

National Assembly for Wales

Communities, Equality and Local Government Committee

CELG(4) HB 30

Inquiry into barriers to home building in Wales

Response from : Community Housing Cymru Group

1. About Us

The Community Housing Cymru Group (CHC Group) is the representative body for housing associations and community mutuals in Wales, which are all not-for profit organisations. Our members provide over 153,000 homes and related housing services across Wales. In 2011/12, our members directly employed 7,500 people and spent over £850m in the Welsh economy.¹ Our members work closely with local government, third sector organisations and the Welsh Government to provide a range of services in communities across Wales.

Our objectives are to:

- Be the leading voice of the social housing sector.
- Promote the social housing sector in Wales.
- Promote the relief of financial hardship through the sector's provision of low cost social housing.
- Provide services, education, training, information, advice and support to members.
- Encourage and facilitate the provision, construction, improvement and management of low cost social housing by housing associations in Wales.

In 2010, CHC formed a group structure with Care & Repair Cymru and CREW Regeneration Wales in order to jointly champion not-for-profit housing, care and regeneration. CHC welcomes the opportunity to respond to the National Assembly for Wales' Communities, Equality and Local Government Committee's short inquiry into barriers to home building in Wales.

General comments

1. In 2007, the One Wales Coalition Government challenged Housing Associations in Wales to develop 6,500 homes over four years and Housing Associations exceeded the target by 23% - building a total of 8,000 new affordable homes over the four year period. For this assembly term, the Welsh Government has set a target of building 7,500 additional affordable homes and figures show that 1,973 additional affordable homes were provided in 2011-12 by RSL's and good progress is being made in 2012/2013². The last Comprehensive Spending Review resulted in a cut of almost 40% in Social Housing Grant. However, top-ups from Welsh Government from efficiency savings and additional Whitehall consequential have been

¹ Measuring the Economic Impact of Welsh Housing Associations, November 2012

² Measuring the Economic Impact of Welsh Housing Associations, November 2012

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welcome in working towards achieving this target. CHC has previously called for a 'welfare defence programme' and we were delighted to see that the Welsh Government will be targeting an extra £20 Social Housing Grant from UK consequential funding at individuals and families that may be adversely affected as a result of the UK Government's housing benefit reductions.

2. Following the recent Comprehensive Spending Review we know revenue cuts are likely and CHC believes that more capital for RSLs to continue to develop homes to alleviate affordable housing pressures is vital. If current investment is not sustained, we are in danger of failing to reach the 7,500 target. Furthermore, statistics state that there are over 90,000 people on social housing waiting lists in Wales and according to research an estimated 284,000 additional homes are required in Wales between 2006 and 2026, which includes 101,000 homes from the social rented sector to meet newly arising need and demand. As a sector we realise the importance of being innovative to ensure we build more affordable homes for the thousands of people currently on housing waiting lists. Working with our members we have examined a range of innovative ways to increase funding in response to the downward pressure on public sector budgets, including mechanisms for existing unused borrowing facilities which could be accessed by other Housing Associations. The study has identified several possible ways to access this funding including through Bond issues.
3. CHC believes that there is a growing realization of the sectors role in generating jobs and growth and the positioning of the sector as a vehicle for social justice and economic growth. Our member's new build properties must meet at least Code for Sustainable Homes Level 3 and the social housing sector is an area of major capital expenditure which is levering in additional private sector investment. Matching housing aspirations with improvements in employment, health and education are all part of the wider regeneration process and Welsh housing associations are playing a key role. CHC commissioned the Welsh Economic Research Unit to carry out a report into measuring the economic impacts of RSL's and this report demonstrates the points above. Welsh housing associations spent £951 million in 2011-12. This was an increase of 16 per cent from the previous year and almost 80 per cent of that spend was retained in Wales. The amount spent regenerating Welsh communities also increased to £493.2 million, up 14 per cent from 2010/11. The contribution the sector made to employment also rose, with 7,500 people directly employed by a housing association. For every direct job provided, almost two other jobs were supported by the sector. In 2011-12 this amounted to 20,200 full time equivalents across Wales, a rise of 15 per cent from the previous year.
4. Changing demographics present considerable challenges for citizens, service providers and policy makers who will need to ensure that future housing provision reflects the needs and aspirations of future generations. If Wales is to recover economically, policy makers need to invest in housing. By investing in our sector – a sector with the ability and track record to deliver – we can build our way out of recession and create hundreds of jobs in the process, while increasing supply to ensure that the people of Wales have access to secure and affordable housing, in communities where they want to live.

A. Whether development costs are impeding and constraining the delivery of new homes in Wales

5. Development costs have increased in recent times with ever improving standards as there are many different tiers of design criteria that our members are required to meet for new build properties. As well as the mandatory Building Regulations and Code Level 3 applicable to all new build dwellings, affordable homes also have to be compliant on DQR (Design Quality Requirements), WHQS (Welsh Housing Quality Standards) and Lifetime Homes. Although this

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additional level of design results in consistency in design and standards across the affordable homes sector, it should also be noted that this comes at an extra over development cost.

