the social housing sector, because of the arrangement requiring them to be retained once purchasers move on. Nonetheless, they will provide continued and possibly greater opportunities for social housing tenants to step on the home ownership ladder.

¹³⁸ Interview, 22 December 2004.

This leaves the question: what kind of social rented sector can we expect in say, twenty years time? Honing in on the question, a recent evaluation of English housing policy, commissioned by the Office of the Deputy Prime Minister, concluded:

“Of fundamental importance with respect to aspirations is the role and acceptability of the social sector. If those in work are able to purchase and policies of low cost home ownership are successful in helping a further tranche of households into sustainable ownership it is inherent that the social sector must provide the assistance necessary to those who are excluded.”¹³⁹

The key word here is ‘excluded’ and the sense that social housing will be aimed at people in this category. If there is no change in present trends it is inevitable that in 20 years time polarisation will have increased. As Professor Steve Wilcox, of the University of York, told us:

“There is a clear and growing relationship between the quality of stock and the proportion of economically active in an area. First and foremost it is areas that are unattractive to people rather than houses. This is the key challenge. It is notable that the Right to Buy option has occurred largely in areas where there is a social mix. The result is that they are leaving behind residualisation which is based both on tenure and neighbourhood. This is creating our biggest problem in social housing: the residualisation of single tenure neighbourhoods.”¹⁴⁰

A recent analysis of the demand for social rented housing undertaken for the Office of the Deputy Prime Minister concludes that in future the sector will be smaller than at present and act both as a welfare tenure and as a provider for more general housing needs. In short it will serve broadly three types of tenants:

- Those, about half the sector who are likely to be or working age and to be in full or part time employment, who see social renting as a temporary tenure, serving as a stepping stone to private renting or purchase.
- About 45 per cent, likely to be vulnerable in some way such as disabled, long-term sick, suffering from mental problems, learning difficulties, substance abuse or find it difficult to sustain a tenancy, who see social renting as a long-term tenure.
- A small group who enter the sector in old age.

¹³⁹ Office of the Deputy Prime Minister, *Lessons from the past, challenges for the future for housing policy: An evaluation of English housing policy 1975-2000*, January 2005.

¹⁴⁰ Interview, 8 January 2005.

From a Welsh perspective a caveat should be entered regarding the proportional occupancy being predicted here. This is that in Wales around 30 per cent of social housing is already occupied by older people, a percentage that is likely to rise in future. This means that in Wales the balance between those of working age and the elderly will be different. However, it is likely that the main thrust of the prediction will hold for Wales as well as England. And as the analysis concludes:

“For nearly half of existing and future tenants, the [social rented] sector is a stepping stone towards meeting their aspirations. This would seem to be a worthwhile role, not dissimilar to government training schemes to enable people to get work. However, for the rest the sector is a safety net, and again, this also seems to be a worthwhile role even if the welfare state has been significantly rolled back since the late 1980s.”¹⁴¹

This analysis of a dual role for social housing has been supported by an examination by the Tenant Participation Advisory Service in England of the likely profile of future tenants in the social rented sector, defining two categories. It points first to:

“The obvious trend is the increasing concentration on the most socially excluded into social housing. As Right to Buy and increasing affluence take more tenants away from social housing, the remaining stock inevitably becomes focussed on those for whom home ownership is unattainable.”

At the same time it adds:

“There is a group of younger, middle class, aspirational people who cannot afford to buy (and who will define their ‘poverty’ by that lack of ability to buy). The current housing market does not fulfil the demands of those who aspire to home ownership but can not (because of the currently inflated housing market) afford to buy. This group are also not in sufficient need to access social housing (and their aspirations would largely work against the stigma attached). Although this house price bubble might burst student debt is likely to be higher in future further restricting home ownership immediately post-University.

“For graduates the ability to either work off student debt and/or to raise a deposit is important and could be a normal part of a young person’s life between 22 and 26. This points to a different product than currently offered and one aimed at rent, minimal services and the conversion of some of that rent into equity at the end of a lease.

¹⁴¹ Sarah Monk, Alan Holmans, Michael Jones, Diane Lister, Christine Short and Christine Whitehead, *Understanding the demand for social housing*, paper for the Office of the Deputy Prime Minister, 2005.

“That equity would be the most obvious attraction in allowing for a deposit for home ownership. In addition the minimal services would be an introduction to the world of taking responsibility for the well being of your property. It would also allow a degree of flexibility in people’s lives during a time when they may want to move around to start their careers. Social housing is well placed to offer such an arrangement – able to provide a bridge between student renting and home ownership and trusted to provide good quality accommodation.”¹⁴²

The following trends and policy options flow from the foregoing, and are likely to be pursued in the coming decades:

- Home ownership will increase and continue to be promoted by Government policy, as much to reduce perceptions around ‘the dependency culture’ as because this is the tenure option favoured by a large majority of people. It is noteworthy, for example, that the speed with which people return to work after being made redundant is much greater if they are within the home ownership rather than the social housing sector. Home ownership will continue to be extended down the income scale through promotion of intermediate housing models.
- In future about half the social rented sector will be occupied by tenants who are likely to be of working age and to be in full or part time employment, and who will regard it as a temporary tenure, serving as a stepping stone to private renting or purchase. Much of the remainder are likely to be vulnerable in some way such as disabled, long-term sick, suffering from mental problems, learning difficulties, substance abuse or find it difficult to sustain a tenancy, who will see social renting as a long-term tenure.
- The stock transfer option will be pursued more vigorously in Wales than in the past because this will be seen as the main way of levering new investment into social housing. It is Wales’ old and poor quality housing stock that reflects and reinforces welfare dependency and exclusion from the employment market.
- In rural Wales there will be put in place a more robust planning framework to assist local people gain access to affordable homes.
- A further aim will be to produce a smaller, but better, social housing sector, re-branded to focus on the needs of specific vulnerable groups, such as young teenagers, single mothers, the elderly, and households with people suffering disability and/or long-term sickness.

¹⁴² Phil Morgan, *Tenant Futures – the future of tenants in social housing*, Paper to the Housing Studies Association Conference in York, April 2005.

- Some people in some areas of Wales, for example in the Valleys, are home owners in circumstances where this may not be the most appropriate form of tenure for them. Examples include people who are disabled or who have a long term illness and are not well placed financially to cope with owning a home that is possibly falling into disrepair. Social housing will, in part, be aimed at replacing home ownership in these circumstances with forms of tenancy connected with equity release.
- If the provision of social housing is in future concentrated on specific categories of needy and vulnerable people private landlords will inherit a monopoly market, and may exploit the situation. To deal with that government may need to have recourse to greater regulation of the private rented sector.

10. POLICY IMPLICATIONS

1. Provision of Affordable Housing

Social housing needs to be re-branded so that it is understood as providing subsidised affordable homes for specific population groups. This was one of the main themes to emerge from the consultative seminars held with a cross-section of housing professionals at the end of 2005 to discuss this report (see Annex 8). There is a widely held view that in future the role of the social housing sector will be to provide affordable homes to three main client groups: people who need assistance to get a foot on the first rung of the housing ladder (that is, those in the intermediate housing market); those in need of sheltered housing; and the homeless in relation to whom local authorities will continue to have statutory responsibility. An advantage of thinking about social housing in this way, as essentially providing affordable homes, is that it holds out the prospect of getting away from the stigma that is attached in the minds of many people to residualised council housing.

In addition, and in relation to assisting people wishing to enter the property market, those in need of sheltered housing, and those presenting as homeless, the following policy implications have arisen during production of this report:

(i) The Intermediate Housing Market

As discussed in Chapter 7, both local authorities and housing associations will have an increasing role in assisting first-time buyers and private and social housing tenants to gain a foothold in the housing market. Local authorities should enhance schemes already in hand in many areas, for example Torfaen's Home2Own initiative described in Annex 5. These utilise the planning system to promote shared equity schemes in collaboration with Housing Associations and the construction industry.

(ii) Sheltered Housing

The main client group among those in need of sheltered housing will continue to be older people who, it is estimated, already occupy around 30 per cent of local authority housing stock. This percentage is likely to increase. As discussed in Chapter 4, Wales is set to become a more aged society as a result of increased longevity, falling birth rates, and to a lesser extent inward migration of older people and outward migration of younger, particularly from rural areas. In light of this high proportion of older people occupying social housing, policy makers should consider the advantages of the voluntary home release scheme that has recently been advocated by the Welsh Tenants Federation.¹⁴³

¹⁴³ Welsh Tenants Federation, Voluntary Home Release Scheme Briefing Paper, October 2005.

Many older people living in social housing have done so for many years. By now their children will have left home, and as a result their accommodation is larger than they need. Such tenants should be given incentive payments to cover the costs of moving to smaller accommodation. This could be achieved by expanding the Homeless and Disturbance regulations introduced by the Welsh Assembly Government in September 2003. These allow payments up to £6,400 for removal and other relocation costs. Payments can also be used to balance any arrears which would also help mitigate the bar on tenants being able to exchange because of rent arrears. Downsizing for older people can have many advantages. A smaller property is easier to maintain and manage and there are lower utility and community charge costs. However, the initial relocation costs are often a disincentive.

Social landlords often have access to reasonable quality sheltered scheme housing and accommodation in the lower bed sizes (one, two, and three person accommodation). The shortage is in the four bed, five person and three bed, four person properties more suitable for families.

As the Welsh Tenants Federation argues, the cost of removal and disturbance payments to tenants downsizing can be justified when set against the costs of keeping families requiring housing in bed and breakfast or private rented accommodation. These costs can often reach £400 to £600 a week, which over six months can equate to £10,000. Further research should be conducted to assess the cost benefit of a Voluntary Home Release Scheme compensating tenants for downsizing against that of keeping families in private or bed and breakfast accommodation.

(iii) Homelessness

There is evidence that local authorities have not given the priority to tackling homelessness that their statutory duty and the rise in numbers presenting themselves suggest that they should. As the Assembly Government's recent report, *Housing in Wales – The 21st Century*, remarked, commenting on its review of Local Housing Strategies:

“One of the more surprising finds of the consultants’ review is the limited coverage of homelessness, given the fact that all Welsh authorities have produced homelessness strategies. There is a lack of a common approach in deciding what information from the homelessness strategy to include in the housing strategy, although most authorities report increasing levels of homelessness presentations and acceptances and the difficulty of securing both temporary and permanent accommodation.”¹⁴⁴

¹⁴⁴ Assembly Government, *Housing in Wales – The 21st Century*, presented to the Social Justice and Regeneration Committee, 23 February 2005, Para. 4.4.1.

As authorities across Wales become relieved of their non-statutory housing ownership and management role, they should be freed to give greater attention to their statutory responsibilities, especially concerning the homeless. Powys County Council's Supporting People Programme, described in Annex 5, provides a good example of how this can be done. In future initiatives of this kind will require far greater co-ordination across social services and education departments within the authority, and collaboration with housing associations and NHS Wales.

2. Stock Transfer

As stated at the outset of this study, the proponents of stock transfer – including the Welsh Assembly Government – argue that if it was widely pursued in the coming decade the result would be the transformation of the condition of local authority housing. An associated gain would be the wider impact on the economic and social well-being of Welsh communities. The Berkeley Hanover study estimated the cost of reaching and maintaining the Welsh Housing Quality Standard in local authority housing (160,000 dwellings excluding Bridgend) to be approximately £3.3 billion over 30 years.¹⁴⁵ Further substantial investment may be needed in the acquisition or new build of further social housing and in the promotion of part equity ownership schemes.

It is clear that public sector funding will not be able to meet this investment need in an acceptable timescale. As a result there is a need for a major injection of private sector finance, primarily through the social (not for profit) private sector. As we have seen in Chapter 6 most Welsh local authorities are not in a position to achieve the Welsh Housing Quality Standard from within their own resources. The only way they can is by stock transfer. However, there remains a widespread reluctance amongst councillors and tenants to venture down this route despite the undoubted benefits that would accrue, including:

- Opportunities to promote affordable housing and to sustain local communities.
- Important knock-on benefits to local economies, including the development of a skilled local workforce.
- Promotion of private sector entities in Wales, which has a relatively under-developed private business sector.
- Major benefits to social inclusion, health standards, and educational aspirations in our most disadvantaged areas.

¹⁴⁵ Welsh Assembly Government, *WHQS and Social Housing Renewal: Cost Model report*, November 2005.

The reluctance to entertain the stock transfer route arises from a range of considerations, including fears by councillors that the local authority role will be undermined and tenant reluctance to relinquish local authorities as landlords. Evidence of the latter was provided by a survey undertaken on behalf of Denbighshire County Council in November 2005.¹⁴⁶ Tenants were asked to respond to the following statement and question:

“The council had been considering transferring its housing to Dyffryn Community Housing in order to improve homes. Now, however, a change in the financial position means the council believes it can afford to improve homes without transfer. Improvements and rents would be exactly the same in either case. What do you think the council should do?”

In response 74.2 per cent of the sample said the council should retain the stock, four per cent said the stock should be transferred, and 21.8 per cent did not know. For comparison, in 2004 tenants were asked the question: “If there were a ballot tomorrow, how would you answer the following question: “Are you in favour of the transfer of housing from the Council to a new not-for-profit housing company?” At that time, 29 per cent said yes, 23 per cent said no, and 48 per cent did not know. In the latest survey 81.6 per cent of the tenants sampled agreed with the statement: “It’s important to me that the council is my landlord.”

There is undoubtedly a great deal of misinformation and consequent misunderstanding of stock transfer as a way forward for social housing in Wales. The process tends to become embroiled with the privatisation debate, ignoring the twin realities that: (i) much of social housing has already been ‘privatised’ through ‘Right to Buy’, a process that is ongoing; and (ii) council housing stock has to be transferred to registered social landlords which are not for profit organisations.

In these circumstances local authorities contemplating stock transfer should consider following the example of Newport City Council which during 2004-05 appointed an independent Housing Commission to examine its options. The council faced a position similar to that of many authorities across Wales. It needed to invest £240 million in the years before 2012 to bring its housing stock up to the required standard, but only anticipates resources of £82 million. The City’s Council Housing Revenue Account Business Plan in 2004 also showed that continuing Right to Buy would lead to a loss of economies of scale and a deficit within the next few years

The Commission comprised nine members: four tenants, four independent experts and an independent chairman. Although the four tenants could not be said to be a representative sample they were able to bring the insight and experiences of undoubtedly the most important group involved in terms of those most directly affected.

¹⁴⁶ The telephone survey, undertaken by Staniforth consultants and NEMS Market research, contacted 500 tenants (a 14 per cent sample) between 28 November and 1 December

After year-long deliberations, which involved gathering comprehensive evidence, the Commission recommended a stock transfer business plan capable of generating £400 million investment over 30 years, a major regeneration opportunity.

Most notably, the Commission recommended the creation of a hybrid Registered Social Landlord to undertake the transfer. Called *The Bridge* this was an ownership vehicle that would be tenant focused with a flexible constitution to allow for progressive increase in their influence as experience was gained in running the operation:

“We have concluded that we would want to promote a tenant-orientated organisation with a strong tenant presence on the Board of Management. However, in its early life there will be a need for strong support and representation from independent experts and Council nominees on the Board.

“Therefore we believe that initially the organisation should be a traditional RSL, with a Board of 15 members. There should be 5 tenant representatives, five independent experts, and 5 Council nominees.

“However, the new organisation should be constituted in such a way that it can evolve into a tenant orientated organisation in the future, if that is what the tenants of the organisation desire.”¹⁴⁷

This approach of appointing a Commission to produce a solution tailor-made to the community involved seems eminently sensible and one that could be profitably emulated elsewhere in Wales. Certainly it holds out at least the prospect of promoting a consensus for change.

And as the Commission also noted:

“We recognise that [the stock transfer recommendation] will be a painful conclusion for some Members, tenants and staff but we have taken a positive approach to this challenging situation. The provision of council housing was the vehicle for quality social housing in the 20th Century.

“We believe that our proposals for council housing in Newport will present the City Council with a unique opportunity to develop a new housing organisation that can be the vehicle for providing quality social housing in the 21st Century.”¹⁴⁸

¹⁴⁷ Report of the Newport Housing Commission, *The Bridge: A new approach to housing in Newport*, December 2005.

¹⁴⁸ *Ibid.*

3. Promoting Economic Development Capacity

As has been noted at a number of points in this study, the Assembly Government is keen to maximise the economic regeneration opportunities from the extra investment it expects will be ploughed into social housing in the coming decades. However, a key question is the capacity of the building industry, training and skills providers, and the local authorities themselves for taking advantage of the expected investment. This became clear in many of the interviews we undertook for this study. For instance, as reported earlier, Ffrancon Williams, Gwynedd's Head of Housing Services, told us:

“It should be emphasised that even if stock transfer were achieved in the next year, by itself this would not result in Gwynedd reaching the Welsh Housing Quality Standard by 2012. This is because there simply is not the capacity within the county to undertake the scale of building work that would be required.”¹⁴⁹

In Swansea we've seen that that the city's stock transfer plans will allow the spending of some £34 million a year over ten years on the housing stock, the environment and the estates. This compares with current spending of around £17 million. As a result there will scope for considerable economic regeneration in the city, with local procurement and investment in skills training. However, as Phil Roberts, Swansea's Head of Housing, observed:

“There needs to be regional collaboration within Wales to maximise benefit on procurement. If housing associations and new stock transfer organisations established by councils compete with one another this will only serve to push up prices. We also need to guard against leakage of contracts outside the local housing economies, thereby losing potential economic regeneration.”¹⁵⁰

In the case of Valleys 2 Coast in Bridgend the new stock transfer organisation:

- Has a target of 75 per cent for all workers employed in Valleys 2 Coast renovation work to have a Bridgend postal address.
- Issues contracts to local companies, or, in the event of that not being possible, ensures that companies from outside the area employ local workers.
- Has contributed to the establishment of a training centre to be opened in the north of the borough in the summer of 2005 where it plans to fund around twenty trainees annually.

