



# **Cynulliad Cenedlaethol Cymru The National Assembly for Wales**

**Dydd Iau, Y Pwyllgor Cymunedau, Cydraddoldeb a  
Llywodraeth Leol  
The Communities, Equality and Local Government  
Committee  
9 Tachwedd 2011  
Thursday, 9 November 2011**

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Peter Black	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats
Mike Hedges	Llafur Labour
Mark Isherwood	Ceidwadwyr Cymreig Welsh Conservatives
Bethan Jenkins	Plaid Cymru The Party of Wales
Ann Jones	Llafur (Cadeirydd y Pwyllgor) Labour (Committee Chair)
Gwyn R. Price	Llafur Labour
Kenneth Skates	Llafur Labour
Rhodri Glyn Thomas	Plaid Cymru The Party of Wales
Joyce Watson	Llafur Labour

**Eraill yn bresennol**  
**Others in attendance**

Nick Bennett	Prif Weithredwr y Grŵp, Cartrefi Cymunedol Cymru Group Chief Executive, Community Housing Cymru
Peter Cahill	Cadeirydd, Cartrefi Cymunedol Cymru Chair, Community Housing Cymru
Steve Clarke	Rheolwr Gyfarwyddwr, Ffederasiwn Tenantiaid Cymru Managing Director, Welsh Tenants Federation

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Sarah Barlett	Dirprwy Glerc Deputy Clerk
Jonathan Baxter	Y Gwasanaeth Ymchwil Research Service
Marc Wyn Jones	Clerc Clerk

*Dechreuodd y cyfarfod am 9.29 a.m.*  
*The meeting began at 9.29 a.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon**  
**Introductions, Apologies and Substitutions**

[1] **Ann Jones:** Good morning, everyone. Welcome to the Communities, Equality and Local Government Committee. I will go through the usual housekeeping rules. I remind Members to switch off their mobile phones, BlackBerrys or pagers because they affect the broadcasting and the translation. Channel 0 is the floor language, and channel 1 is the

translation from Welsh to English. We are not expecting the fire alarm to operate, so if it does, we will wait and take instructions from the ushers. The assembly point is by the Pierhead building, which is out of the building and across the way.

[2] We have had apologies from Janet Finch-Saunders, but there is no substitute for her. Do Members have any interests that they wish to declare other than those that are on the Members' register of interests? I see that no-one does.

### **Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Cartrefi Cymunedol Cymru Inquiry into the Provision of Affordable Housing: Community Housing Cymru**

[3] **Ann Jones:** We have received papers from our witnesses. I welcome Nick Bennett, who is the group chief executive of Community Housing Cymru, and Peter Cahill, who is the chair. Welcome to you both and thank you for agreeing to attend and for your paper. Do you have a few opening remarks that you wish to make before we go into questions?

[4] **Mr Cahill:** Yes. Thank you for your warm welcome and for the invitation to attend. I hope that our evidence demonstrates that the sector has been very much at the centre of delivery of housing regeneration and care solutions in Wales, and that it has been working closely with the Welsh Government. Today, we want to impress on you the innovation that the sector has to work hand in glove with you to ensure that we can address some of the challenges, to say the least, that face us in the forthcoming period, given the capital famine and the need to ensure that we can generate investment in housing supply based on clear regulation and sustainable revenue arrangements. Thank you for the invitation, and we look forward to your questions.

[5] **Mr Bennett:** We are genuinely grateful to the committee for looking at this issue. There was a housing supply crisis before the credit crunch, and that has gone worse. If we do not see the innovation that my chair alluded to over the next few months, it will get worse and we will have a real crisis.

[6] **Mark Isherwood:** Good morning. You referred in your paper to the need for a housing target; the Minister has said since that there will be one. Have you any views on what that target should be, not only in terms of numbers, but also in terms of composition? We heard from previous witnesses that, since 1999, the Welsh Government has been given less priority to affordable housing than England and Scotland. We have seen your comments regarding the need to be more imaginative in attracting funding sources because of cuts in social housing grants. We have also heard about a call for a whole-system approach by the Welsh Government and a call for more specific targeting, perhaps focusing on areas of particular need. So, have you any views on the targets in terms of numbers and how focused they should be?

[7] **Mr Bennett:** First, a target has a public policy value in terms of focus. The last target that we were given by the One Wales Government focused minds, and I think that resources and policies were affected by that. You also had the contribution from the not-for-profit housing sector. Housing associations are not Government-sponsored bodies; they are third sector organisations that have increased their gearing by 14 per cent over the last four years. That has an economic value of £440 million, and a significant amount of that has been devoted toward supply. It would not have been possible to meet the last Government's target without the contribution that the not-for-profit housing sector made; it built over a third of the units with no grant whatsoever. It is not often that we can boast, but we did not just meet the target—we feel that we have exceeded it. The last time, the target was 6,500; it was met with over 8,000 units. I keep getting into trouble for using this quote, but to paraphrase Arthur Schopenhauer, 'it takes talent to meet a target; it takes genius to meet a target that no-one can

see'. So, we really need a visible target.