6. The review of Part L under the building regulations and the intention for the requirement to install automatic fire suppression systems in all new residential dwellings from spring 2014, as outlined in the domestic fire safety measure, will add to that cost and they are coming at a time when there are a lot of difficulties in the sector including viability challenges and technical challenges to be looked at. Whilst there are positive effects from introducing CO2 savings of 40% reduction in carbon dioxide emissions under the review of part L and whilst there are positive effects from introducing the domestic fire safety measure, the economic implications of achieving these need to be considered by asking what does it mean in terms of affordability, especially taking into consideration cumulative impact of regulations and other financial impacts.
7. It is important that these changes are balanced against the backdrop of the recession, cuts in social housing grant and increasing housing demand. The viability of development schemes is challenged with increasing standards and less rental income/grant. Families are being forced to turn to the private rented sector and the pressures on social housing are exacerbated by stricter lending criteria, a decline in the level of home ownership (prices remain too high in relation to average earnings for most first time buyers and many are unable to find the high deposits required to secure a mortgage) and rent rises in the private rented sector (due to increased demand). Furthermore, there is considerable financial pressure on the sector at a time when there is uncertainty about the impact of the welfare reform proposals for example. With the advent of welfare reform and the much publicised bedroom tax, there will be a greater need for more efficient properties in terms of accommodation. For example, rather than a 3b5p house, perhaps we should instead be looking at building 3b6p houses. Similarly, rather than 2b3p flats, should we be looking at 2b4p flats? These properties will no doubt have a larger footprint and associated build cost but may be necessary in order to meet housing need and the economics of balancing the bedroom tax for families in affordable homes.
8. The development quality requirements (DQR) were last updated in 2005 and cover the core areas of accessibility, energy efficiency, security and space standards. Since 2005 a lot has changed in Wales, particularly with the devolved powers through planning and building regulations, as well the added impact of welfare reform for example. Welsh Government are currently carrying out a scoping review of standards including the DQR standard and in light of the current review of DQR, members would also like to see consideration given to the actual impact of the Lifetime Homes standard and consideration of the review of this in line

with the current review of home adaptations in Wales. CHC feels that there should now be discussions about the possibility of developing principles and allowing innovation/flexibility in the design of new properties, which could essentially mean maintaining standards but not standards that are too prescriptive in detail.

9. Regarding the development process, members have commented that they are driven in certain circumstances by market values, for example, in relation to land and fees. Lack of land and land costs remain barriers and there needs to be incentives for land release from developer landbanks, with there being a need and further commitment to releasing publicly owned land for building affordable housing. CHC would welcome incentives for land release from developer landbanks and more innovative partnership working. Members have commented that rising standards will drive developers including RSL's away from new build. Land owners are unlikely to accept lower values for their land. This could result

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in a shortage of land, increase in construction costs, an increase in property costs due to a supply and demand scenario, etc. CHC sits on the National Assets working group and CHC feels that the use of E-pims could prove a useful tool as a facilitator and as a comprehensive register of public sector land.

10. The delivery of affordable housing through the planning system has an important role in underpinning and enabling wider economic development. One particular issue with planning raised by a member was in regards to working with the planning authority to limit the use of render to just key buildings on the street scene (due to issues around cost for example), which would result in cost savings for the estate over the lifetime of a property. CHC would be happy to send further written evidence in regards to planning issues.

B. Specific concerns of small and medium sized construction companies based in Wales

11. It is worth noting that members have commented that larger contractors/house builders have been struggling, and this could be affected by the Welsh market and increasing costs as per above. Enabling and maximizing opportunities through procurement to the SME sector in Wales is vital in ensuring that organisations are not overlooking the capabilities of local, smaller businesses by favouring large, UK wide contractors, and the main contractor model. This includes addressing information and barriers for SME's such as their ability to access information on new upcoming opportunities, issues around pre-qualification and aggregation (combining similar works into 1 larger contract) and 'bundling' (putting together different types of work into 1 larger contract) for example, which can result in larger contracts that are beyond the scope of SMEs as they don't have the required financial backing or track record.

C. Identify 'quick wins' that can be implemented by Welsh Government to assist the whole homebuilding industry

12. An immediate 'win' would be to relax some of the design criteria imposed on new build affordable homes. For example, on Section 106 opportunities where there is no social housing grant, affordable homes are only required to meet WHQS standards. Given that the footprint of a WHQS home is smaller than a DQR property, this would equate in being able to deliver more affordable homes per acre. Therefore, it should be a consideration for a stand-alone new affordable housing development to meet WHQS only and not DQR requirements.
13. There has always seemed to be a disparity between the development sector and Welsh Water with regards approvals and agreeing connections. Whereas it is absolutely right to ensure that capacity exists for the larger development schemes that are planned without compromising on existing use, this approval process seems unduly complicated and protracted in some cases. Improving this process overall would equate in fewer delays and cost savings to the development sector as a result.
14. Incentives for land release from developer landbanks and more innovative partnership working between a range of organisations.

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