¹⁴⁹ Interview, 24 January 2005.

¹⁵⁰ Interview, 22 February 2005.

If, as anticipated in this report, stock transfer gathers pace across Wales in the coming decade, then activities such as these will need to be undertaken on a planned, and more systematic basis. It is unlikely that every local authority will be able to provide the necessary capacity on its own account. A good deal of collaboration will be necessary, not only between authorities but involving the Welsh Assembly Government, especially once it has absorbed the responsibilities of the WDA and ELWa from April 2006. It will be desirable if such collaboration takes place on the basis of the housing market areas of Wales delineated in Chapter 8, or at least on some agreed alternative. It is noteworthy, for example, that such collaboration is already beginning to take place between Monmouthshire, Torfaen and Newport to examine the implications of large-scale new investment in the event of stock transfer schemes going ahead.

The pattern that is emerging bears a clear relationship with the socio-economic regions of Wales as defined by economic geographers at Cardiff's Business School and by the late Ioan Bowen Rees, former Chief Executive of Gwynedd, in the late 1990s.¹⁵¹ It also closely follows the former division of Wales into eight counties prior to the 1996 local government reorganisation. Economic co-operation between the unitary authorities within the context of the housing market areas delineated here might well be a precursor for a future reorganisation of local government that could more closely follow the socio-economic regional pattern of Wales.

It is certainly the case that such a development would contribute to addressing a real capacity issue in the delivery of housing policy. Many of the existing unitary authorities are small and have limited resources to apply to their strategic housing function. A housing consultant, commissioned as part of an Assembly Government review of its National Housing Strategy at the end of 2003, drew attention to this in the following terms:

“The Welsh Assembly Government needs to recognise that local authorities in Wales are generally small organisations with a limited strategic capacity. In recent years, since devolution local authorities have been required to develop a wide range of strategies in housing and other areas. This has the capacity at a local level to create corporate planning chaos and this will not enhance the quality of the finished strategies or their effectiveness. The Assembly Government needs to prioritise the requirements that it places on local authorities.”¹⁵²

Attention was also drawn to this question of the capacity of local authorities by the editors of a major study of Welsh housing policy at the beginning of the devolution era in 1999:

¹⁵¹ See Jonathan Morris and Barry Wilkinson, ‘Poverty and Prosperity in Wales’, in Contemporary Wales, Vol.8; and Ioan Bowen Rees, ‘The Regions of Wales’ in John Osmond (Ed.) *The National Assembly Agenda*, IWA, 1998.

¹⁵² Simon Inkson (Associate with HACAS Chapman Hendy), *Report for the National Housing Strategy Task and Finish Group*, para 7.4, 2003.

“Local authorities have a central role to play, not as direct housing providers, but rather in terms of their statutory responsibilities regarding the assessment of housing needs, the creation of housing strategies and putting plans into action. The reality in Wales is that only a minority of authorities have taken this function seriously to date, preferring to focus on their role as landlords rather than strategic enablers. This has to change and, without all authorities having appropriate staffing, strategies and commitment to take this forward, it is hard to see how the current situation will change.”¹⁵³

Six years on what has been achieved? Certainly, the 22 unitary authorities have all produced local housing strategies. However, very few have begun the process of “putting plans into action” with many continuing “to focus on their role as landlords rather than strategic enablers”. Of course, they face formidable problems, not least in terms of their capacity to get to grips with the issues they face. A recognition that the housing market areas of Wales are essential arenas in which they need to function will be a major step forward in concentrating their resources and promoting local economic regeneration.

4. Potential Financial Collaboration across the Housing Market Areas of Wales

To date, Registered Social Landlords have been able to raise their own capital directly from a variety of sources. In Bridgend Valleys 2 Coast was successfully able to raise the money it needed to finance its creation, the stock transfer and its initial investment programme. It may be that each RSL will simply look after its own financing needs, as and when required. However, the asset backed financing market would be an obvious additional source of extremely attractively priced funding for social housing investment. The basic attraction of asset-backed finance is that money is lent to fund particular investments in good quality, long term assets, rather than simply lent to an organisation to promote its general corporate purposes. The finance is, to a greater or lesser degree, secured against the underlying assets. Thus, even if the borrower were to default, the lenders can exercise some form of control over the underlying assets, which remain an attractive investment, and so they can be reasonably confident of recovering at least a good proportion of their investment. Asset backed financing therefore works well for assets that provide essential, long-term services or command a very secure and predictable revenue stream.

Social housing is partially funded by government payments (for example, housing benefit) and has benefited from a supportive regulatory regime, resulting in a “zero default” experience and generally strong credit ratings.

¹⁵³ Robert Smith, Tamsin Stirling, and Peter Williams (Eds.), *Housing in Wales: The Policy Agenda in an Era of Devolution*, Chartered Institute of Housing, page 210-211.

Asset-backed finance is also often referred to as structured finance, secured lending or securitisation. The main advantages of using asset-backed financing include:

- Access to a huge investment market with a large investor appetite, both in the UK and Europe. Consequently, funding for a sum as large as £3 billion could be raised securely and quickly.
- Long-term funding (20-35 years) could easily be secured.
- Because the investor has credit protections under the asset backed financing route, the effective rate of interest that will be charged is less than in other, unsecured markets. Currently long-term real interest rates of under two per cent should be achievable.
- A well structured deal would be able to achieve a good rating from a credit rating agency, possibly further enhanced by a long-term financial guarantee from an AAA rated monoline insurer. This would further reduce funding costs and ensure a wide spread of investor appetite.
- Index-linked funding is readily available in the market, whether directly through the issuance of index-linked bonds or synthetically through use of interest rate derivatives. This would be a particularly attractive type of funding for some housing providers.
- Asset backed bonds can be readily complemented with secured lending, including from preferential sources such as the European Investment Bank, which would be particularly willing to support infrastructure investment in Wales's EU Objective One areas.

The techniques required for successful asset backed funding sometimes appear complicated but are now generally well established in the UK. Whilst a detailed negotiation of the precise terms of the financing would be required with banks, credit rating agencies and possibly monoline insurers, the more fundamental requirements for success are a secure business plan, a solid corporate model and high quality underlying assets. To date, housing associations or other registered social landlords (RSLs) have been able to raise their own capital directly from a variety of sources. Valleys 2 Coast was successfully able to raise the money it needed to finance its creation, the stock transfer and its initial investment programme.

It may be that in future RSLs will simply look after their own financing needs, primarily from secured bank lending and from building societies, as and when required. Certainly, in the very benign capital markets in the UK at the beginning of 2006, bank lending was able to provide both long maturity (up to 30 years) and attractive terms (say 30 basis points over Libor). In these circumstances, there is less advantage in RSLs seeking to access the asset-backed financial markets more directly. However, there should still be benefits for housing associations to finance at least a portion of their investments through some form of bond financing – whether to achieve a longer maturity (up to, say, 45 years), better terms, or funding diversity. Often, this may take the form of a refinancing of initial secured bank lending, once the RSL involved in a large scale stock transfer has become better established and so has developed a secure credit story.

Access to the bond market may also become more important again in the future, if the currently very competitive terms available in the bank market do not persist. Whilst there are major attractions to using asset backed financing, three potential concerns would need to be considered:

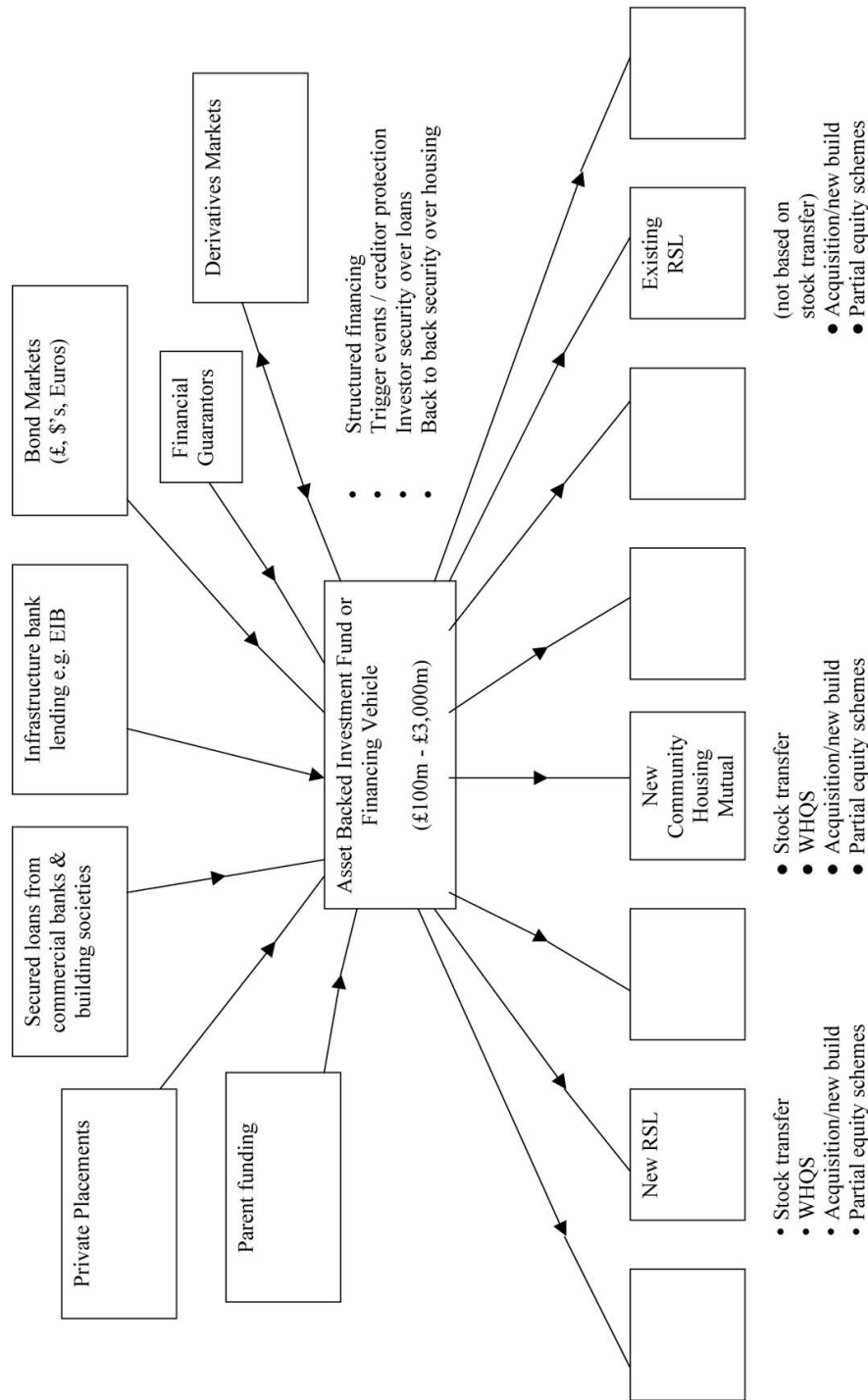
- Problems of scale – given the set-up costs involved and investors’ desire for some liquidity in financial assets, a minimum practical size for an asset backed funding programme could be in the region of £100-200 million, which would be too large for most individual RSLs to contemplate.
- Problems of complexity – individual RSLs, especially those new to the capital markets, might be put off by the negotiation process concerning the legal documents and the complexity of assessing the optimal funding option from the myriad of market possibilities.
- The issue of security – whilst lenders would benefit from the granting of security over the housing assets, RSLs and tenants might be concerned that ownership of these essential social assets could theoretically be passed to for-profit investment institutions outside Wales in the event of default by the RSL.

There are precedents for the largest RSLs being able to issue bonds directly into the market: for example, a £240 million, 40 year bond in the case of Sunderland Housing Group. However, the current circumstances in Wales, where a number of Local Authorities are contemplating stock transfers over a short period of time to new RSLs or Community Mutuals, could make a pooling of financing requirements desirable. Three forms of intermediate financing vehicles can be envisaged, which differ largely in the extent to which they are dedicated to the Welsh social housing market:

1. An existing asset backed investment fund – provided by an investment bank, which raises money from the capital markets to finance a portfolio of loans to RSLs which are, in turn, secured on the housing assets. An example is RSL Finance which has lent some £350 million to a number of smaller RSLs, giving them access to the asset backed bond market.
2. A new Welsh housing investment fund, possibly a ‘joint venture’ between a Welsh-based institution and a preferred investment bank, set up solely to provide finance to RSLs in Wales on terms competitive with the best in the market.
3. A new Welsh housing financing company. This would be a not-for-profit company set up to have the expertise and scale to raise funds on the best terms available in the market and then to on-lend that finance to RSLs under secured ‘back to back’ loans.

Although the three routes differ in the specifics, the basic pooling and intermediation function they provide can be seen in Figure 20 on the following page. Under any of these options, an RSL would have the option to go to an intermediate financing vehicle, but would be under no compulsion to do so.

Figure 20: Operation of an asset-backed investment fund



Option 1 has the advantage of being readily available and so requires no sunk costs or commitment by the Welsh housing sector. However, the main drawback might be potentially damaging fears that social housing could end up in the ownership of unregulated, for-profit private investors, in the event that an RSL were to default on its obligations. Whilst such fears would be largely of perception, they could endanger the process of securing tenants' consents to stock transfers, which are obviously a prerequisite for the success of the initiative.

Option 3 has some successful precedents. The Housing Finance Corporation (an Industrial and Provident Society) has raised £1,550 million in a variety of asset-backed markets to finance secured 'back to back' loans to 133 individual RSLs in the UK – although only £34 million of those loans have been made to established RSLs in Wales. In Wales itself, Glas Cymru (a 'not-for-profit' Company Limited by Guarantee) has secured some £3 billion of funding for the water sector on extremely attractive terms in a period of 4 years. Water customers are benefiting from this financing efficiency through a 'customer dividend' which has already grown to £23 million a year. This has demonstrated the potential value of using asset based financing in the Welsh housing sector.

However, if it were considered necessary to set up a Welsh-based housing finance company, then this would involve a degree of cost and, more importantly, a degree of prior commitment by RSLs to make the exercise worthwhile.

Option 2 could be set up quite quickly on a 'no regrets' basis. The initial requirement might be for a Welsh based not-for-profit (or public sector) institution to find a preferred investment bank partner to work up the model, to draft a standard template for the secured loan product and to investigate the achievable rate of interest. These institutions would, in some form, provide the initial financial capital of the vehicle.

The investment bank would bring to the venture its financial and legal experience of setting up and managing similar infrastructure funds and asset backed financing issues. The Welsh based partner would bring knowledge of the social housing sector in Wales and would enhance the reputation and marketability of the venture. Such ventures would work on the basis of 'sharing the economics'. Half (or whatever was the agreed proportion) of the value created by the venture would be retained in Wales and could in some way be ploughed back into the Welsh housing sector. The advantages of financing via the fund would then be marketed to RSLs and potential RSLs, with safeguards being offered to tenants through the role of the Welsh institution that their interests would be protected in the event of a default by their RSL. Hopefully the existence of this secure and attractive source of finance, without the possible negative perception of an unacceptable 'privatisation' of the financing of social housing, could have a beneficial impact on the process of securing tenants agreement to stock transfers.

The business plans that will underlie proposals for stock transfers should benefit from having secure access to attractive funding to transform the condition of Welsh social housing. At the same time, and even in extreme circumstances, the ultimate ownership of that housing would be protected. An initial consideration of the issues suggests that an intermediate financing vehicle with a significant Welsh contribution is feasible and has some potential attractions:

- Reassurance to RSLs that they can achieve an attractive funding cost on the basis of a standard secured loan product with reasonable terms.
- A significant proportion of the economic value generated would be ploughed back into the social housing sector in Wales, probably through the participating RSLs.
- Reassurance to tenants that security offered over their houses should not result in ownership transferring away from the Welsh not-for-profit sector.

However, leadership would be required to drive through the necessary process of iteration between Local Authorities, RSLs, tenants, financial institutions and financial markets before such a goal could be realised. The immediate requirement would be to find an institution or group of institutions in Wales that could provide that leadership and promote such a model.

5. A Stronger Strategic Housing Role for Local Authorities

In Chapter 7 of this report on the changing roles of local authorities and housing associations we highlighted the importance of the strategic housing function of local authorities. Despite this, over the past decade housing as a policy arena has lost status in many local authorities across Wales and many lack a central co-ordination and policy development capability. As a result developing their strategic housing role difficult if not impossible.

This is not confined just to the local or even the Welsh level. A recent report from the Office of the Deputy Prime Minister examining future housing policy concluded that the first challenge was to achieve policy coherence:

“Housing policy has become increasingly fragmented with the department responsible for housing losing influence both to what is now the Department of Work and Pensions and to the Treasury ... A mechanism for coherent cross-governmental policy development for housing, with a pre-evaluation element, is missing.”¹⁵⁴

¹⁵⁴ Office of the Deputy Prime Minister, *Lessons from the past, challenges for the future for housing policy: An evaluation of English housing policy 1975-2000*, January 2005.