[8] In terms of numbers, I alluded earlier to the fact that we have a supply-based crisis. The private sector was producing about 10,000 units in Wales before the credit crunch. That level of production is now down to about 4,500 to 5,000. We have been producing about 2,000 units a year over the past few years. That is still not enough; we would like to do more, but in the wake of capital cuts of over 55 per cent to almost 60 per cent, if we could aim to sustain 2,000 a year, we would be doing very well.

[9] **Mark Isherwood:** Given that we have heard calls for the Welsh Government to take a whole-system approach as well as calls to target particular types of housing as a priority, do you think that it should just be a general numbers target or should we focus on particular areas?

[10] **Mr Bennett:** It is important that you think about the type of housing that people need. Empty properties tend to feature in the mix now and they are a possible solution. However, in Cardiff, for example, we would see a high level of supply of apartments when, actually, most of the demand would be for family housing. So, a mismatch can be an issue. However, even before you reach the mix of the different types of housing that communities currently require, the value of a target is that it should bring a whole-resource approach, and that is the focus of our paper. We are not saying that there is a silver bullet, but you must think about sustainable rents, public land, action around empty properties, collaboration, procurement savings and a number of other issues that we refer to in the paper. You must look at those issues in the round if you are serious about doing something that can sustain outputs when grants are being cut, in the way in which they are.

[11] **Joyce Watson:** Good morning, and thank you for your paper. You talk about sustaining output. One method that we have been told that might help with that is intermediate rent income. Do you think that it is appropriate to use intermediate rent? Do you not think that it will create a them-and-us situation in the social housing sector where those who can pay will have a house and those who cannot will not?

[12] **Mr Cahill:** What is important, and it links to the previous question about the whole-system approach, is that intermediate market rental has a place in the housing market. We have seen a decline in owner-occupations as a consequence of all the factors that you have already talked about and an increase in the private rented sector from a very low base, and there are still issues around quality and management. We have an affordable housing supply. On the intermediate housing market product, at least you can see the relationship, in a sense: if you have a waiting list that includes people who are working, who are on low incomes and are unlikely to gain access to social housing based on need, but cannot afford owner-occupation—they cannot get a mortgage—there is no doubt that the intermediate market rental product has a place in a housing market.

[13] If it is about creating a flexible housing system for Wales that supports economic aspirations, it has to feature in that mix of solutions; the argument will be about the extent to which it features. In a context of capital famine, where intermediate rent spreads the jam a bit more thinly, it has to have a leverage role in supply terms. It cannot be at the expense of a whole-system approach that also recognises that there will be vulnerable households that will not be able to access that form of housing—affordable housing solutions and support for affordable housing solutions must still be part of that approach. That is where things such as public land supply acting in the place of capital subsidy, where revenue, in a sense, can generate capital, have a very valuable role in the context of supply going forward. So, it is part of the mix; it is not the silver bullet, as Nick put it, but it must be part of the consideration.

[14] **Joyce Watson:** I want to explore this further because I am a little concerned that we could get into the situation of exploiting the people who cannot pay because they are in a particular time and a particular place. We all know that people cannot get mortgages because they cannot afford them, perhaps because they have been thrown out of work onto the scrapheap of time. We also know that there are pressures with regard to the allowances and benefits that people will receive from the Government. You talked about a mix and targets earlier, and that you are quite happy to do that, but what sort of percentage do you think that intermediate rent could play in your vision for housing? You also talk about an average increase of £3 per week on all housing association rents to generate income. Once again, that has to be set in the context of the here-and-now and the reality for people, which is that they may be losing up to £9 per week of their rent allowance. That makes it an increase of £12 per week. I am very concerned about this, so I would like you to clarify your thoughts on this point.

[15] **Mr Cahill:** That concern is shared by our members across Wales. There is no doubt that the impending welfare and housing benefit reforms will have a disproportionate impact in Wales on the most vulnerable households. However, there is a tension inevitably between affordability and the need to ensure that we can address the supply-side crisis in ways that are sensible. The reality is that the sector has rents that are, on average, 35 or 40 per cent lower than local housing allowances in every district of Wales. So, in some senses, affordability is being addressed by that. We have a set of member organisations that are working closely with a range of agencies, including Moneyline Cymru, which is targeting issues around financial inclusion and dependency on loan sharks and door-step lenders. A range of approaches can be employed to help people in terms of affordability. The bottom line is that that has to be offset against the need to ensure that there are sustainable rents to ensure that investment is supported. I do not think that there is a big difference between us here. We are talking about a small margin in rental terms that has that impact. The sector is not-for-profit and is working very closely with its tenants to ensure that they can afford to live in the homes that we create.

[16] As for the proportion of intermediate market rent, we are not talking about a switch to the English system, where every re-let is done at 80 per cent of market rent. That would lead to a wholesale distortion in the Welsh context and would be entirely inappropriate. However, it has a place in the market alongside a growth in a private rented sector that is well-managed and of good quality. For our overall programme, the potential cap on the intermediate market product—although perhaps cap is not the right word—could be at about 20 per cent, but it will not be a significant portion and it will not form the majority of the work that we see going forward.

[17] **Joyce Watson:** May I ask a question on the strategy?