In Wales, of course, the Welsh Assembly Government brings together departments under one roof. At the same time the location of housing within the Social Justice and Regeneration Department means it is separated from mainstream economic policy development that emanates from the Economic Development Department.

As the economic regeneration potential of new investment in social housing consequent upon stock transfer becomes more widely appreciated, housing should join the mainstream. This applies just as much to its administration at the local level where housing often languishes as an appendage to social services and is not generally seen as a priority service when compared with education or economic development. If maximum advantage is to be taken of the economic regeneration potential of new housing investment in the coming decade, then it needs to move higher up the agenda as a policy priority. In November 2005 the Chartered Institute of Housing Cymru published a briefing paper on local authorities' strategic housing role and we endorse its conclusions. It drew attention to the challenges that would be presented in the next few years by stock transfer, by the emerging regional agenda in Welsh local government, and by what is termed Plan Rationalisation in Wales:

- We are likely to experience a number of large scale voluntary transfers in the next year or two. It is critical that the local authorities appreciate the importance of their continuing lead role on strategic housing matters, adequately resource the function and ensure that it is given sufficient status, both politically and in relation to its position in the corporate structure.
- The Welsh Local Government Association is currently discussing regional co-operation and how this can contribute to the Assembly Government's *Making the Connections* project, which re-emphasises the need to join up service delivery in order to deliver more effective governance in the context of severe resource constraints. The strategic housing function relies upon regional co-operation and an appreciation of regional housing markets and their impact locally. Strategic housing officers in Mid, South East and North Wales have demonstrated an ability to take the lead in relation to regional working and these embryonic collaborations need to be put on a sounder footing.
- If introduced, Plan Rationalisation will end the requirement for local authorities to produce a *Local Housing Strategy* beyond 2008. This could potentially further undermine the function at local level. These proposals have set Wales on an entirely different course to both England and Scotland, and require the Assembly Government to act decisively to ensure that:
 - the importance of the strategic housing function is fully understood;

- housing is sufficiently represented in the remaining plans;
- housing needs of localities are fully researched; and
- all 22 local authorities in Wales act to develop this function.¹⁵⁵

6. An Enhanced Community Regeneration Role for Housing Associations

In looking at the long term future of social housing in Wales we have concluded that most local authorities will cease to own and manage council housing which will be progressively transferred to registered social landlords, whether in the form of large-scale voluntary transfer organisations such as Valleys 2 Coast in Bridgend, or other models such as Community Mutuals. This will not mean that local authorities will cease to have a housing role. Rather they will be freed up to focus to a greater extent on their statutory roles of strategic planning, co-ordinating the provision of affordable housing, and address the needs of the homeless. In the meantime the role of the housing association sector will inevitably change as well, for at least three reasons:

1. The advent of large new transferred organisations will fundamentally change the balance of the sector.
2. As discussed in Chapter 7 the Assembly Government is proposing that the present housing associations in Wales should work together in consortia to establish perhaps six or seven Agreed Programme Developers with the capacity to deliver new social housing build programmes worth in excess of £10 million a year.
3. The regeneration potential of the housing investment that is expected to be levered by the transferred organisations will need to be coordinated with the work of the Agreed Programme Developers in the context of the housing market areas discussed in Chapter 8.

Because of these requirements the emphasis of the work of the housing association sector will be as much on economic and community regeneration as in their ownership and management of their stock. This will not be entirely new. For many years housing associations have been actively involved in a range of economic development, community regeneration, health, community care, refugee and other activities, including participation in Communities First partnerships, Health and Well Being strategies, Spatial Planning exercises, and other cross-cutting programmes. This point has been well made in the context of the work of housing associations in England:

¹⁵⁵ Chartered Institute of Housing Cymru, *Taking the Lead: Building a stronger strategic housing role*, November 2005.

“Many housing associations already offer a range of services to their tenants which assist them to improve their position. At the most basic level this includes the use of a lap top and the services of someone to train tenants to use it. Access to the internet can be provided where financial and tax packages are available. Tenants can be taught how to manage their finances, budget and even save. Credit unions can be encouraged to allow cheaper loans and to prevent loan sharks who only create greater spirals of debt. While these services are not directly related to housing policy, they are related to the wider needs of those who live in social housing and therefore are rightly seen by many social landlords as part of their role as housing managers.”¹⁵⁶

However, given the likely increased scale and responsibilities of registered social landlords in Wales in the coming decades, they will need a major appraisal to ensure that:

- An ordered progress of stock transfer takes place that can be funded and managed effectively.
- Arrangements are put in place sufficiently far in advance to ensure maximum economic and community advantage is taken of the extra housing investment that will occur, especially in terms of procurement and the availability of suitably qualified building workers.
- Collaboration is undertaken between local authorities, the registered social landlords, developers and commercial lenders on the basis of the housing market areas of Wales.

¹⁵⁶ Sarah Monk, Alan Holmans, Michael Jones, Diane Lister, Christine Short and Christine Whitehead, *Understanding the demand for social housing*, paper for the Office of the Deputy Prime Minister, 2005.

ANNEX 1

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- Peter Griffiths, Chief Executive, Principality Building Society
- Peter Hughes, Head of Commercial Lending, Principality Building Society
- Mike Harmer, Welsh Assembly Government
- Harry Lloyd, Welsh Assembly Government
- Chris Hobday, Welsh Assembly Government
- Craig Mitchell, Welsh Local Government Association
- Sue Finch, Welsh Local Government Association
- Robert Sully, Carmarthenshire County Council
- Howard John, Welsh Federation of Housing Associations
- Bob Smith, Director, Regeneration Institute, Cardiff University,
- Geraint Talfan Davies, Chairman, IWA
- Gareth Jones, IWA Trustee
- Chris Jones, IWA Trustee
- John Osmond, Director, IWA
- Rhys David, Associate Director, IWA
- Gruffydd Jones, Research Officer, IWA

ANNEX 2

Key Interviewees

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Peter Williams, Council of Mortgage Lenders
Ffrancon Williams, Head of Housing Services, Gwynedd County Council

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ANNEX 4

Meeting the Welsh Housing Quality Standard

A large increase in expenditure will be needed to achieve the aim of regenerating Welsh council housing and meeting the Welsh Housing Quality Standard by 2012. However, current central government policy has resisted wholesale changes to the borrowing rules.¹⁵⁷ Consequently, only two investment options are available in practice:

- (i) Stock Retention and Prudential Borrowing to achieve WHQS.
- (ii) Large-Scale Voluntary Stock Transfer (LSVT), including transfer to Community Housing Mutual organisations

Two other possibilities have been canvassed: (i) local authority Arms Length Management Organisations to manage housing (ALMOs); and (ii) private finance initiatives to raise investment (PFIs). However, neither is a practical option for local authorities since the additional funding they would need is not available.

ALMOs allow local authorities to retain ownership of the housing stock, while passing on the management function to another body. In England, councils setting up ALMOs may get extra borrowing consent and subsidies (the value of which depends on the rating achieved by the ALMO in relation to inspection of its housing services and governance arrangements). This offers incentives for ALMOs to perform well against Best Value targets. However, while local authorities may establish ALMOs no additional resources have been provided by the Assembly Government. Consequently, the option has little financial attraction to Welsh local authorities.

PFIs involve contracting out the repair/maintenance functions to a Special Purpose Vehicle (SPV). This may involve an RSL linked with a contractor and funder to bring private investment into the stock. The stock remains in the public sector, but the service delivery arrangements aim to bring in the efficiencies of the private sector. However, the finance is likely to be more expensive. The PFI model is likely to be limited to local authorities where most improvements can be funded from existing resources. Additionally, the Welsh Assembly Government has demonstrated a reluctance to build service delivery in Wales on PFI foundations.

Consequently stock retention coupled with prudential borrowing or stock transfer are likely to be the only two viable routes for most local authorities in meeting the Welsh Housing Quality Standard.

¹⁵⁷ See for example, the Welsh Local Government Association report, *Putting Our House in order: A WLGA Manifesto for Housing in Wales*, 2003

1. Stock Retention and Prudential Borrowing to Achieve WHQS

The prudential borrowing regime, introduced in 2004-05, presents revised rules for local authority borrowing. It removes the current system of credit approvals, and allows local authorities to set their own borrowing limits under the rules developed by the Chartered Institute of Public Finance and Accountancy.¹⁵⁸ This allows local authorities to borrow against their surplus income in the Housing Revenue Account, but not against the Major Repairs Allowance. The latter was introduced during 2004-5 in Wales, and is of the value of roughly £108 million.

Prudential borrowing offers local authorities the possibility of borrowing further resources to meet the Welsh Housing Quality Standard. Early indications suggest that some local authorities will attempt to meet the WHQS through this route. However, it is likely that most local authorities in Wales will have to explore other options.

2. Large Scale Voluntary Stock Transfer

This involves the sale of the housing stock to a Registered Social Landlord, for example a housing association. Many local authorities in England and Scotland, (though only Bridgend in Wales to date), have pursued the option of stock transfer by LSVT. For authorities whose stock is in need of urgent repair and the investment needed is far greater than the borrowings and subsidies they can access, it is in practice the only realistic option.

Transfer of ownership out of the public sector allows the housing association to borrow on the private markets to improve the condition of the stock. The financial incentives for local authorities to transfer stock will vary, depending on the Tenanted Market Value which defines the level of receipt to the local authority. Where the capital receipt for transfer is less than the debt on the housing revenue account, this overhanging debt will be addressed through support from the Treasury. A key question underlying this study is why Welsh local authorities have been reluctant to pursue the stock transfer route. One recent report commented:

“The very limited level of LSVT in Wales to date may be due to a lack of political support in local authorities for the sale of stock to an independent landlord, in what is regarded by some as a privatisation of the housing stock.”¹⁵⁹

¹⁵⁸ Chartered Institute of Public Finance and Accountancy, *The Prudential Code for Capital Finance in Local Authorities*, 2003.

¹⁵⁹ Richard Bromiley, Sarah Connolly and Dave Adamson, *Housing Mutuality and Community Renewal: a review of the evidence and its relevance to stock transfer in Wales*, Welsh Assembly Government, 2003, para. 2.4.8

3. The Community Housing Mutual Model

This was proposed in the Assembly Government's housing strategy *Better Homes for People in Wales* (2002) as a possible form of governance for a Registered Social Landlord. It allows residents to take a stronger role in decision-making processes affecting the provision and management of their homes. As the Assembly Government's housing strategy argues, it encourages the development of:

“... a real sense of ownership... and a real sense of participation and involvement by the tenants. It also avoids any sense of some remote or unaccountable organisation owning and running the properties.”¹⁶⁰

And as a report on the working of Community Mutuals, commissioned by the Assembly Government, observed:

“The CHMM offers the option of stock transfer in a way that is more sensitive to the political situation in Wales. Stock transfer options pursued in England and Scotland have produced significant opposition from direct labour organisations and local authority housing departments, as well as from tenants (for example in Birmingham).

“However, this opposition stems mostly from the perception of the stock transfer option as a privatisation process. In contrast, the CHMM is as much concerned with the possibility of local control of housing decision-making, although the possibility of debt removal and borrowing-funded housing repair budgets remain the key attractions. This therefore helps to circumvent, though not eradicate, the potential political hostility to stock transfer.”¹⁶¹

Of the 18 unitary authorities that were interviewed in Autumn 2004 by the Berkeley Hanover study, five had concluded that stock transfer was their best option. A further seven were prepared to accept that transfer was the most realistic way for them to achieve WHQS, if the evidence pointed in that direction. However, as the study's draft report noted:

“Before transfer could be supported it would have to be proved that the option provides best value to their tenants and the community as whole. In each of these authorities the political will is strongly in favour of stock retention but there is an acceptance that the overall financial position and poor condition of the stock may force them to look at transfer objectively ...

¹⁶⁰ Welsh Assembly Government, *Better Homes for People in Wales*, 2001, page 69.

¹⁶¹ Bromiley et.al. *op. cit.*, para 2.4.11

“The authorities who fall in this category are also very aware that tenants can still ‘vote out’ transfer - as has already been shown in Wales’s second vote. The possibility of receiving a ‘No vote’ is therefore focusing the attention of all ‘pro transfer authorities’ on planning for appropriate contingencies.”¹⁶²

It was noteworthy that none of the authorities that were considering transfer would contemplate transferring stock to an existing RSL. As the report observed:

“It appears that this is considered to be the ‘*worst of all evils*’, as councils have to relinquish all influence or interest in social housing, whilst the tenants are generally wary of existing RSLs in Wales.”¹⁶³

Of the other eight authorities surveyed one, Newport, appointed an independent housing commission to advise on whether to transfer or retain its stock. This had nine members including a chairperson, four tenants and four independent experts, with financial advice being provided by external consultants. As discussed in Chapter 10 the Commission recommended stock transfer.

The remaining six local authorities wished to retain their stock, regardless of the levels of borrowing required. The principal driver for stock retention appears to be the political will of the authorities themselves. Three authorities amongst this group believe that WHQS can be achieved within their existing budgets. However, the survey reports that only one of these authorities has documented evidence that this can be achieved, with the other two awaiting stock condition surveys. The report comments:

“In a majority of UAs, the political process with respect to planning for WHQS appears to be at a surprisingly early stage. Whilst most officers, in most authorities, were able to give the present political position with regard to stock transfer, or retention, very few (4 or 5) were able to confirm that a formal political decision has been taken with respect to adopting a specific strategy. The recent local elections in May 2004 appear to have had a significant effect and impact on a large number of authorities - with the issue of social housing improvement having been effectively put on hold until recently. In some cases no action has been taken with regard to planning for social housing renewal and improvement for the past two years. There were a number of reasons cited for this but they all tended to be political and involved the general reluctance of local politicians to raise the poor standard of social housing as a key issue with their electorate prior to the 2004 elections.”¹⁶⁴

¹⁶² Berkeley Hanover *op.cit.*, para. 2.14.

¹⁶³ *Ibid.*, para. 2.15

¹⁶⁴ *Ibid.*, para. 2.17

4. Financial Implications of Stock Transfer

There are beneficial implications for both the transferring local authority and the new registered social landlords.

Negative Stock Value

When stock is transferred its value is calculated on the basis of the following formula:

The present value of the rental stream over 30 years MINUS the costs of repairs and improvements to bring the stock up to the Welsh Housing Quality Standard.

In the case of some local authorities this will produce a negative figure in respect of the value of their housing stock, in which case the Welsh Assembly Government will agree to pay the balance in annual instalments to the RSL, in the form of a dowry. This is the means by which the value of the property is brought up to a zero value, enabling it to have a fresh start with no negative value carried over from the local authority. It plugs the gap in the new RSL's Business Plan.

This is paid **instead** of the Major Repairs Allowance given to local authorities with no additional resources from the National Assembly for Wales. Bridgend's negative value was around £7.7 million. Valleys 2 Coast now receives the equivalent annual payment that otherwise would have been paid as Bridgend CBC's Major Repairs Allowance.

In time, this will save the Assembly Government money, since, after around three years' time in Bridgend's case, the new RSL will have plugged the gap in its Business Plan and will need no more governmental financial assistance to fund its repairs and refurbishments. Consequently there will be no need for the Assembly Government to pay Major Repairs Allowance to the county of Bridgend. Valleys 2 Coast's Business Plan acknowledges this, and recognises that such future funding will come from its rents and private sector borrowing.

Following this to its conclusion, if all local authorities in Wales decide to transfer their housing stock a point will come when the Major Repairs Allowance – at around £108 million in 2004/05 – will become surplus to requirements. In theory, this allows the WAG to spend in other housing areas, for example the Social Housing Grant given to finance new build by housing associations. However, this is a decision to be taken by politicians.

If there is a positive value to a local authority's stock then, depending on the amount of that receipt, there may be no need for a dowry.

It is possible that any surplus receipt may be available to reduce the local authority's historic overhanging debt of house building loans thus reducing the call on the overhanging debt funding arrangements agreed with the Treasury.

Overhanging Debt and Breakage Cost

A local authority will have taken out a number of loans at differing borrowing rates to fund its house building projects. Some of the loans might have come from the private sector but most of them would have come from the Treasury's Public Works Loans Board.

When a local authority decides on stock transfer the government acknowledges that it will have no property from which it can gain revenue with which to pay off the debt, that is, it has no Housing Revenue Account. Since the HRA was Treasury-subsidised, clearing it means that it saves the Treasury future subsidies. As with any mortgage if the borrower wishes to pay it off earlier than planned it incurs penalties, called the breakage cost.

The Treasury will wipe off a local authority's overhanging debt – to the Public Works Loan Board – plus the associated breakage cost. In Bridgend's case the local authority's overhanging debt was around £45 million and the breakage cost was around £4.8 million. The Treasury agreed to write off a total of £49.8 million relating to Bridgend CBC's historic debts. (The breakage costs only crystallised as a result of the transfer – if no transfer, then no costs).

If the local authority have taken out private sector loans outside the PWLB the outstanding loans and breakage cost will be added to the dowry given to the new RSL. The Berkeley Hanover report noted that six unitary authorities they interviewed were able to quote their debt and these ranged from £10 million to £120 million, depending on the size of their stock. In the main, debt was largely Public Works Loan Board.¹⁶⁵

Set-up Costs

Pursuing the stock transfer route means a local authority will incur set-up costs associated with the process, such as evaluations, consultations, preparation of Business Plans and ballots. In the event of a 'yes' vote at the ballot the Welsh Assembly Government agrees to reimburse the RSL by adding the set-up costs to any negative value cost and including it in the dowry. In the event of a 'no' vote the Welsh Assembly Government will pay half the incurred set-up costs with the local authority paying the other half.

¹⁶⁵ *Ibid.*, Para 2.52

Securitisation

The new RSL may look to forms of borrowing other than conventional bank and building society loans to fund its works programme. Such loans borrow money against the value of the stock. Securitisation allows them to borrow money against future rental income streams. (Public Spending Borrowing Requirements regulations prohibit local authorities from taking out securitisation loans). In principle it is possible for local authorities to club together and look for joint securitisation to secure cheaper borrowing. They could all benefit from cheaper rates but still maintain their status as individual borrowers. This is not necessarily contingent on the local authorities in question timing their stock transfer simultaneously. The funding arrangement could be structured following a first transfer and draw down of loans, other transferee RSLs could join in on a phased basis.

Retention of Notional Surplus by Some Authorities

Each local authority is statutorily required to maintain a HRA which ring fences the income, that is, rents/subsidies and costs, for example, management, maintenance and historic debt financing costs relating to its council housing stock. Each year the Welsh Assembly Government (following Treasury criteria) determines the allowable increases that may be used by a local authority to calculate its council housing subsidy entitlement – this includes both income and expenditure. These allowances are ‘notional’ in that the local authority has discretion in whether it applies the allowable increases but the calculation for subsidy purposes assumes the allowable increases are applied. An authority may end up with a notional surplus which has to be returned to the Assembly Government. Although surpluses are ‘lost’ to some authorities, they are pooled together and re-circulated within the Assembly Government’s housing account. In the case of Swansea, for instance, which is promoting transfer to a community mutual, the notional surplus for 2004-05 that would be retained is estimated to be £3.5 million.

In the case of transfer organisations, that is, Registered Social Landlords they are, of course, outside public sector finance controls and so there are no notional surpluses. Instead, their net rental income is available to support new borrowings.

ANNEX 5

Good practice case studies illustrating the local authority strategic role

(i) Help2Own in Torfaen

From early 2005 Torfaen has initiated an assisted low cost home ownership scheme aimed at restoring balance within the local housing market distorted by rising prices. Called 'Help2Own' it is run on the basis that the purchaser – usually first-time buyers - contributes 70 per cent of the asking price of what will normally be a privately built house on a new development subject to Section 106 conditions. The remaining 30 per cent is made up through the developers contributing a subsidy which is transferred to the county's partner housing associations: EVHA, the Seren Group, and Gwerin Housing Association.

The scheme has been established under the affordable housing option in Section 106 negotiations through the planning system. It is enforceable via housing needs survey findings. Up to 23 per cent of the total number of houses on a development is negotiated for affordable housing (on a site by site basis). New houses are provided at discounted rate: typically 30 per cent below the Acceptable Cost Guidance, with the contribution transferred from the developer to RSL. This means the homes can be recycled in perpetuity: so retaining a 'bank' of 'affordable' housing. When they move from the property purchasers take 70 per cent of the value at that time with them to invest in another property.

One scheme – on the former site of the Panteg Steelworks – is already under way, with another eight to fourteen sites forthcoming in a rolling programme. 'Help2Own' is administered by Torfaen Council's housing 'Enabling Team'. This deals with all applications and monitors a common 'Help2Own' Register. Once the 'Enabling Team' has been informed by Planning that an application has been made by a developer, it:

1. States the number of affordable homes the council requires.
2. Calculates the level of subsidy that is needed from the developer.
3. Makes clear the council's specifications: including 'pepper-potting' assisted homes through the development, ensuring they are fitted out to ensure they reach 'lifetime' standards, the unit types and sizes, and uniformity of build standards.
4. Identifies RSL partner through its procurement process.
5. Awaits planning approval,
6. Assists the preparation of the agreement between the developer and the council (Section 106 Agreement).
7. Implements Separate agreement between the Council and RSL.

The RSLs receive nominations from the register and works with purchasers to enable them to choose preferred plot and location, fixtures, fittings and colour schemes. The RSL is responsible for ensuring the homebuyer understands the scheme and home ownership obligations. To be eligible to participate in the scheme purchasers must:

- Be a first time buyer.
- Have no financial interest in any other property.
- Be connected with the local area – living or working.
- Have income levels, where joint household income does not exceed 3.5 x cost of home after 30 per cent reduction (70%-95% of the Acceptable Cost Guidance).
- Have a mortgage offer from an approved lender.

Other requirements from purchasers include:

- Minimum age of 18 years
- Ability to pay
- No debt to social landlords in form of rent arrears or re-chargeable repairs

Once in ownership purchasers are prohibited from using the property for buy to let use or for sub-let use. This protects against homes being used as investment vehicles. The Council operates a 'Help2Own' register on the basis of first-come-first-served.

(ii) The Powys *Supporting People Programme*

In early 2003 Powys County Council commissioned Shelter Cymru to undertake an independent review of homelessness services in Powys and to develop a homelessness strategy in line with the provisions of the Homelessness Act 2002. The strategy has been developed and includes a five-year action plan. The council's *Housing Strategy 2004-2009* comments:

"The Council is concerned that homelessness is often perceived as being solely the responsibility of the housing authority. Whilst it is true that the statutory obligation to prevent and alleviate homelessness rests with the local authority, there is a considerable role for other statutory and non-statutory agencies in housing and supporting homeless households who for one reason or another are deemed to be vulnerable. A lot of homelessness, and particularly repeated homelessness, may be prevented if suitable care packages are in place. It is also vital to ensure that, once re-housed, tenants are able properly to maintain their tenancies.

“Therefore it is important for landlords and support services to ensure that homeless people are appropriately housed and supported. A key element to ensuring that housing solutions are successful will be the Supporting People framework (see below). Through the homelessness strategy the Council will promote joint working practices across all sectors and will develop a multi-agency approach to the prevention and alleviation of homelessness within Powys.”

This aims of the *Powys Supporting People* Programme is to prevent homelessness and support vulnerable people through:

- Mapping the needs of vulnerable people for housing related support.
- Developing plans for making sure support is both available and sufficient to meet the need
- Prioritising funds to pay for the support needs identified.
- Coordinating the provision of support with accommodation, advice and information.
- Reviewing the effectiveness of the support provided in meeting the need.
- Drawing on the skills and experience of stakeholders, including those people who themselves benefit or stand to benefit from the development of support services.

Approximately £6.6 million is currently spent on Supporting People services within Powys. Of this £4.6 million is allocated to the authority as Supporting People Grant and £2 million is held by the Welsh Assembly Government to pay providers Supporting People Revenue Grant. The former funds housing related support services for older people and those with learning disabilities or mental health issues who receive community care. The Revenue Grant funds all other housing related support services. The council’s priorities for meeting identified need are as follows:

Older People

- Potential for re-modelling of some warden services to provide cross-tenure support within a local area.
- Development of the dispersed alarm service across the county.
- Provision of housing assessors to assess the needs and risks for older people under the Unified Assessment pilot.

People with Learning Disabilities

- Provision of housing assessors assessing the needs and risk to those people with learning disabilities with no housing-related support, for those living in supported housing schemes, and for those who do not meet the Social Care eligibility criteria.

Support Services for Other Vulnerable Groups

- The development of housing-related support within the Brecon Foyer Project
- Temporary housing and support for homeless families and single young people.
- Support for families with mental ill health issues.
- Support for Care Leavers through the Brecon Foyer scheme.
- Housing and support for eight people with mental ill health.
- Re-modelling of support for offenders in the Brecon area.
- Provision of housing assessors to assess the needs and risks of homeless and vulnerable people under the Unified Assessment pilot.

(iii) Tenant Support: the Dundee Families Project

Working in collaboration with housing associations local authorities should consider extending and enhancing the role of tenant support officers who have been appointed by some authorities. Typically these focus their activities on socially excluded estates where there are high concentrations of tenants in receipt of housing benefit. Their role is to act as a source of support and advice, to liaise with other service providers; and to help ensure, for example, that tenants manage their income and expenditure so they do not fall into arrears. A good example of best practice in this field is the Dundee Project.

The Dundee Families Project suggests different ways in which local authorities can proactively participate in tenant support initiatives. It is run by Action for Children Scotland in partnership with Dundee Council Housing and Social Work Departments. The project seeks to find alternative ways of tackling anti-social behaviour where previous attempted solutions were seen as expensive and ineffective.

It works with families deemed to have exhibited a range of anti-social behaviour with the aim of enabling them to avoid eviction or be restored to satisfactory tenancy arrangements. It offers a range of services through individual and couple counselling, family support and group work, and provides 24-hour support. After-school and youth activities are held, along with groups for adults that include cookery, parenting skills, anger management and tenancy issues.

A report by Glasgow University that looked at the experiences of the Project between 1999 and 2001 found that it was regarded as “supportive yet challenging, in that families had to face up to their difficulties.” The report also found that the project was successful in stabilising families’ housing situation: “thereby avoiding short-term costs associated with eviction, homelessness administration, supported accommodation and re-housing.” By also preventing the need for children to be placed in foster or residential care there was a financial saving as well as social and personal benefits.

(iv) Rural Housing Enablers

Since 2002 three rural housing enablers have been appointed in Wales, one by Gwynedd, and two by Powys and Monmouthshire and Conwy and Denbighshire acting together. These are collaborative appointments with other planning authorities, such as the National Parks, and voluntary associations such as the County Voluntary Associations. Their role is to facilitate opportunities and assist rural communities to respond to the need for local affordable homes, bringing together the public, private and voluntary sectors. In future more such appointments may be made by rural authorities in Wales. There are more than 40 such posts in England. The role of rural housing enablers is to:

- Co-ordinate expertise in the community
- Establish local need by organising questionnaire surveys.
- Locate suitable land in private and public ownership.
- Bring together property developers, housing associations, private landowners and Community Land Trusts to develop affordable housing.
- Promote use of the planning system – Section 106 agreements.
- Promote use of local resources in construction – labour, materials and expertise.

ANNEX 6

Regional Housing Networks

Regional housing perspectives remains relatively unexplored in Wales. Yet, the new Local Housing Strategy process introduced by the Welsh Assembly Government in April 2004 encourages local authorities to work across their administrative boundaries. As an Assembly Government report to the National Assembly's Social Justice and Regeneration Committee put it:

“We are encouraging collaborative working between local authorities in recognition of the fact that many housing concerns transcend local authority boundaries and are therefore most effectively and efficiently dealt with by groups of authorities acting together.”¹⁶⁶

In Scotland, Housing Market Context and Regional Housing Statements are widely recognised as progressing the planning for housing agenda. Similarly, in England Regional Housing Market Scoping Studies and Regional Housing Strategies are influencing housing investment programmes.

In Wales there is growing recognition that collaboration across authorities can strengthen their strategic housing function. The Assembly Government has also recommended that local authorities take into account a regional perspective when producing their 'Housing Market Analyses' since housing markets do not necessarily fit into their administrative areas. However, until recently, there were no formal mechanisms to support inter-local authority collaboration. This is now starting to be rectified by the emergence of the three voluntary cross-boundary partnerships discussed below.

South East Wales Regional Forum

In October 2003 Torfaen initiated the establishment of the South East Wales Regional Housing Forum comprising ten local authorities: Torfaen, Blaenau Gwent, Newport, Monmouthshire, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taf, Bridgend, Cardiff, and the Vale of Glamorgan. They recognised that there would be advantages in developing and implementing their housing strategies collaboratively since the relevant housing markets were believed to straddle local authority boundaries. The Forum is intended to provide more effective inter-action between housing and land-use planning and to:

- Understand how and why housing markets straddle geographical and administrative boundaries prompting for local authorities to co-operate.

¹⁶⁶ Assembly Government, *Housing in Wales – The 21st Century*, report to the Social Justice and Regeneration Committee, 23 February 2005, Para.. 4.7.1.

- Communicate between local and national housing policy: national housing policy feeds down to the regions and localities but there were no mechanisms for the localities to inform and influence the national agenda.
- Complement the regional framework in place for land-use planning.
- Situate housing in the wider planning and economic regeneration context and linking it to the development of the Wales Spatial Plan.
- Explore opportunities for regional, cross-local authority boundary forms of housing provision.
- Interpret policy guidance consistently, and sharing best practice and innovation.
- Emphasise the importance of the local authority strategic housing role.

The Forum has commissioned a Housing Market Analysis into the nature of the wider south east Wales housing market. This will enhance understanding of housing trends and how they interact at the regional level. The study will examine operation of the regional housing system as a whole, in the wider planning and economic regeneration context, as shown in the box below.

South East Wales Housing Markets Project

- Will research, map and understand how housing markets operate and the factors that drive them across ten local authorities in south East Wales, developing an interactive regional housing market model for south east Wales.
- Part of the project is to identify and collect data from local authorities and others in order to understand the regional housing markets.
- The data extracted will then be turned into useful information using Geographical Information System mapping systems to produce a report on the operation of the national, regional and local housing markets.
- Database systems that have been found to hold useful data include Council Tax, Electoral Roll, Housing Benefits, Housing Management, Housing Register, Planning, Building Control.

Welsh Rural Housing Authority Network

The network was established in the Autumn of 2002 and includes Powys, Pembrokeshire, Carmarthenshire, Ceredigion, Gwynedd, Ynys Mon, Conwy, Denbighshire, Wrexham, and Monmouthshire. It meets every two months, usually in Llandrindod, with every other meeting held jointly with the Welsh Federation of Housing Associations. The initiative for the network came from Powys, as Catriona Graham, the county's Director of Housing and Community Care, explained:

“The experiences and consequent needs of rural and urban housing authorities are different. On the whole rural authorities have maintained their stock to a pretty high standard, and have some opportunity of reaching the Welsh Housing Quality Standard without taking the stock transfer option. They have very different issues to face with the homeless. There should be a ‘rural proofing’ of any new policies or initiatives, which is why we have formed the Rural Housing Authority Network to boost our policy capability, and to act as lobby for our interests with the Assembly Government.”¹⁶⁷

The network currently has two main initiatives underway:

1. **Appointment of rural housing enablers** The first was a joint initiative between Monmouthshire, Powys and the Brecon Beacons National Park, a three-year pilot project, part funded by the Assembly Government. has been followed by Gwynedd, and by Conwy and Denbighshire working together. The initiative closely follows similar appointments in English rural authorities over the last ten years. Rural housing enablers promote affordable housing provision by undertaking housing needs surveys in local communities, identifying development land, and liaising with local authorities, developers and housing associations.
2. **Standardisation of local housing needs surveys across rural Wales** Common questions and methodologies are being developed. The aim is to develop more robust assessments, especially in relation to definitions of the indigenous population and their claims to affordable housing provision. The outcomes should then be more supportive of local authorities in appeals against them by developers objecting to Section 106 requirements.

North Wales Housing Regional Partnership

The partnership was initiated during 2003 by Ynys Mon, Gwynedd, Conwy and Denbighshire. Research was undertaken to establish areas where they could profitably undertake cross-border collaboration.¹⁶⁸ The north-west Wales grouping has since been joined by Wrexham and Flintshire and the partnership, co-ordinated by a full-time Strategic Partnership Officer in Conwy, part funded by the Assembly Government, meets six times a year. The following areas have been identified for collaborative research, policy development and joint initiatives:

¹⁶⁷ Interview, 24 November 2004.

¹⁶⁸ See *Local Challenges: Regional Solutions – A Cross Boundary Housing Study in North West Wales*, Conwy County Borough Council, September 2003.

- Planning issues, especially relating to affordable housing.
- Homelessness provision.
- The private rented sector.
- Crime and disorder.
- Black and minority ethnic communities.
- Difficulties in recruitment of housing staff.

The Partnership has made the following suggestions for greater cross-border collaboration, much of which will impact on social housing provision:

- There should be discussions between planning and housing departments at senior level, and with elected members, to seek agreement on a way to progress the development of social and affordable housing across the Region.
- The North Wales Regional Planning Group should be encouraged to include representatives of the six housing authorities.
- Housing strategy managers could use their cross boundary forum to review the current operation of the Social Housing Grant and make representations to the Assembly Government.
- Local authorities and housing associations should consider a higher profile for shared ownership schemes, homesteading and plots for sale, with, if possible, links with house renovation grants
- A regional solution should be sought to solve the shortage of accommodation for the homeless, especially high risk single people, with a Regional Forum for homelessness officers.
- There should be cross boundary working on looking at current trends in the private sector, with landlord representatives, private developers, and estate agents. Local authorities should discuss ways in which housing benefits could be prioritised for private landlord tenants.
- Examine the case for a Regional Anti Social Behaviour Team, with links to specialist advice and including housing associations.
- The six north Wales authorities to produce a regional strategy for black and minority ethnic communities
- Joint approaches by housing providers to improve the image of housing as a career.

ANNEX 7

Analysis of the Nine Welsh Housing Market Areas

Wrexham and Flintshire

These authorities correspond with the North East region specified in the Wales Spatial Plan. House prices for the region are on average cheaper than those in Chester, and dearer than those in the north Wales authorities to the west.¹⁶⁹ In fact, there is a great similarity between incomes and house prices in the two authorities, suggesting a common connection with housing pressures in north-east Wales (Table 1).