[18] **Ann Jones:** Yes, very briefly.

[19] **Joyce Watson:** To move on to the whole-system approach, you mentioned land owned by housing associations that were established following stock transfers. Could you give us a little more information on that, please?

[20] **Ann Jones:** You are straying into someone else's territory.

[21] **Joyce Watson:** Okay, I will leave it there then.

[22] **Ann Jones:** Peter and Mike Hedges have questions on the public subsidy.

[23] **Peter Black:** I would like to raise two issues. First, with regard to the Welsh housing partnership, the Minister recently announced that they put £3 million in and got about £12 million out. What potential is there for similar partnerships and on what scale can it be done

in terms of taking public money and multiplying it in that way?

[24] **Mr Bennett:** It is a pilot scheme. It was launched only around 15 September. It takes an all-Wales approach and includes innovative associations from north Wales and across south Wales. So, we have high hopes that it will be a success and that it can justify more public investment, because the leverage level is so high. For every £1 that it receives, it is levering in another £4 of private money, and some not-for-profit equity has also been put into the scheme. This comes back to the point about the level of intermediate rent that we would want to see. We certainly would not want to see 100 per cent, as in the English system, but 20 per cent would still be a substantial amount, given the amount of investment that has gone into affordable housing in Wales over the past few years. I want to reassure the committee that we have not come here to suggest that we simply shift towards the intermediate rent approach. That has a very valuable role to play in terms of taking pressure off the 90,000 who happen to be on waiting lists at the moment, but we know that affordability is no longer a lower-quartile issue, it is an all-Wales issue and it is a middle-class issue. The action that needs to be taken should command broader support because of those issues.

9.45 a.m.

[25] **Peter Black:** I think that that is right, but what I am trying to get at is that you have this pilot scheme here. Are there limits to the extent to which we can replicate that pilot scheme in Wales in terms of the resources that are available in the private sector and housing associations? For example, could we take the entire social housing grant budget and turn it into similar partnerships?

[26] **Mr Bennett:** The problem is that, if you do that, you might create a debate in the committee. We have come here to reconfirm our commitment to social rents and social housing.

[27] **Peter Black:** I accept that. There are social rents involved here.

[28] **Mr Bennett:** If we moved all of the social housing grant towards those type of partnerships, we would be putting all of our eggs into the intermediate rent basket. There is a place for the intermediate market, and there is scope for more innovation when it comes to social rent policy. One of the most valuable aspects of devolution and therefore the Government's role in terms of housing—apart from direct investment and grants, which will be cut for the next few years—is its regulatory role. There is an awful lot of finance out there that is very keen on getting a low but assured return, given that interest rates are so low. So, pension funds—the life market—are ready to invest in low-risk but solid returns.

[29] Peter alluded to Moneyline Cymru. We created the first social bond, where ethical investors receive a 3 per cent return for investing in Moneyline, which provides capital for people who will not receive bank loans. It is a similar case with social housing. We could argue, without being too dramatic or even more depressing, that the most successful public-private partnership in the whole of western Europe for the past 30 years is under threat, not just because of the cuts to public funding but because of our over-reliance perhaps on traditional bank lending. We have already seen the financial system being brought to its knees, and we are perhaps teetering on the edge of another financial crisis with the events in Greece and Italy. Ninety nine per cent of long-term borrowing in Wales is with five or six banks, so we need to diversify away from depending on the banks. That is why we refer to the creation of a Welsh bond in our paper. It is why we have tried to explore other special purpose vehicles that we think that markets are ready to invest in. One reason why they are ready to invest in that is because they know that we are well regulated financially, and they feel that having governmental regulation gives them additional assurances, at least in the UK. We can still borrow at a significantly lower level of rate than some European states by now,

and can provide a decent return as well.

[30] **Peter Black:** Moving to a slightly different field, so far the only significant strategic announcement that the Minister has made is that he is keen on co-operative housing. When I questioned him about this in Plenary, I asked him whether any funding streams would come with that that would enable us to build more houses, and he said that he thought that there might be. Given that you are concentrating on co-operative housing, are you aware of any funding streams that would enable you to add value to the money that you have already?

[31] **Mr Bennett:** It is an exciting possibility if we can do more when it comes to social enterprise more generally. We have seen opportunities for more mutual investment in social housing through stock transfer—Peter is a chief executive of one of those stock transfer organisations. More broadly, all housing associations are not-for-profit. Some of them have helped to establish co-operatives in the past. Co-operatives currently provide housing for 0.1 per cent of the UK population. It is not a huge share of the cake, given some of the issues that we face over the next three or four years. It is a much higher proportion in countries such as Sweden, Poland and other eastern European countries, so it is quite right to explore those possibilities. Whether there is funding there or not, what we are interested in are practical solutions that can be implemented now that will deal with the supply side crisis that we currently have within this comprehensive spending review period, which is the tightest that you have experienced since devolution began.

[32] **Ann Jones:** Gwyn, I think that you wanted to come in on something that was said before we got on to co-operatives.