Table 1: Local house price to income ratios for working households aged 20 –39 in Wrexham and Flintshire (end 2003)

Local Authority	Household incomes	House Prices	House price to income ratio
Wrexham	£29,328	£100,355	3.42
Flintshire	£32,998	£101,129	3.06

Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

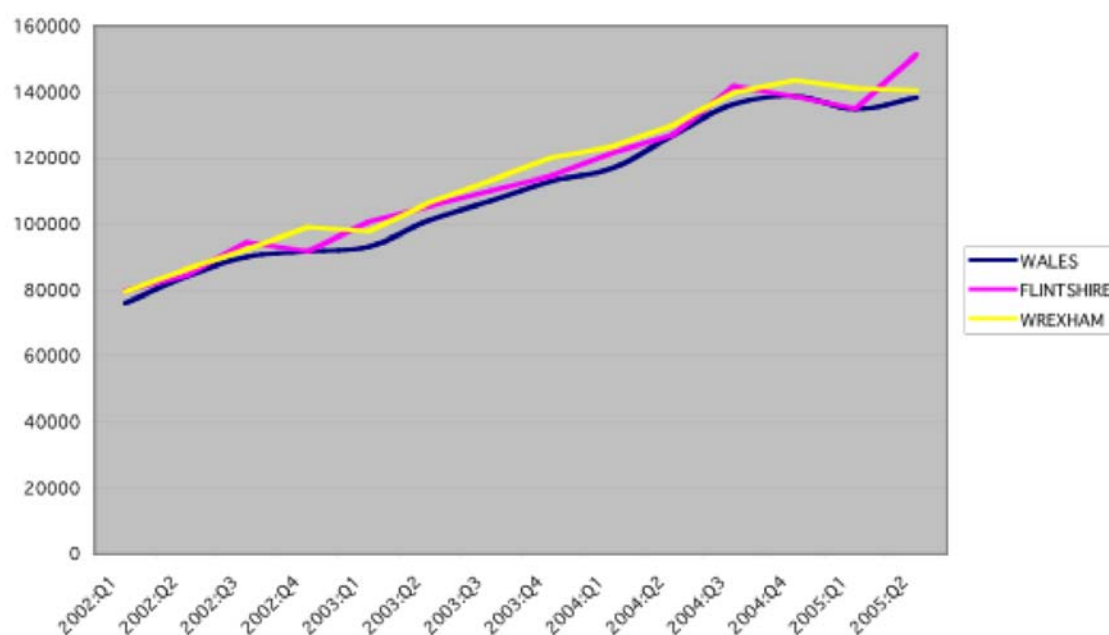
Analysis from a recent West Cheshire-North-East Wales sub-regional study indicates that house price inflation has been most evident in Wrexham and Flintshire, most significantly for detached and semi-detached properties. The price rises reflect new trends affecting the area over the past decade, ones that seem destined to be continued in the coming decade. For example, thirty years ago, most people who lived in Wrexham worked in Wrexham. This has now fundamentally changed, for two main reasons:

- The Manchester and Cheshire housing market now embraces north-east Wales as a commuter belt.
- Wrexham has become commuter territory for people travelling to work in various directions, for instance to the Chester Business Park in the east, and the Airbus factory at Broughton to the north.

Wrexham has the second lowest proportion of privately owned tenure in Wales (65.5) compared with a Welsh average of 71.32 and a correspondingly higher dependence on social rented tenure with the proportion in this type of tenure (26.18) exceeded only in Blaenau Gwent (28.87) and Torfaen 26.40). In Flintshire the proportion in social rented tenure at 16.54 is below the Welsh average (17.91) with a correspondingly higher proportion (75.89) owning their own homes (Wales 71.32). In three Wrexham wards Wynnstay, Plas Madoc and Queensway more than 75 per cent of all households are in social rented accommodation.

¹⁶⁹ Land Registry, September 2003.

Figure 1: House price increases, 2002-2005: Wales, Flintshire, Wrexham



Source: Welsh Assembly Government housing statistics
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

Private rented tenure as a form of tenure in both authorities is below the Welsh average of 8.59 and the proportion of households containing pensioners only is also low compared with other authorities. Flintshire’s figure of 13.52 places it last out of 22 authorities on this measure. Both authorities are below the Welsh average for households with lone parents/dependent children. Wrexham’s 6.03 and Flintshire’s 6.23 compare with a Welsh average of 7.28 and a Welsh high (Merthyr Tydfil) of 9.64. Between the first quarter of 2002 and the second quarter of 2005 house prices in Wrexham rose by 77 per cent to reach an average of £143, 496. In Flintshire the increase was greater, rising from £79,718 to £151,518, a rise of 90 per cent.

Conwy and Denbighshire

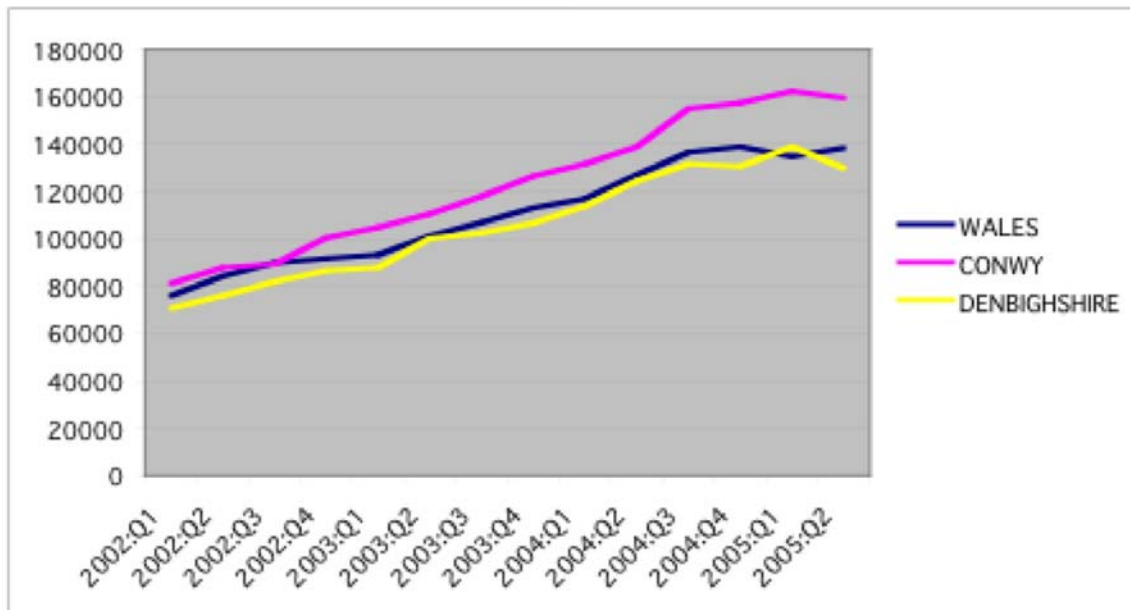
Incomes to house price ratios here are high. In part this is due to the presence within the market of in-migrants plus others who work outside the area and have access to higher incomes and/or wish to take advantage of price differentials compared with neighbouring counties in England.

Table 2: Local house price to income ratios for working households aged 20 –39 in Conwy and Denbighshire

Local Authority	Household incomes	House Prices	House price to income ratio
Conwy	£21,160	£99,914	4.72
Denbighshire	£22,025	£91,472	4.15

Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

Figure 2: House price increases, 2002-2005: Wales, Conwy, Denbighshire



Source: Welsh Assembly Government housing statistics:
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

Both authorities enjoy high proportions of privately owned tenure (73.37 and 72.52) and both have smaller proportions of social rented tenure (11.89 and 13.21 respectively). Indeed, Conwy's figure is the lowest in Wales, though figures of 38 per cent and 34.7 per cent are recorded in Tudno ward in Conwy and Rhyl South West in Denbigh. By contrast the two authorities are placed second and fourth in the Welsh rankings for private rented tenure with Conwy's figure of 12.65 exceeded only by Ceredigion (15.72). Individual wards with particularly high figures for private rented tenure are Abergele 19.2 Uwchaled, 19.4, Craig-y-Don 23, Rhiw 22.5 Glyn 26.1 and Gogarth 31.3.

In Denbighshire high levels for private renting are found in Denbigh Central 20.9 and Rhyl West 40.6 The two authorities have the highest proportion of pensioner households in Wales (32.51 and 29.4) and of single pensioner households (19.19 and 17.90 compared with Wales figures of 25.6 and 15.46, but not surprisingly relatively few households with lone parents/dependent children (5.97 and 6.5).

House price to income ratios in these two authorities are broadly similar (4.72 and 4.15, with average 2003 prices £99,914 in Conwy and £91,472 in Denbighshire. Average house prices in Conwy over the past three and a half years since 2002 have rise by 96 per cent to reach £159,288 in quarter two of 2005. In Denbighshire there has been a rise of 84 per cent bringing prices to £129,844 in the second quarter of this year.

Gwynedd and Ynys Mon

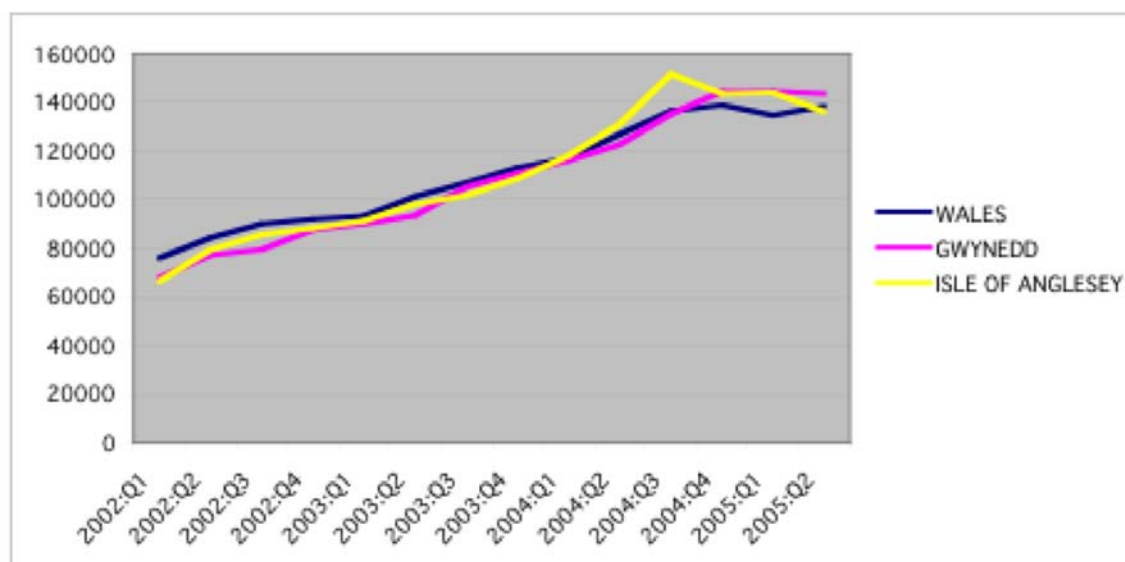
Here there is also a great similarity between the income and house price range, with the two authorities sharing housing pressures relating to the second home market.

Table 3: Local house price to income ratios for working households aged 20 –39 in Gwynedd and Ynys Mon

Local Authority	Household incomes	House Prices	House price to income ratio
Gwynedd	£25,178	£86,486	3.43
Ynys Mon	£23,523	£78,583	3.34

Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

Figure 3: House price increases, 2002-2005: Wales, Gwynedd, Ynys Mon



Source: Welsh Assembly Government housing statistics:
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

These counties share a highly complex housing economy. As Gwynedd’s *Local Housing Strategy 2004-2008* puts it, the impact of in-migration and out-migration on the sustainability of its communities together with “the operation of a number of housing markets on one geographically classified area makes this an especially complex housing authority to administer.”¹⁷⁰ There are at least four distinctive ‘housing market areas’: Bangor; the A55 travel to work areas; the rural hinterland; and the coastal strip. The county has broadly two categories of housing need:

¹⁷⁰ Gwynedd Council Local Housing Strategy, 2004-2008, Para 38.

- In the larger towns of Caernarfon and Bangor there is a concentration of single people languishing on the council's waiting list who are regarded as a priority but for whom there is a lack of suitable housing available.¹⁷¹
- In the coastal and rural hinterland, and especially within the National Park, there is a crisis in the provision of affordable housing.

Privately owned tenure at 66.2 (Gwynedd) and 68.01 (Ynys Mon) is among the lowest for Welsh local authorities, and social rented tenure is only marginally higher in Gwynedd (18.37) than in Wales as a whole and lower in Ynys Mon (16.99). The gap is filled by private rented (11.88 and 11.57) compared with a Welsh figure of 8.59. Relatively high figures for home ownership are found in Bethel 83.6 and Bontnewydd 80.5 with low figures in Deiniol, (27.4) a ward with a high student population and Marchog (27.3). The two authorities rank fourth and eighth in terms of pensioner only households with correspondingly lower rankings (17th and 14th) for lone parent households. Marchog, however, has a lone parent figure (17) significantly higher than the Welsh average of 7.28 as too does Peblig 13.5 and Morawelon in Anglesey 12.7

Housing affordability in these two authorities as measured by household income to house price ratio is roughly comparable with Wrexham and Flintshire. Average incomes are lower £25,178 and £23,523 respectively but this is matched by lower house prices, giving ratios respectively of 3.43 and 3.34. In Anglesey house prices since the start of 2002 had risen by the second quarter of 2005 by 106 per cent from £66,463 to £136,168 and in Gwynedd by 112 per cent to £143,496. House prices in both Gwynedd and Anglesey are now higher than in Denbighshire and Wrexham, both of which were ahead of the two most westerly counties three years ago.

Ceredigion

Although the Spatial Plan combines 'Central Wales' into a single region, the contrasting operation of the housing market between Ceredigion and Powys – differentiated as they are to a large extent by geographical and cultural (linguistic) factors – suggests that their housing market areas should be separated. Ceredigion's ratio of earnings to house prices (6.35) in Wales is far higher than in any other area of Wales, and higher than in all but four local authority areas in England. Here the demand for housing comes not just from local working households, but also from the demand for holiday and second homes, in-migrants, and from people electing to spend their retirement years in an attractive rural or coastal location. These features are, of course, shared with north west Wales.

¹⁷¹ On Gwynedd's November 2004 Housing Registrar, out of 1,144 people within 17 categories of applicants on the Arfon waiting list (containing Caernarfon and Bangor) 557 were single people.

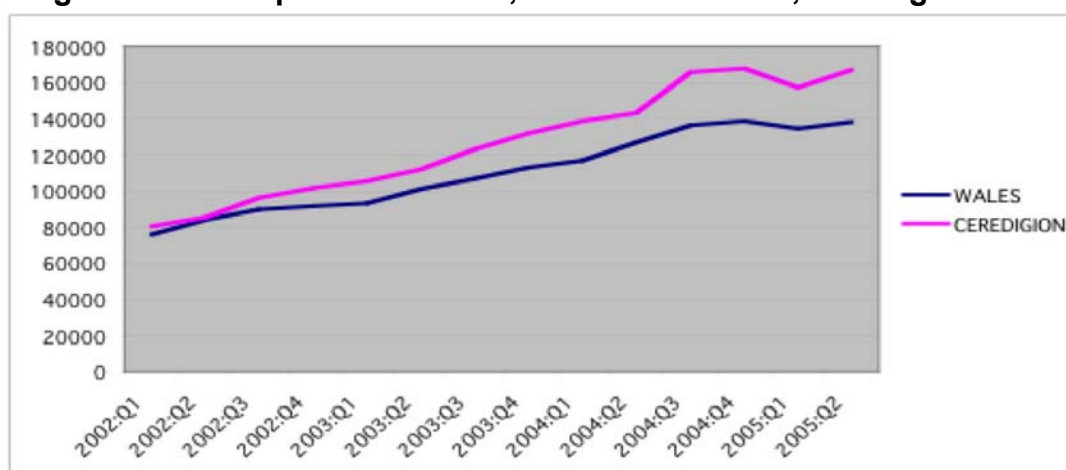
Table 4: Local house price to income ratios for working households aged 20 –39 in Ceredigion

Local Authority	Household incomes	House Prices	House price to income ratio
Ceredigion	£18,894	£120,041	6.35

Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

Ceredigion also has a high university population relative to other parts of rural Wales, based at Aberystwyth and Lampeter. Consequently, it has a much larger population of young single people, many of whom also compete in the housing market. Ceredigion also has a smaller proportion of local authority and housing association dwellings than any other local authority in Wales – at 12.5 per cent, compared with the Welsh average of 23 per cent.

Figure 4: House price increases, 2002-2005: Wales, Ceredigion



Source: Welsh Assembly Government housing statistics:
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

Privately owned tenure at 69.9 is slightly below the Welsh average (71.32) but relatively high proportions are recorded in some wards – Beulah (84.6) Llandysiliogogo (83.9) and Trefeurig (85.9) and relatively low proportions in other student-influenced wards such as Aberystwyth Canol (24.1). The authority is ranked 21 out of 22 for social rented tenure (11.99) compared with the Welsh figure of 17.91 and has the highest private rented tenure share (15.72 compared with 8.59 for Wales as a whole). In part this is accounted for by the large student population in Aberystwyth where in Canola ward 15.8 per cent of all households are student-only and 62.3 private rented tenure. Other high proportions of private rented tenure are found in Bronglais (26.3) Aberteifi/Cardigan Teifi ward (26.6) Aberystwyth North (41.3) and Rheidol (30.3). In Lampeter 5.5 per cent of all households are student only and 18.9 per cent private rented tenure.

Pensioners account for 27.7 per cent of households in the county, the sixth highest figure for Wales and nearly two points higher than the Welsh average of 25.6. However, in two wards - Aberaeron and Cardigan Rhyd-y-Fuwch – the figure is in excess of 40 per cent. The authority has the smallest proportion of lone parents/dependent children (4.91) but figures higher than the Welsh average (7.28) are recorded in two wards Aberteifi/Cardigan Teifi and Penparcau in Aberystwyth.

Household income to price ratio in Cardiganshire is the least favourable in Wales at 6.35, largely as a result of a combination of low household incomes (£18,894) and high house prices (£120,041). Subsequent house price rises have seen the average for Ceredigion rise 107 per cent to £167,023, a figure exceeded only in Cardiff, Vale of Glamorgan and Monmouthshire. The increase since 2002 when house prices averaged £80,696 amounts to 109 per cent.

Powys

Powys is a relatively large area, and as already stated, sufficiently different to its neighbouring authorities for it to be considered as a housing market area in its own right. In fact, like many parts of rural Wales, it embraces wide variations. As the county's Local Housing Strategy 2004-2009 observes:

“It would be exceedingly difficult to try and calculate the number of different housing markets that exist within Powys. Even within the same community the nature of the housing market will vary considerably. The rate of growth is not evenly distributed and there are considerable variations across different parts of Powys.”

Table 5: Local house price to income ratios for working households aged 20 –39 in Powys (end 2003)

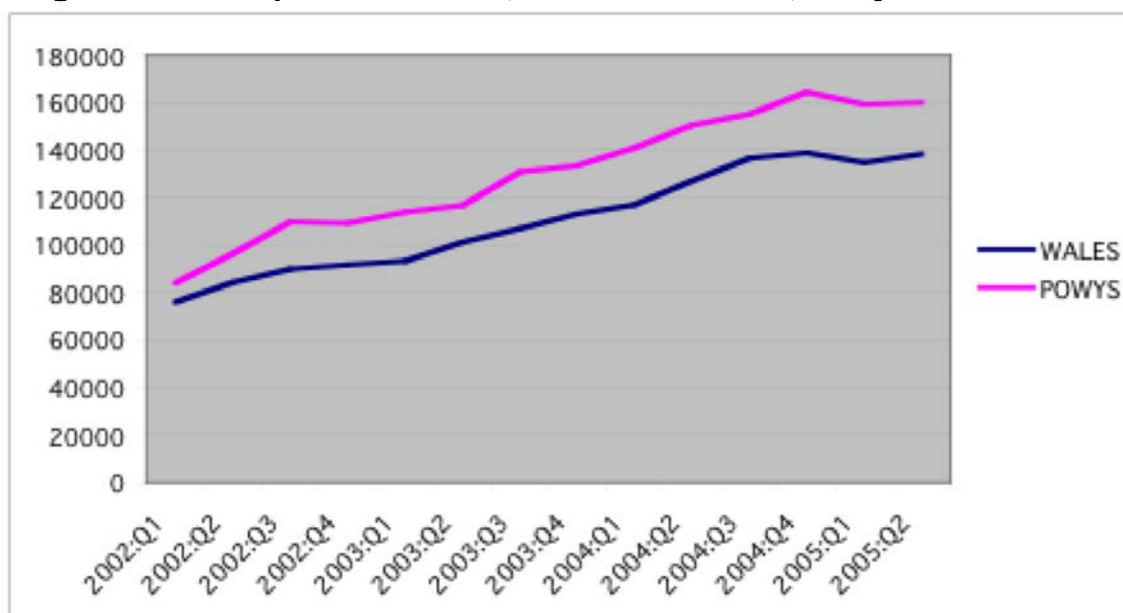
Local Authority	Household incomes	House Prices	House price to income ratio
Powys	£29,247	£103,505	3.54

Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

House income to price ratio at 3.54 is more favourable than in neighbouring Ceredigion (6.35) or Pembrokeshire (3.76) and broadly comparable with Gwynedd (3.43). House prices in Powys had climbed by the second quarter of 2005 to £159,883 a rise of 89 per cent. Powys is below the Welsh average for privately owned tenure (at 69.19) and social rented tenure (15.35) with the gap being filled by private rented tenure (12.54). In the rest of Wales it is exceeded only by Ceredigion (15.72) and Conwy (12.65). Privately owned tenure varies from 80 per cent plus in a handful of wards mainly in the east of the county, to 37.7 per cent in Newtown South, which with other wards in the town has the highest proportion of social rented tenure.

Private rented tenure is high in wards in Llandrindod Wells, Hay and Berriew as well as in Llanrhaeadr-ym-Mochnant, Llansantffraid, Llanwrtyd Wells, Meifod, Montgomery and Llanfyllin. The authority also has one of the highest proportions of pensioner households (28.47) and the second lowest single parent/dependent children households (5.1).

Figure 5: House price increases, 2002-2005: Wales, Powys



Source: Welsh Assembly Government housing statistics:
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

Carmarthenshire and Pembrokeshire

Though we have grouped these two authorities together there are important differences, with some parts of Carmarthenshire sharing some characteristics with other neighbouring rural and retirement areas and others with the industrial conurbation to its east.

Table 6: Local house price to income ratios for working households aged 20 –39 in Pembrokeshire and Carmarthenshire (end 2003)

Local Authority	Household incomes	House Prices	House price to income ratio
Pembrokeshire	£26,975	£101,501	3.76
Carmarthenshire	£24,677	£76,292	3.09

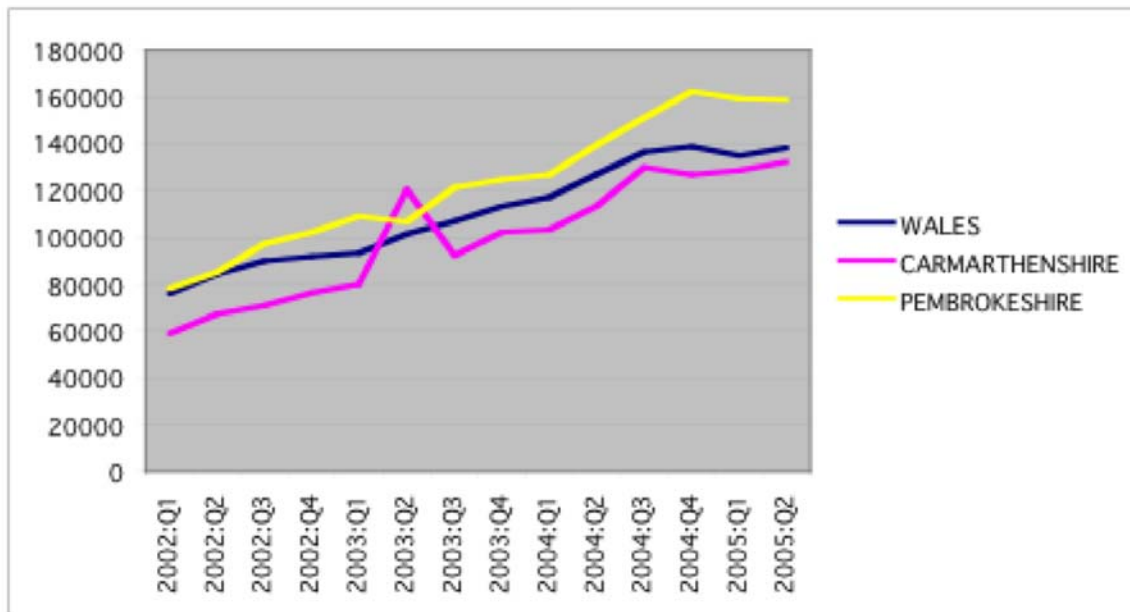
Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

House prices, largely as a result of demand for second homes and retirement homes are relatively high in Pembrokeshire at £101,501 compared with £76,292 in Carmarthenshire. Incomes in Pembrokeshire are higher at £26,973 compared with £24,677 in Carmarthenshire, leaving a house price to income ratios of 3.76 in Pembrokeshire and 3.09 in Carmarthenshire.

Overall house prices in Pembrokeshire have risen by 102 per cent to reach £158,616 by the second quarter of 2005 and those in Carmarthenshire by 124 per cent (the largest percentage increase in Wales) from a comparatively low figure of £58,822 in the first quarter of 2002 to £132,283. This suggests that some of the second home/inward migrant pressures seen further west are now beginning to manifest themselves in Carmarthenshire as well.

Privately owned tenure in Carmarthenshire at 72.42 is slightly above the Welsh average and one ward, Swiss Valley (92.1) is in the top ten in Wales. By contrast home ownership as a tenure at 69.37 is lower in Pembrokeshire than in Wales as a whole, though 13 wards do record proportions in excess of 80 per cent. Social rented tenure and private rented tenure in Carmarthenshire are close to the Welsh averages but Pembrokeshire has a higher proportion of private rented tenure, compensating for its lower privately owned tenure. Social renting accounts for 40 per cent or more of tenure in three wards in Haverfordwest, Milford Haven and Pembroke (compared with the county average of 17.43) whereas in Carmarthenshire the ward with the highest concentration is Llwynhendy (36.1) and only two other wards exceed 30 per cent. Private renting accounts for more than 22 per cent of all tenure in three wards in Pembrokeshire, compared with a highest figure of 18.1 per cent in Carmarthenshire (Carmarthen Town South). Age patterns in the two counties are broadly similar with both containing a greater proportion of households with pensioners only (28.19 and 27.32 respectively) than Wales (25.6). Carmarthenshire has fewer lone parents (6.8) than Wales as a whole (7.28) or Pembrokeshire (7.34).

Figure 6: House price increases, 2002-2005: Wales, Carmarthenshire, Pembrokeshire



Source: Welsh Assembly Government housing statistics:
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

Swansea Bay – Swansea, Neath Port Talbot

Housing officers in this region have acknowledged that they will need to co-operate to maximise the economic potential of increased investment in social housing in coming years. In particular, Swansea, which is planning to transfer its stock to a Community Mutual, is conscious of the need to build capacity in the local construction industry to take advantage of the increased investment that will result. As Phil Roberts, the City’s Head of Housing, put it:

“We are aware that we need to promote collaboration with neighbouring authorities to maximise the benefit of our procurement processes. If housing associations and new stock transfer organisations established by councils compete with one another this will only serve to push up prices. We also need to guard against leakage of contracts outside the local housing economies, thereby losing potential economic regeneration.”¹⁷²

Table 7: Local house price to income ratios for working households aged 20 –39 within Swansea Bay (end 2003)

Local Authority	Household incomes	House Prices	House price to income ratio
Swansea	£23,961	£88,482	3.69
Neath Port Talbot	£21,578	£60,075	2.78

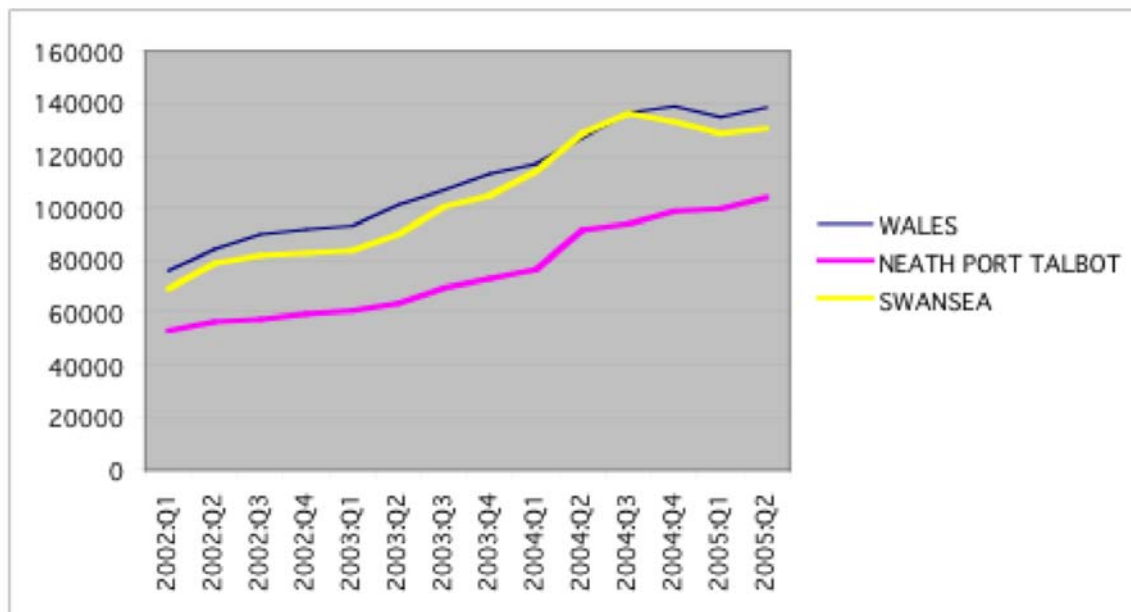
Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

Affordability as measured by house price to income ratios is 2.78 in Neath Port Talbot, largely as a result of relatively low house prices, and 3.69 in Swansea where prices are greater. House prices in Neath Port Talbot have increased by 96 per cent to £104,217 and those in Swansea by 89 per cent to £130,370 from a figure of £69,023 at the start of 2002. Neath Port Talbot (71.30) is closer to the Welsh average for privately owned tenure (71.32) than any of the other 21 Welsh local authorities, with Swansea (69.54) returning a proportion similar to Cardiff (69.82). Three of the city’s wards have proportions in excess of 90 per cent. Both Swansea and Neath Port Talbot have higher proportions of social rented tenure than Wales as a whole, with more than two thirds of households in the two Sandfield wards in this tenure. Two Swansea wards (Townhill 56.7) and Penderry (57.4) also have some of the highest social rented tenure in Wales, coupled with correspondingly low privately owned tenure. Private rented tenure is lower in Neath Port Talbot (5.88) and marginally so in Swansea (8.48) than in Wales as a whole (8.59). This is in spite of large numbers of students in certain wards, notably Killay North, where 13.5 per cent of all households are student only and 19 per cent of all accommodation is privately rented. In Castle ward 20.5 per cent of accommodation is private rented tenure and 3.4 per cent of households are student only.

¹⁷² Interview, 22 February 2005.

Swansea and Neath Port Talbot both have similar proportions of households containing pensioners only (26.46 and 26.43 respectively) compared with a Wales figure of 25.6 and a Cardiff figure of 21.99. Lone parent figures for the two authorities at 7.53 and 7.9 are similarly close, but down on the Welsh average of 7.28.

Figure 7: House price increases, 2002-2005: Wales, Swansea, Neath Port Talbot



Source: Welsh Assembly Government housing statistics:

www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

Greater Cardiff - Cardiff Vale of Glamorgan Bridgend, Caerphilly, Rhondda Cynon Taf, Merthyr Tydfil and Blaenau Gwent

Although it contains widely different housing areas, commuting patterns dictate the choice of this region as a inter-connected housing market area. There is also a strong case for strengthening the links between Cardiff – economically the most dynamic part of Wales - with its hinterland in the Valleys where economic problems, especially inactivity rates, are severe. The price income ratio in Cardiff is high (4.99) because of the high level of house prices relative to the rest of Wales and low household incomes. Household incomes in Cardiff are lower than in neighbouring Caerphilly, Vale of Glamorgan and Bridgend and not significantly higher than in Rhondda Cynon Taf.

Privately owned tenure levels in excess of 80 per cent are found in more than half the Vale of Glamorgan's wards, giving the authority the highest proportion of privately owned tenure in Wales (77.8) and the third lowest proportion of social rented tenure (12.94). The authority is also (7.92) below the Welsh average for private rented tenure (8.59).

Lower proportions of privately owned tenure are concentrated in Barry wards (Gibbonsdown 50.5, Buttrills 68.6, Castleland 61.3, and Stanwell in Penarth 65.4) where correspondingly higher proportions of social rented tenure are found. High levels of privately owned tenure are found in Sully, Wenvoe, Llandow and the central Vale wards generally.

Table 8: Local house price to income ratios for working households aged 20 –39 in Cardiff, the Vale of Glamorgan, Bridgend, Caerphilly, Rhondda Cynon Taf, Merthyr Tydfil and Blaenau Gwent (end 2003)

Local Authority	Household incomes	House Prices	House price to income ratio
Cardiff	£24,778	£123,695	4.99
Vale of Glamorgan	£30,706	£113,880	3.71
Caerphilly	£25,355	£73,876	2.91
Bridgend	£28,224	£84,369	2.99
Rhondda, Cynon, Taf	£23,919	£64,644	2.70
Merthyr Tydfil	£22,872	£56,713	2.48
Blaenau Gwent	£24,436	£48,540	1.99

Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

The proportion of pensioner only households is lower than in Wales generally at 24.44 but the number of single parent/dependent children households at 7.76 is slightly higher. Affordability at 3.71 is in the mid range for Welsh local authorities, high average household earnings counterbalancing higher prices relative to most other parts of Wales.