[33] **Gwyn R. Price:** Yes. Thank you, Chair. It was interesting to hear that the Welsh bond is close to being established. Has it now been established and where will you get the money from for it, because, as you say, there are only so many banks left in Europe, some of which are teetering on the edge and might be here today, but gone tomorrow?

[34] **Mr Bennett:** We face a practical problem in Wales in that our housing associations tend to be smaller and more community-facing. In England, some of them are big enough to go on their own to the bond market and go for a £200 million bond issue. We do not have any individual associations in Wales that could head to the bond market and seek that level of finance tomorrow or next week. So, we have to get together a range of associations that are in need of that type of finance and that are going to be hungry enough for that finance at around about the same time.

[35] We have been having discussions with a number of associations, and we have put them in touch with the intermediary for social housing in bond finance in England and Wales and Scotland, the Housing Finance Corporation. They were last in Wales two weeks ago, I think. The level of interest is very high, and we hope that we have sufficient interest to go for a bond issue in January or February. You have to have a minimum of £60 million or £70 million, and that means coming together with a consortium of associations that might want anything between £5 million and £20 million each.

[36] **Gwyn R. Price:** So, the answer really is that there is no bond set up at the moment.

[37] **Mr Bennett:** No, but we are close. [*Laughter.*]

[38] **Gwyn R. Price:** We have heard that before have we not? I said to the wife—

[39] **Ann Jones:** Just like Rhyl is close to winning the Welsh Cup.

[40] **Mr Bennett:** I have said it before, but we are genuinely really close this time.

[41] **Mike Hedges:** To continue with the issue of co-operative housing, it is popular in parts of Europe. Liverpool also developed quite a lot of co-operative housing in the 1980s and 1990s. I know that there is a small amount of it in this country now, but do you see any opportunities for expanding co-operatives? It is a method of housing that I feel quite strongly offers different opportunities. What we are doing at the moment is not working in terms of providing enough housing, so we need to look at different ways of doing it. How easy or difficult would it be now for someone to form a new housing association? When housing associations started, the idea was for them to be small and very locally based, but they have grown into fairly large organisations. From what you have just said, you would like them to grow larger still. Would it be possible for someone to form a new housing association, or are there too many things in the way to stop it from happening?

[42] **Mr Cahill:** Having been involved in setting up co-operatives in Bristol, I can tell you that they were formed by and out of existing and community-based housing associations that acted as a parent—although I am not sure whether that is the right terminology—that supported the development of co-operatives. Absolutely, they have their place. Are they significant in the context of the broader strategic issues facing the housing system in Wales? Probably not. However, that does not in any way detract from the need for the sector to respond positively to that agenda and seek to assist the formation of what will, inevitably, be small-scale co-operatives that offer particular solutions in particular areas. In that sense, based on the innovation that the sector has demonstrated year on year over decades, it will respond to the agenda. However, I do not want to overemphasise its potential role in dealing with what we face in future, which is a supply-side crisis against welfare reform that would also have an impact on the private rented sector. We expect that there will be an explosion of houses in multiple occupation in the private rented sector because of the single person supplement and all of the changes that go with that. So, it has a place. The sector has a track record in supporting and promoting co-operatives and will respond positively, I am sure.

[43] **Mr Hedges:** What about the ease of setting up new housing associations?

[44] **Mr Bennett:** Most people who have discussed the number of housing associations in Wales over the past few years have argued that there were too many rather than that we needed some more. We have had some enquiries in one or two rural areas about people creating new housing associations. Right now, in Wales, we have a pretty healthy set-up. We have traditional, community-based associations the length and breadth of Wales. They were providing housing for about five per cent of the Welsh population five years ago. Half of local authority tenants have voted for stock transfer. That has increased the proportion to about 13 per cent. There is a quiet revolution in mutualism going on in Wales with regard to the provision of social housing. The onus is not on the number, but on ensuring that associations are well governed, that they are doing the best they can with regard to regeneration opportunities, fighting poverty in deprived Welsh communities, and doing their best to increase supply during a period of crisis. So, we tend to focus more on trying to meet need rather than on the number of producers.

[45] **Ann Jones:** Is that okay, Mike?

[46] **Mike Hedges:** Yes, not that I have got any further.

[47] **Ann Jones:** Joyce, did you have a question about land?

[48] **Joyce Watson:** Yes. Thank you, Chair. We have mentioned land, and I will not go through it all again. The use of land that is in the ownership of housing associations can—and I want you to respond on this—create a bigger problem than that which already exists, by building on the few green spaces that are available within a given site. What are your views

on that, because I have seen cases where every bit of green space is used? Is that not building problems for the future?

[49] **Mr Cahill:** There is a broader issue about land, which is not necessarily simply about housing association land. The land banks, in comparison to the public land—

[50] **Joyce Watson:** I am talking about housing associations.

[51] **Mr Cahill:** Are you not talking about the public land?

[52] **Joyce Watson:** No, the housing associations' land is what I am interested in.

[53] **Mr Cahill:** Housing associations' land holdings are minimal in the context of the land holdings of the public sector more generally, including those of the Welsh Government, the health sector and so on, and, indeed, in the context of the private sector. However, land as a form of subsidy to generate activity and supply is critical going forward. Unless you are talking about rural areas, I cannot think of circumstances where housing association land has suddenly gobbled up green spaces in towns, cities and villages throughout Wales.

[54] **Mr Bennett:** We have some figures. The Welsh Economy Research Unit has done research on our impact on regeneration and the amount of brownfield sites that have been brought into use. We would be happy to provide you with that.

[55] **Joyce Watson:** That would be good. Thank you.

[56] **Mark Isherwood:** A lot of mortgage lenders are currently reluctant to lend to community land trust co-operatives. You have the community mutual model, which could be a co-operative-type solution working within the social sector. Regarding your comment about sustainable rents, to what extent are current restrictions on rent levels impeding new developments, and how would you reconcile that with the Welsh Government agenda on rent convergence? In other words, if your rents went up, it might force council rents up.

[57] **Mr Bennett:** We take the issue of affordability extremely seriously, but, as Peter has already mentioned, our average rent is significantly below the local housing allowance levels. Some of our members have done some modelling, which was very useful and demonstrated that for an increase of 3 per cent you could increase supply by 1,000 units. If we are going to see a massive reduction in capital grant funding over the next few years and we are going to try to sustain the level of supply, what can we throw into the mix? There are a number of other things: innovation is obviously important and land is important. We would be grateful if more public land was available, as land can make up 20 per cent of the cost. We have to look at sustainable rents moving forward. I stress that that does not mean that we want to move away from social rents to an intermediate product, but we have to make sure that we are able to service debt moving forward.

[58] One of the most critical issues for us with regard to welfare reform is the proposal from the coalition in Whitehall to pay rent directly to tenants, and to remove the current preference of 90 per cent of tenants for their rent to be paid directly to the landlord. According to the lenders, this will increase risk and they would have to charge 1 per cent more for finance. Now is not the time to be creating additional costs for private finance. Peter alluded earlier to Moneyline and financial inclusion. There is a real worry that some people might cotton on to the fact that vulnerable tenants, some of whom may not be particularly financially literate, will receive their rent in their hand. Some 165,000 people were borrowing from doorstep lenders before the credit crunch and 20,000 people were borrowing from illegal loan sharks before the credit crunch. That has doubled. I think that we have helped about 3,000 to 4,000 through Moneyline so far. However, the proportion of people borrowing from

loan sharks has doubled since the credit crunch. There are risks in moving away from direct payments, which could lead to an increase in homelessness and other problems, and that is a real concern.

10.00 a.m.

[59] **Mr Cahill:** Answering the affordability question has to involve a two-sided debate. Affordability is very important—we have, hopefully, emphasised that—but those people without a home are equally as important. You can secure affordability but dry up supply; that is the inevitable tension that we have to reconcile in the period going forward. Frankly, having 90,000 people on waiting lists and increases in homelessness are not signs of a positive housing system in Wales. We have to do something to address both ends of the spectrum.

[60] **Gwyn R. Jones:** What type of impact do you believe that the UK Government's welfare reforms will have on the demand for, and the supply of, affordable housing?

[61] **Mr Cahill:** I will not talk about the situation across the water, because I think that it was raised earlier in terms of the shift towards 80 per cent market rental and the re-lets as a consequence. At the same time, another department in Westminster is reducing access to housing benefit that could fund that supply. There is a bit of a contradiction there. We do not have that in the Welsh context, but we believe that the range of measures related to housing benefit reform is going to have a severe impact on the most vulnerable households in Wales. However, I think that the universal credit system itself is going to be an issue. It will probably be administered in Newcastle and will involve an expensive IT procurement exercise; we know that those exercises have a poor track record. Local accountability and verification, and the partnership working between associations and local government, will disappear. This will increase vulnerability and will inevitably increase the scale of rent debt, and will have implications in terms of homelessness and so on. Our sector has to work hard with third sector colleagues to ensure that we do all that we possibly can to mitigate the worst possible impacts that such reforms might have.

[62] **Gwyn R. Jones:** On page 2 of your paper, you mention that the social housing grant is going to be cut by 60 per cent over the next four years. Combined with the cuts from Westminster, the cut is going to have a dramatic effect on housing, is it not?

[63] **Mr Cahill:** There is no doubt about that. There is no point in hiding behind rhetoric on this. The harsh reality is that we face a crisis in supply, affordability and access.

[64] **Rhodri Glyn Thomas:** Yr ydych yn sôn yn eich papur am eich perthynas ag awdurdodau lleol ledled Cymru ac am batrwm anghyson o ran y cydweithredu sy'n digwydd ar y lefel honno. A allwch ehangu rhywfaint ar hynny, ac efallai gyfeirio at beth y gellid ei wneud mewn partneriaeth ag awdurdodau lleol er mwyn mynd i'r afael â'r broblem honno?

**Rhodri Glyn Thomas:** In your paper, you mention your relationship with local government across Wales and the inconsistencies in the collaboration that happens on that level. Can you expand on that, and perhaps refer to what can be done in partnership with local government to get to grips with the problem?