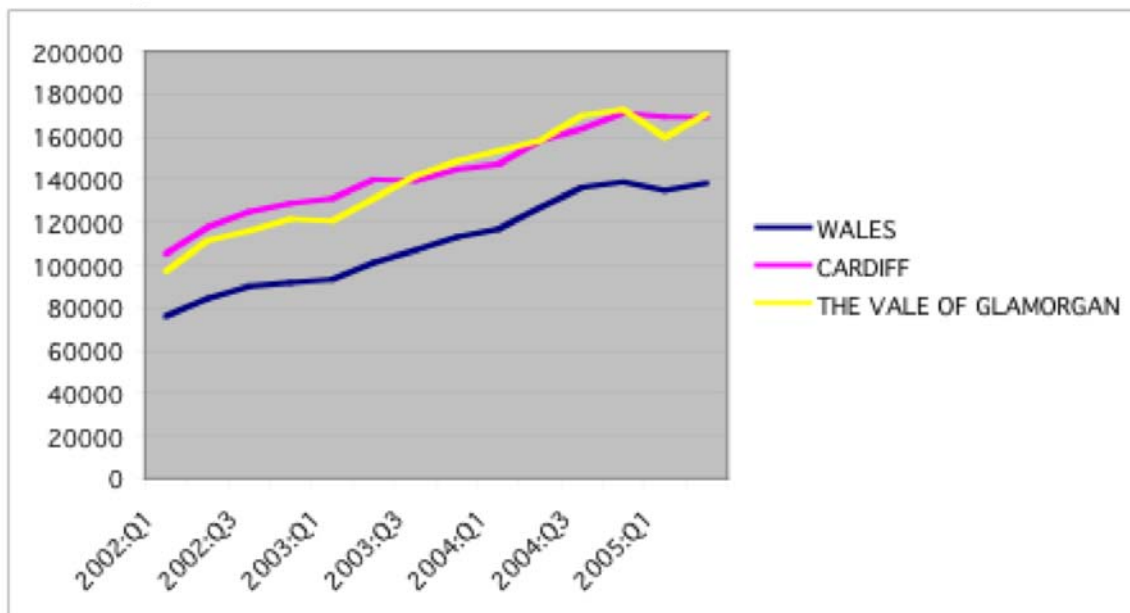
Privately owned tenure in Cardiff at 69.82 is below the Welsh average as, too, is social rented tenure at 16.94, the gap being filled by higher private rented tenure (11.13), itself partly accounted for by the city's large student population (nearly two out of every 100 households in the city). In Cathays ward one in two properties is private rented tenure, with Butetown (19.5) Adamsdown (19.5) Plasnewydd (39.9) and Riverside (25.3) also showing figures well outside Welsh norms. Large concentrations of social rented tenure appear in Ely (40.3) Llanrumney (30.7) Splott 30.9, Trowbridge (33.5) and Llandaff North (26.4).

Six Cardiff wards have privately owned tenure in excess of 90 per cent. Pensioner only households (21.99) are well down on the Welsh average (25.6) but interestingly some of the wards in Cardiff with high privately owned tenure have among the highest pensioner only figures in Wales. Cardiff also has the fourth highest proportion of single parent/dependent children households (8.65) in Wales after Merthyr Tydfil, Newport, and Blaenau Gwent.

Privately owned tenure in Rhondda Cynon Taf (75.17) and Caerphilly (72.65) are higher than in Wales as a whole but lower (67.71) in Merthyr Tydfil. Caerphilly also has a high proportion (21.37) of social rented tenure and the second lowest proportion of private rented tenure in Wales. Rhondda Cynon Taf by contrast has below Welsh average social rented tenure (14.7) and private rented tenure (7.4).

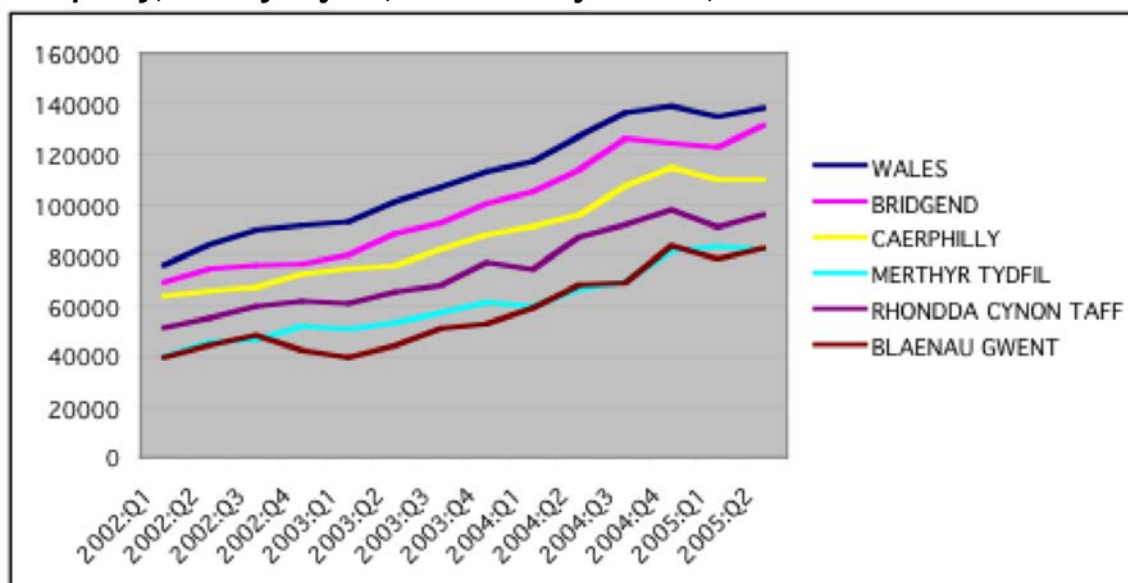
In Merthyr social rented tenure accounts for 22.84 of households, five percentage points above the Welsh average but private rented tenure at 6.25 is low compared with the rest of Wales. Well above average privately owned tenure is recorded in some wards of Rhondda Cynon Taf and Caerphilly, adjoining Cardiff - reflecting, it can be postulated, new housing developments to cater for overspill from the capital. These include, in Rhondda Cynon Taf: Beddau (85.4), Llantrisant Town (85.2), Llantwit Fardre (94.2), Pontypridd Town (88.2), and Pontyclun (86); and in Caerphilly: St. Martin's (90.8), Ystrad Mynach (85.1), and Penmaen (85.3).

Figure 8: House price increases, 2002-2005: Wales, Cardiff, Vale of Glamorgan



Source: Welsh Assembly Government housing statistics:
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

Figure 9: House price increases, 2002-2005: Wales, Bridgend, Caerphilly, Merthyr Tydfil, Rhondda Cynon Taf, Blaenau Gwent



Privately owned tenure is correspondingly lower in some of the northernmost reaches of these authorities and social rented tenure higher, though there are also some low concentrations of privately owned tenure and high concentrations of social rented tenure in some wards of Pontypridd, notably Glyncoch and Rhydfelen. Private rented tenure is markedly higher than the average for Rhondda Cynon Taf as a whole only in a small number of wards influenced by student numbers in and around Pontypridd. In Merthyr Tydfil privately owned tenure is highest in Town ward (79.4) and lowest in Gurnos (38.9) where social rented tenure stands at 49.5. Private rented tenure is lower than the Welsh average in all but one of Merthyr Tydfil's wards (Merthyr Vale). Blaenau Gwent has the lowest proportion of privately owned tenure (62.62) and the highest social rented tenure (28.87), with private rented tenure (6.87) also below Welsh average.

The number of pensioner-only households is lower in each of these three authorities than in Wales as a whole and the number of single parent/dependent children higher, significantly so in Merthyr Tydfil. In Blaenau Gwent the highest levels of privately owned tenure are found in Abertillery and Tredegar Central and West at 77.3 and 76.2 respectively and the lowest, 46.9, at Rassau. Private rented tenure is above Welsh average s in only two wards – Tredegar Central and West and Nantyglo. Pensioner only households at 25.19 are close to the Welsh average 25.6 but single parent / dependent children (8.96) are the third highest in Wales. Affordability (1.99) is the most favourable in Wales, largely as a result of low house prices.

House price to income ratios in the Valleys authorities (Bridgend, Caerphilly, Rhondda Cynon Taf, Merthyr Tydfil and Blaenau Gwent) are among the most favourable in Wales – below 3 in each case – largely as a result of low house prices.

Starting from a comparatively low figure of £51,225 at the start of 2002 house prices in Rhondda Cynon Taf have risen by 88 per cent to £96,209. In Merthyr Tydfil the rise has been from just under £40,000 (a similar figure to neighbouring Blaenau Gwent) to £82,143, a rise of 107 per cent, again broadly comparable with Blaenau Gwent). In Caerphilly prices have risen from £63,804 to £109,863, a rise of 72 per cent, and in Bridgend by 90 per cent from £69,153 to £131,434. Cardiff has interestingly recorded one of the lowest percentage price increases in Wales at 61 per cent (a rise of £64,000 over three years to £169,000). The Vale of Glamorgan also showed only a modest rise (comparatively speaking) of 76 per cent to a new figure of £170,721.

Bridgend, however, diverges from other valley authorities as well as from Cardiff, Swansea and Newport in several important ways. It has the second highest privately owned tenure in Wales (77.1) after the Vale of Glamorgan (77.8), and significantly more than Wales (71.32), Cardiff (69.82) Swansea (69.54) and Newport (70.55). Bridgend's Pen-y-Fai ward has the highest proportion of privately owned tenure (96) in Wales. It also has some of the smallest proportions of social rented tenure (14.41 (Wales 17.91) and below average private rented tenure (6.23 against 8.59 for Wales).

Bridgend's proportion of households containing pensioners only (24.41) is below the Welsh average (25.6) as too are households within the county containing lone parents/dependent children (7.21 against a Wales figure of 7.28). It also has some of the wards with the highest pensioner populations in Wales – Rest Bay (41) and Nottage (37.2) as well as among the lowest (Brackla 10.2). Bridgend achieves a better affordability ratio (2.99) than Cardiff as a result of lower house prices and higher household incomes.

The evidence suggests there is a strong case for considering Rhondda Cynon Taf, Caerphilly, Merthyr Tydfil, and Blaenau Gwent as a separate housing market, subject to the same pricing and other pressures, but that a number of southern wards close to Cardiff have now effectively become part of Greater Cardiff, and will be within the search range of individuals living in Cardiff and seeking less expensive properties, particularly first time homes suitably located for commuting into Cardiff or along the M4.

Bridgend is also arguably partly within Cardiff's orbit but has some differences from the other Valley authorities. Cardiff and the Vale have broadly comparable housing prices though there has been some narrowing of the lead in prices over other areas of Wales where housing pressures are strong in particular rural and coastal areas. Average house prices in Monmouthshire are now nearly £40,000 more expensive than Cardiff, having broken through the £200,000 barrier in the second quarter of 2005.

Newport, Torfaen and Monmouthshire

Again, the definition of this housing economy is largely determined by commuting patterns. It is noteworthy that in early 2005 Monmouthshire, Torfaen and Newport councils initiated a process of collaboration to assess the potential for economic regeneration in new housing investment – especially in terms of procurement and skills training.

Table 9: Local house price to income ratios for working households aged 20 –39 in Gwent (Newport, Monmouthshire and Torfaen)

Local Authority	Household incomes	House Prices	House price to income ratio
Newport	£26,810	£98,306	3.67
Monmouthshire	£37,559	£126,723	3.37
Torfaen	£26,725	£78,132	2.92

Source: Steve Wilcox *Home Ownership Affordability in Wales*, Centre for Housing Policy, University of York, 2004.

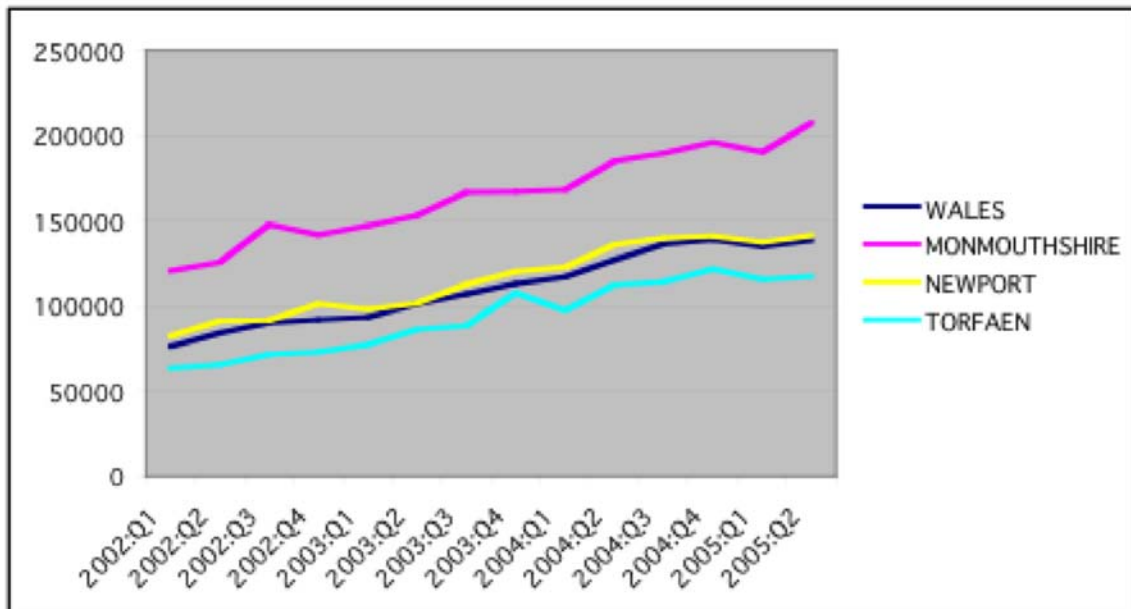
Newport is close to the Welsh average for privately owned tenure at 70.53 but higher for social rented tenure (21.67), the fifth highest in Wales. It also has a smaller private rented sector (5.44) compared with Wales (8.59) and neighbouring Cardiff (11.13), with only Caerphilly and Torfaen offering smaller proportions of private rented tenure. Privately owned tenure varies within the authority from 92.7 in Langstone to 31.9 in Tredegar Park (where 62.8 per cent of all households are in social rented tenure). Other concentrations of social rented tenure are found in Pillgwenlly, Ringland, and Beechwood. High proportions of private rented tenure are found in Stow Hill 21.1 (where 0.8 per cent of all households are student only.) Pensioner only households are (23.76) slightly below the Welsh average and the city has the second highest proportion of single parent / dependent children after Merthyr Tydfil. The house price to income ratio at 3.67 compared with 3.69 in Swansea and 4.99 in Cardiff and 3.37 in neighbouring Monmouthshire (where incomes and house prices are both higher).

Torfaen has significantly lower privately owned tenure (68.26) than Wales as a whole (71.32) or neighbouring Caerphilly (72.65). Social tenure at 26.40 is exceeded only in Blaenau Gwent and private rented tenure is lower as a proportion than anywhere else in Wales (3.75). High levels of social rented tenure and correspondingly low levels of privately owned tenure are found in Wainfelin ((38.7), Two Locks (47.1) Snatchwood (39.5) and Abersychan (37.5). Private rented tenure exceeds Welsh levels only in one ward, St. Cadoc's and Penygarn. Pensioner households are close to the Welsh average at 25.21 as are single parent / dependent children (households (7.38). Affordability (2.92) lies in a middle range between neighbouring Newport (3.67) and Blaenau Gwent (1.99).

Monmouthshire has the third highest level of privately owned tenure in Wales (76.2) behind Vale of Glamorgan and Bridgend, and a correspondingly lower ranking for social rented tenure (14.72) and private rented tenure (7.56). A number of wards in the authority (Croesonen, Drybridge, St. Kingsmark, and Shirenewton) have privately owned tenure in excess of 90 per cent, with a correspondingly small social rented tenure and private rented tenure.

Pensioner households (26.58) are close to the Welsh average and single parent / dependent children are lower at 5.28 per cent. Affordability at 3.37 is more favourable than neighbouring authority, Newport, but less favourable than Torfaen.

Figure 10: House price increases, 2002-2005: Wales, Newport, Monmouthshire, Torfaen



Source: Welsh Assembly Government housing statistics:
www.wales.gov.uk/keypubstatisticsforwales/housing/housing.htm

House prices in Newport have risen by 71 per cent (the second lowest increase in Wales after Cardiff) to reach an average £141,666 in the second quarter of 2005. Torfaen experienced an 85 per cent rise over the same period from £63,424 to £117,319. This still leaves house prices in the county at not much more than half neighbouring Monmouthshire where a 72 per cent rise has taken prices to an average £207,367.

ANNEX 8

Consultation Questionnaire Analysis

Consultative seminars to discuss a draft of this report were held in Cardiff and Llandudno in December 2005. Forty questionnaires were completed and returned. Eleven were from local authority officials, eleven from housing association representatives, nine from housing-related organisations, two from councillors, one from an Assembly Member, two from Welsh Assembly Government officials, two from the private sector, one from man academic and one from a person un-identified. The responses to the questions were as follows:

Question: Should social housing be widely available for those who choose it?

Of the 38 who responded to the question 34 – 89 per cent - said social housing should be available for those who choose it and four said no. Of those who said yes the prevalent feeling was that this encourages balanced communities, ensuring a social mix. However, of those who responded positively to the question fifteen issued some kind of caveat to their answers. These reservations were similar to the ones issued by those who responded negatively to the question. They fall into three main categories:

- Social housing should only be available for those who need it.
- Social housing should be a choice but funding and supply constraints mean that this cannot be so. One response was typical of the gap between aspiration and financial reality:

“Yes. But this is a scarce resource which *has* to be allocated *primarily* on the basis of need for subsidy/support.”