[65] **Mr Bennett:** Yr wyf yn meddwl bod y berthynas rhwng y sector a llywodraeth leol yn hollbwysig. Mae'r papur yn sôn am rai o'r ffyrdd y mae'r sector wedi gweithio ar y cyd gyda llywodraeth leol. Wrth inni symud ymlaen, mae'n bwysig nodi na fydd mwy na

**Mr Bennett:** I believe that the relationship between the sector and local government is of crucial importance. The paper mentions some of the ways in which the sector has collaborated with local government. As we go forward, it is important to note that more

hanner y cynghorau yng Nghymru bellach yn landlordiaid. Fodd bynnag, mae eu rôl strategol yn hollbwysig. Yr ydym yn gwybod nad yw'r farchnad dai bob tro yn gyson wrth gydymffurfio â ffiniau cynghorau. Byddwn yn disgwyl gweld mwy o weithio ar y cyd rhwng awdurdodau er mwyn sicrhau bod y rôl strategol yn saffach. Weithiau, mae'n anoddach cadw'r gwasanaeth pan mae'r stoc wedi cael ei drosglwyddo i gorff newydd. Hoffwn weld proffil mwy uchel yn cael ei roi i dai a gweithio ar y cyd yn y Bil. Mae'r gwaith sy'n digwydd ar hyn o bryd yn galluogi mwy o weithio ar y cyd yn y chwe rhanbarth y mae'r Llywodraeth wedi'u pennu.

[66] **Rhodri Glyn Thomas:** A oes rhai awdurdodau yng Nghymru yn dilyn arferion da yn well na'i gilydd?

[67] **Mr Bennett:** Nid wyf yn siŵr ei bod yn deg i mi eu henwi, ond yr ydym yn sôn am rai enghreifftiau yn y papur. Er enghraifft, mae cyd-weithio yn digwydd yn ne-ddwyrain Cymru gyda chonsortium GENuS. Yr ydym yn sôn am waith CanDo lettings yn ne Cymru, sydd wedi bod yn gweithio gyda landlordiaid preifat a'r cyngor. Mae hynny wedi digwydd yn y gogledd hefyd. Felly, yr wyf yn teimlo bod arfer da, ond, fel y mae rhai pobl yn ei ddweud, problem arfer da yw'r ffaith ei fod yn trafaelio'n wael. Rhan o'n rôl ni yw sicrhau ein bod yn lledaenu arfer da.

[68] **Kenneth Skates:** Could the social letting agency model improve standards in the private rented sector?

[69] **Mr Bennett:** Not of itself. It is important that due attention is given to that. It is likely to be one of the bigger items in a proposed housing Bill. That is important for a number of reasons. As a result of the supply crisis, we have seen a shift, with people not being able to secure mortgages. I think that there is a 7 per cent switch from those who are owner-occupiers to those who are renting. That has been increasingly the case with the private sector. There is a certain level of standard that any tenant anywhere should have the right to expect.

[70] **Kenneth Skates:** Can the housing association sector play a more substantial role in dealing with the empty private homes sector?

[71] **Mr Bennett:** Yes, and we look forward to the opportunity to participate in the consultation on the White Paper, when it is published in the new year. We are preparing for that now. We want to have a conversation with elected Members about the overall package in the Bill—specific carrots and sticks that we would like to see in relation to empty properties. As I said earlier—and I am not saying this simply from a development interest—there are areas where some of the 26,000 empty properties could make a real contribution to waiting

than half of the councils in Wales will no longer be landlords. However, their strategic role is of crucial importance. We know that the housing market is not always consistent with council boundaries. We would expect to see greater collaboration between authorities to ensure that the strategic role is safeguarded. Sometimes, it is more difficult to retain the service when the stock is transferred to a new body. I would like to see a higher profile being given to housing and to collaboration in the Bill. The work that is being undertaken at present facilitates greater collaboration in the six regions established by the Government.

**Rhodri Glyn Thomas:** Are some local authorities in Wales pursuing best practice better than others?

**Mr Bennett:** I am not sure that it is fair for me to name them, but we mention some examples in the paper. For example, collaboration is taking place in south-east Wales with the GENuS consortium. We mention the work of CanDo lettings in south Wales, which has been working with private landlords and the council. This has also been the case in north Wales. Therefore, I feel that there is good practice, but as some people say, the problem with good practice is that it travels badly. Part of our role is to ensure that we help to spread good practice.

lists, but that is not going to happen everywhere. The need for further development will still be an issue.

[72] **Peter Black:** Following on from that, are there any good examples where local housing associations are currently working with local councils to bring empty private sector homes back into use? A number of local authorities have been very active—Carmarthenshire is a good example, and there is also one in north Wales. Are there any good examples of housing associations?

[73] **Mr Bennett:** Yes, there are. I am happy to provide you with some written evidence on that; we can get you some further research. We see it as part of our role—where there are aspects of really good practice, we are keen to ensure that that can be adopted in other places.

[74] **Peter Black:** Are the resources of housing associations being used for that particular work, to assist the money that local councils have, or are they just acting as management agents?

[75] **Mr Bennett:** I will get back to you with specific details on that.

[76] **Mr Cahill:** In the context of the prospective housing Bill, there is a need to evaluate existing measures that the Government has in place and the need for legislation. Are we fully exploiting compulsory purchase order powers, to ensure that homes that remain empty for a long time—and we all know where they are in our communities—are brought back into productive use to address some of the housing issues that we have talked about this morning?

[77] **Peter Black:** There are also empty dwelling management orders and so on.

[78] **Rhodri Glyn Thomas:** Yr wyf am ddod yn ôl at fater tai gwag. A fyddai dileu'r gronfa refeniw tai—yr arian sy'n mynd yn ôl i'r Trysorlys o Gymru o awdurdodau lleol—yn ffordd o edrych ar y sefyllfa hon? A allai awdurdodau lleol, mewn partneriaeth â chymdeithasau tai, ailfuddsoddi'r arian hwnnw, i edrych ar y posibilïadau i sicrhau bod y tai gwag hyn ar gael i denantïaid ledled Cymru?

**Rhodri Glyn Thomas:** I want to return to the issue of empty housing. Would abolishing the housing revenue fund—the money that goes back to the Treasury from Wales from local authorities—be a way of looking at the situation? Could local authorities, in partnership with housing associations, reinvest that money, to look at the possibility of ensuring that these empty dwellings are available to tenants across Wales?

[79] **Mr Bennett:** Mae nifer o resymau dros ddiwygio'r gronfa refeniw tai. Nid wyf yn siŵr mai tai gwag yw'r prif reswm.

**Mr Bennett:** There are a number of reasons for reforming the housing revenue fund. I am not sure that empty housing is the main reason.

[80] **Rhodri Glyn Thomas:** Y prif reswm yw peidio gorfod anfon arian yn ôl at y Trysorlys.

**Rhodri Glyn Thomas:** The main reason is to prevent money from being sent back to the Treasury.

[81] **Mr Bennett:** Yn union, ac yr wyf yn siŵr y byddai nifer o bethau y gallem eu gwneud gyda'r adnoddau.

**Mr Bennett:** Exactly, and I am sure that there would be many things that we could do with the resources.

[82] **Mike Hedges:** To follow on from what you said about bringing empty houses back into use, what about bringing empty large buildings back into use? For example, this has been done with the old police station in the centre of Swansea and the old fire station in Morriston. However, there are still quite a lot of other large buildings that are sitting there, waiting to

deteriorate. Can you continue to do that?

[83] **Mr Cahill:** Absolutely, and that is precisely the kind of innovation that we have talked about in the context of capital famine. If you have empty buildings on which there is no return, whoever the owners are, why not grant long peppercorn leases to encourage investment and bring them back into use? That is a good example of innovation in which some kind of upfront subsidy, in the context either of land, as we talked about earlier, or buildings, facilitates capital finance raising and productive use.

[84] **Mr Bennett:** We have been looking at that specific area. We have also been involved, through the efficiency and innovation board, in a work stream that looked at that, but I agree that there is more to be done. We have also been working with finance directors from within the sector, because we currently have borrowing powers, which, as long as they are not assisted, and I do not think that RSL borrowing powers are assisted in any way, will not be punished by the Treasury if they are enhanced. We have members who are ready to help turn revenue into capital and assist with other community projects, where that is appropriate. We allude to some of this in the paper. There is also a crossover with health and the 'Together for Health' initiative that Lesley Griffiths has announced to move people from the hospital back home. There are also things like rapid response through Care and Repair. Right now, every £1 spent saves the NHS £7.50. If we can expand that stuff, we can help to save money that can be invested in other areas. We are up for that type of innovation.

[85] **Mike Hedges:** I was thinking specifically that a lot of chapels are becoming available or are likely to become available, certainly in some of the older industrial parts of Wales, which will either fall into dereliction or be renovated and turned into flats. Out of the two options, I prefer the latter. What will be the role of housing associations in that?

[86] **Mr Bennett:** I would hope that housing associations, and I do not think that it matters whether they are traditional or stock transfer, can be the not-for-profit agents of progressive local authorities. These do not have to be the landlord, but they want to facilitate better communities. There is no point at all in our members, either traditional members that assist with housing supply, or stock transfers, reaching the Welsh housing quality standard, ensuring that everyone has a great bathroom, kitchen, new windows and lower fuel bills by 2016, while the schools are crumbling and the local community is on its knees. Where we can assist in community investment more generally, we are up for that. There are examples. I was recently in the Swansea area, and is it Wind Street where there have been developments around there? They are not just about housing, but the broader life and vivacity of the high street—

[87] **Rhodri Glyn Thomas:** There is a lot of life on Wind Street.

[88] **Mr Bennett:** Yes, and we are blamed for some of that, but we have helped to restore aspects of local community life there as well, and this is something that happens across Wales.

[89] **Mr Cahill:** In the context of innovation, it is worth making a note that this is dependent on the Welsh Government having an appropriate view about state aid procurement rules, rather than what we might regard as an overcautious view. That has to be a critical element of this platform of measures.