- The notion of choice is no longer relevant in the case of social housing due to the stigmatisation of the tenure. One respondent replied:

“Yes, based on the fact that currently it isn’t sought by those who don’t need it.”

A few respondents also stressed the need for flexibility of tenures. As one said:

“There needs to be a range of flexible, affordable options to suit differing needs at differing points in people’s lives.”

Question: Are market trends such that in future social housing will become mainly the province of vulnerable people in need of support?

Of the 36 respondents who replied 21 – 58 per cent – agreed while 12 disagreed. Four neither agreed nor disagreed but said that government policy – or the lack of it – was as much to blame for this situation. A variety of views were expressed in answering this question. One view expressed by many was that rising house prices has meant that, rather than being a tenure for the most vulnerable in society, social housing is now being sought by potential young first time buyers. One local authority officer said:

“If housing market develops in line with past five years then young professional first time buyers will not be able to afford open market housing and therefore will need social housing.”

Another said:

“The current market trends for us is that we have a huge range of people looking to us for a home because they can’t buy on the open market.”

Many respondents blamed government policy as much as market trends for the residualisation of social housing with one saying:

“It is not only market trends but also government policy that promotes and incentivises owner-occupation as the preferred tenure.”

One respondent looked positively upon governmental intervention by saying:

“If WHQS and wider regeneration objectives are achieved social housing may become more attractive to others.”

Another sought to dismiss the negative connotations of social housing:

“Renting should become a positive choice ... I would question the assumption that the need for support can only be accommodated in ‘social housing.’ There should be support for providing or maintaining the current, or preferred, tenure. Regarding ‘social’ housing as a ‘residual’ form of tenure could automatically consign those who use it to a residual, or marginalised place in society. This reverses Welsh Assembly Government policy on vulnerable and marginalised groups especially in relation to learning disabilities.”

A further respondent said that market trends should not be taken so seriously:

“No – this is based on a one dimensional ‘snapshot’ view of housing markets and extrapolating a medium term trend into the future.”

Question: Should social housing be used to assist people get on the home ownership ladder through assisted ownership schemes?

All forty respondents answered this question, with 36 – 90 per cent - agreeing and 4 disagreeing. Of those agreeing with the question many echoed these responses:

“Yes, as the government is promoting home ownership then certainly assisted ownership schemes should be promoted and funded.”

“Likely to be a key trend.....[and a] way to attract people. Therefore has to be attractive and has to link into home ownership.”

Another pointed to the financial benefits of promoting such schemes:

“Yes, flexible tenure needs to be built into all new ‘social housing’ provision (and is cheaper to public purse than rented housing).”

Others said that such schemes would only be effective in conjunction with other initiatives, with one saying,

“This is one option that could be part of a solution.”

One respondent thought other income streams should be used to finance such schemes rather than the Social Housing Grant:

“Not necessarily with SHG. Private funding could replace SHG (Chancellor’s pre-budget statement).”

Of those who disagreed two pointed to the side-effects such schemes would have:

“No. The Right to Buy has already removed too great a part of the social rented sector.”

“Due to lack of replacement housing any loss of social housing stock leads to homelessness in other less suitable properties.”

Another was concerned that such schemes should not be applicable in existing stock :

“No, except through a percentage of affordable housing in private development through Section 106 agreements.”

Question: Should social housing be used to provide for key workers in the community such as teachers and nurses?

Of the 38 who responded 29 – 76 per cent - agreed while nine disagreed. However, many of those who agreed said this should be a local consideration, depending on house prices. One respondent said:

“Where this is an issue, for example in Cardiff potentially, or rural areas where key workers have difficulty in accessing housing in order to take up posts.”

Many echoed their feelings from the previous question, that this should be encouraged only as part of a broad housing ‘solution.’ Some objected to giving social housing priority to such groups of workers since:

“Demand for social housing struggles to meet the need of more deprived groups.”

One respondent suggested that funding for such schemes should come from other sources:

“Yes, but separated from general stock and could be partly funded by NHS hospitals.”

Question: If so, what proportion of housing stock should be set aside for this?

Only five respondents specified any percentage. Most said it should be determined by local circumstances. One said less than 5 per cent, two said 10 per cent, one said less than 20 per cent and one said 20 per cent

Question: Should provision for the homeless be treated separately from more general provision of social housing?

Of the thirty who responded to this question 22 – 73 per cent – disagreed while only eight agreed. Of those who disagreed none thought that homeless provision ought to be downgraded. This response was typical:

“Should not be treated differently to other people also in genuine need of affordable housing.”

One respondent summed up the problem of homeless provision thus:

“There are two issues here – temporary and permanent accommodation for homeless people. Provision of temporary accommodation may well need to be separate due to the need for revenue funding for support.”

Question: Are there any other purposes for social housing you would like to list?

Elderly:	5	
Ex-prisoners:	1	
Young people:		2
Low-income households:	1	
Extra Care/ support / mentally ill:	3	
Homeless prevention/mortgage rescue:	4	
Safeguarding Welsh language communities:		2
Community Regeneration:	4	

LOCAL AUTHORITIES

Question: Should local authorities continue to own and manage properties?

Of the 36 respondents who answered the question 27 answered Yes, five answered No and four were ambiguous answers. Significantly, of the 27 who said Yes 19 qualified their answers with caveats. Most of these comments were related to local authorities' inability to raise sufficient funds to achieve the Welsh Housing Quality Standard. Here are a few of those comments:

“Only if it is clear that sufficient resources are available to deliver WHQS.”

“The reality is that the funding system will *not* enable local authorities to maintain to an acceptable standard.”

“No one answer – depends on local circumstances.”

“Not necessarily – it is quite a question of what works!”

Some were vexed that local authorities are unable to borrow the funds needed to bring their stock up to the Standard. One said:

“Why should they not if appropriate? Local authority ownership should be legitimate and as liberal as market regarding borrowing against assets.”

Others qualified their positive answers by stating that tenants' views should be considered, with one saying:

“Yes – where it is the preference of local choice.”

Question: If they transfer their stock what should be their continued role?

a) Provide the strategic planning framework

Of the 38 who responded, 37 – 97 per cent - agreed with only one disagreeing. Many noted that this was an essential role for local authorities with one respondent summarising the strategic role of local authorities thus:

“A full strategic role which looks at the whole of the housing market in the locality and decides what interventions are appropriate – these can be made through planning, private sector housing functions e.g. bringing back empty homes into use. Working in partnership to ensure best use of all the ‘social market’ through common housing registers etc. Clear need for strategic housing planning function aligned closely with other statutory planning functions within the local authority and beyond.”

b) Monitor the standards of housing provided by others?

Of the 37 who responded, 31 – 83 per cent - agreed and six disagreed. Many respondents felt that this was a vital role for ensuring private rented sector compliance. Of the six that disagreed most of them felt that such a role should be given to a national organisation rather than the local authorities.

c) Assist in the provision of affordable homes using the planning system?

All 35 who responded agreed.

d) Other

A range of suggestions were given as to any other housing role for local authorities. Ten mentioned homeless provision, four mentioned community regeneration, two mentioned a stronger role with social services and health boards, two mentioned grants for empty properties, one mentioned the elderly and one mentioned assistance for the intermediate market.

HOUSING ASSOCIATIONS

Question: What should be the future role of housing associations?

a) Provide housing for a wide range of tenants

Of the 33 who responded, 31 – 93 per cent - agreed and only two disagreed. Many of those who agreed stressed the necessity for housing associations to create balanced communities of mixed tenures. Some raised the issue of the definition of ‘need’ as far as housing is concerned. One respondent said:

“Yes, though probably should not house those who don’t *need* subsidised accommodation (but this raises big questions about what ‘need’ is).”

Another suggested a broader role for housing associations:

“RSLs could be more freed up to a certain extent to build general needs properties for rent using commercial lending. This could provide real choice and raise the status of rented housing.”

b) Concentrate on provision for specialist/vulnerable groups in society

Of the 34 who responded 17 – 50 per cent – agreed and 17 disagreed. Respondents were unsure whether this should be more of a priority than the first option. One said:

“It is important to develop housing for vulnerable groups, but it should not be to the exclusion of general needs.”

One explained the different sorts of housing associations and that a housing association’s priorities are dictated by this:

“There is an assumption in this question that there is a template called ‘a housing association’ which isn’t the case. Some are regional, some are generalist, some are specialist.”

Another respondent was unsure whether the answers needed should be aspirational or ‘real’:

“Not clear if these questions refer to ideal world or ‘real world,’ given availability of stock, clearly degree of focus on vulnerable is appropriate.”

c) Concentrate more on the economic and environmental regeneration impact of their activities

Of the 30 who responded 26 – 86 per cent – agreed and 4 disagreed. Many stressed the role housing associations could play as stakeholders within community regeneration projects, not as the sole agent for such regeneration. Some respondents were wary of stating that they should concentrate more on such issues. One said:

“Not ‘more than,’ but seeing housing as the key vehicle for regeneration.”

And another said:

“This should be part and parcel of any RSLs work. The priority, however, should be provision of housing.”

One questioned what active role they could play within the present financial framework:

“Not sure that there is sufficient finance to achieve much change – except for new Stock Transfer RSLs where economic impact in the next few years could be significant.”

d) Other

Four stressed the important role housing associations should play in providing flexible tenure/intermediate housing, four stressed the assistance they could give to local authorities carrying out their strategic role, two mentioned community regeneration, two mentioned elderly housing provision, two mentioned housing for ex-offenders, one mentioned the role of Care and Repair agencies and one mentioned student housing provision.

WELSH HOUSING QUALITY STANDARD

Question: The Welsh Housing Quality Standard for social housing is more rigorous than applied in England. Do you agree or disagree with this?

None of the 27 respondents who answered this question disagreed with it. Some said it was no bad thing that the standard in Wales is more rigorous than in England, pointing to the other benefits that might accrue from its attainment:

“It will be a boost to the economy and provide suitable homes. It will be of benefit to the health of the tenants that live in these properties.”

Many commented on the environmental requirement of the standard, with one saying that it “Covers more aspects and includes environmental issues.” Some felt the standard should be mandatory for all tenures, not only for social housing. One housing association representative said:

“Standards should be set as high as possible but should apply to all housing. This would provide a level playing field and allow RSLs to compete on level terms with private landlords in providing general needs housing.”

Many commented on problems associated with the standard's rigour. One said that it is "more aspirational" but "less deliverable." Another called for some leeway in the standard's interpretation by saying it is "too rigorous in Wales. There needs to be a degree of flexibility." Another said:

"It is ambiguous/vague in some of its elements *and* unattainable in most circumstances on some elements except at huge cost – so it's unrealistic and open to interpretation."

That the standard is, or should be, open to interpretation depending on the age and quality of its stock was commented upon, with one stating:

"Some of the detail of WHQS is a bit odd – it should be in principle not necessarily enforced absolutely to the letter. There is a lot of housing about (including in the private sector) which is going to be acceptable in principle and the WHQS is achieved in spirit."

One local authority official said that the county had interpreted the standard to its housing stock specifications and

"... tried to develop a 'county' and a 'minimum' standard which is more practical and is closer to being achievable."

A few were sceptical about political motives lying behind the fact that the standard is more comprehensive in Wales. As one respondent put it:

"Agree [with the question], but sense that this is in order to achieve the hitherto barely stated aim of 'stock transfer.' You raise the bar to the extent that local authorities/tenants accept that transfer is the only option, without central government having to push what might be a politically divisive issue."

Question: 'How likely is the Welsh Housing Quality Standard for social housing to be achieved in your area by 2012?'

Of the 25 who responded fourteen -56 per cent - said the standard would not be achieved and eleven – 44 per cent - said their organisation would be able to achieve it.

There were a few respondents who qualified their answers with comments. One said that the WHQS would be achieved only if stock transfer would be given the go ahead by the local authority's tenants. One said that the standard would not be achieved throughout the whole of Wales but that some areas would be able to achieve it. Two respondents who said the standard would not be achieved also said that it should not stop organisations from trying to achieve it.

Question: We will not reach WHQS by 2012 but are likely to reach it by ...

The estimated time of achieving the standard ranged from 2015 to 2028. A few respondents said it would be achieved by 2015/2020 if stock transfer took place. One said that it could be achieved by 2020 but only “with a following wind and real leadership at local and national level.” Others feared that further stock deterioration would require further investment.

OPTIONS

Question: Which of the following options would you favour as a mechanism for generating the necessary investment to deal with improving social housing in your area?

- (i) Stock retention and prudential borrowing**
- (ii) Large scale voluntary stock transfer to RSL**
- (iii) If (ii) would you favour a Community Mutual model**
- (iv) Other**

Of the 24 who responded to the question eight said they favoured stock retention and prudential borrowing, fifteen said they favoured large scale voluntary stock transfer, with ten of those favouring a Community Mutual model. One ticked ‘other’ as an option. Some respondents ticked both the stock retention and LSVT options, with most of them stating that stock retention would be the most favoured option but that local authorities are unable to do so due to the Treasury’s borrowing rules. One respondent summed it up thus:

“The above are not mutually contradictory. Option (i) may be realistic for a very small number of local authorities. Option (ii) will work well provided local leadership allows it to happen as a vehicle for wider regeneration and tenant empowerment. Option (iii) could exist on a federated basis within option (ii) where scale of transfer makes community mutual alone impractical.”

Indeed, many of those that favour LSVT only because of the current financial regulations. One said,

“If funding was to be made available to local authorities then stock retention would be the favourite. As stock transfer is the only option to release the funds required then transfer to a mutual (the WAG favoured option) is also my favoured option.”

Another said:

“Yes, where there is no other option [but to transfer stock].”

Another went one step further by saying:

“No [to stock retention]– not politically acceptable in current climate. There should be a real option for tenants to choose retention – not an uneven set of options.”

On the other hand another respondent said:

“Any method of wiping out council financial deficits should be welcomed especially if it means that other priorities can be concentrated on.”

One respondent hinted at tension between councillors and local authority officials over the matter by saying:

“[Stock retention] is popular with members but is unsustainable in the long term due to HRA Accountancy rules.”

Stating a preference for the Community Mutual model one respondent listed the benefits of such a model:

- Meets desire for democratic accountability to remain.
- Increases tenant involvement / ownership.
- Allows for finance / borrowing
- Affordable to tenants
- Safeguards / creates jobs
- Will deliver WHQS
- Responsive to elected members.

HOUSING MARKET AREAS

Respondents were asked to give details of the geographical area within which they worked.

Question: In your view does the housing market area within which you operate comprise: Your authority in combination with neighbouring authorities: please specify.

Thirteen respondents answered this question, most of them from local authorities. In each case they were aware of the influences other local authorities have on their authority area and that they don't simply operate within themselves. These were broadly in line with the IWA report. The main characteristics of their authority area were also asked for. Again, these were broadly in line with those specified in the report. Four respondents were more keen to specify sub-regional differences within their local authority area than any factors from outside their area.

However, not all respondents were receptive to the idea of housing market areas. Three expressed their misgivings:

“I don’t think the housing market mapping and categorisation is needed. Local authorities can perform their strategic planning by reference to influences on their area not to a specific housing market region.”

“The housing market area analysis in the report is largely irrelevant in addressing the aims of the report.”

“Overall I think this element needs a massive amount of research. To re-draw boundaries artificially could be counter-beneficial unless it is done with care and is appropriate. May have to be multi-tiered dependent on the issues raised – some all-Wales, some regional / sub-regional, some local.”

HOUSING AND ECONOMIC DEVELOPMENT

Question: In meeting current needs where does your organisation source skills and services?

(i) Local to the area

18 respondents said yes.

(ii) Brought in from neighbouring parts of Wales

15 respondents said yes

(iii) Brought in from England or abroad

Nine respondents said yes.

The general impression given was that smaller contracts are invariably awarded to local contractors with larger or more specialised contracts sourced from outside. A few respondents pointed to their need to adhere to public sector procurement rules or their local labour policies.

Is your organisation developing a programme to maximise local procurement as a result of the new investment? If so, please describe.

13 respondents said they have such programmes in place but four replied that they did not. Many of those who did gave specific examples of their programmes.

Is your authority or organisation collaborating with others in developing a procurement programme? If so please indicate which.

14 respondents said yes and two said no. Of those who did many were with other local authorities or housing associations. A few said that they had been in talks with other organisations but that nothing had been put into action yet.

Is your organisation currently experiencing or expecting to experience shortages in unskilled, skilled, craft or professional trades and services connected with housing? If so, which and how serious are these?

Ten respondents said they had or were expecting to experience such shortages; construction industry trades, electricians and gas fitters were the trades mentioned.

One respondent called for more leadership from the Welsh Assembly Government on this issue:

“[There is] certainly a need to invest in this sector. Should the Assembly Government be doing so through different methods, grants and training programmes especially in the climate of promoting affordable housing (shortage in the basic skills).”

Another was aware that this may soon be problematic:

“Not too serious at present but concerns for the future. Concerned about the main message from the Berkeley Hanover report and considering a local study.”

Does your organisation have in hand plans to develop skills and training to meet anticipated demand? If so, please specify.

14 respondents said they had such plans, mainly apprenticeships schemes.

Are there other ways in which your authority or organisation is planning to maximise local economic advantage resulting from new housing investment?

Of the eight who responded six said they had while two said they had not.