[90] **Mr Bennett:** If you will allow me, Chair, I had better support my chair's point on that, because we have devoted some resources and research in this area as well. Everyone seems to go rather pale when the reasons of state aid or EU procurement are used so that a democratically elected politician cannot have their way. Numerous exemptions are available at EU level that allow public authorities to engage with the not-for-profit sector without applying normal EU procurement rules or state aid issues. We are happy to supply that advice

and to assist people who feel that perhaps they have been put into some form of a cul-de-sac, because of rules that do not have to be applied too rigorously.

[91] **Ann Jones:** I am conscious that we are straying into Bethan's area, but Mark has a very short point or question that he wants to raise.

[92] **Mark Isherwood:** In Merseyside, I know that stock transfer enabled wider community regeneration, but one was dependent on the other. You mentioned briefly social letting agencies and the broader action required. Given the marriage of landlord accreditation to that scheme, as an essential component of it, do you feel that that is a key way of delivering housing for the hardest to home, as we have seen with some of the good practice models that you have indicated? What role do you see accreditation playing?

10.15 a.m.

[93] **Mr Bennett:** The sector helping in the context of a move forward in that area on, if you like, kite-marking what would be regarded as good standards and what we would expect is a very positive element that could feature in that landscape. I think that they can make a very positive and valuable contribution.

[94] **Bethan Jenkins:** Mae llawer o syniadau wedi cael eu crybwyll, megis y bondiau. Dywedodd CIHC wrthym yn ei dystiolaeth ei fod yn barod i edrych ar ffyrdd newydd o weithio ac yn barod i fod yn fwy creadigol, ond mai Llywodraeth Cymru a ddylai arwain ar hynny. A ydych yn cytuno bod angen cynllun tai fforddiadwy cenedlaethol a chanddo dargedau a all siapio strategaeth yn y sector hwn, ynteu a gredwch fod y polisiâu sy'n bodoli yn ddigonol?

**Bethan Jenkins:** Many ideas have been mentioned, such as the bonds. CIHC told us in its evidence that it is prepared to look at new ways of working and is ready to be more creative, but that the Welsh Government should lead on this. Do you agree that we need a national affordable housing plan that has targets that can shape strategy in this sector, or do you think that existing policies are sufficient?

[95] **Mr Bennett:** Mae angen inni symud ymlaen ac mae angen targed, Bethan. Fel y dywedais wrth Mark, mae cael rhif o'r fath yn effeithio ar bobl; mae'n ein helpu i greu'r ffocws a meddwl yn ddyfnach am y polisiâu sydd eu hangen ac am yr adnoddau. Felly, o sôn am godi 2,000 o dai ychwanegol yn y sector cyhoeddus yn y pedair blynedd nesaf, faint o hynny sy'n bosibl o dan y ffordd draddodiadol gyda grant? Rhyw 3,000 neu 4,000 efallai—dim llawer yn fwy. Faint y gallai'r sector ei wneud? Credwn y gallem gynhyrchu o leiaf 1,500 yn y pedair blynedd nesaf. Faint sy'n gallu digwydd drwy'r polisi rhent?

**Mr Bennett:** We need to move forward and we need targets, Bethan. As I told Mark, having that figure has an effect on people; it helps us to concentrate minds and think more deeply about the policies that are needed and about the resources. So, having mentioned building 2,000 extra houses in the public sector over the next four years, how much of that will be possible under the traditional grant-based method? Around 3,000 or 4,000 perhaps—not much more. How much can the sector achieve? I believe that we can create at least 1,500 over the next four years. How much can happen through the rental policy?

[96] Mae creu'r targed hwnnw'n ffordd ymlaen at gael polisiâu gwell a rhoi pecyn neu raglen ar waith. Gobeithiwn y gallem wneud hynny drwy bartneriaeth. Nid yw'n fater o gael rhyw system gorchymyn a rheoli, gyda'r Gweinidog yn dweud, 'Ewch ymaith a chreu 10,000 o dai' ac ati. Nid oes pwynt i ni

Creating that target is the way forward to getting better policies and to having a package or programme put in place. I would hope that we could do that through partnership working. It is not a matter of having some control and command system, with the Minister saying, 'Go out and build

gwyno am y Llywodraeth ychwaith; rhaid inni weithio mewn partneriaeth a sicrhau ein bod yn dod â'r adnoddau o'n sector ni a gweithio ar y cyd i helpu cymunedau drwy gyfnod anodd iawn.

[97] **Bethan Jenkins:** Yn amlwg, nid ydych yn wleidydd, ond—

[98] **Rhodri Glyn Thomas:** Nid bellach.

[99] **Bethan Jenkins:** Dywedodd Huw Lewis na chawn darged oherwydd yr hinsawdd economaidd sydd ohoni. Yr wyf yn ceisio deall pam ei fod yn dweud hynny yn awr.

[100] **Mr Bennett:** Cefais lythyr gan y Gweinidog yn dweud rhywbeth tebyg iawn. Nid wyf am roi ateb gwleidyddol, ond dywedwn, oherwydd yr hinsawdd economaidd, mai dyna pam mae gwir angen targed ar hyn o bryd. Mae gweithio mewn partneriaeth yn hawdd iawn i'w wneud pan fo digon o bres gennych ac nid oes problemau gyda'r banciau ac ati. Ond, fel y dywedais yn gynharach, mae bygythiadau enfawr i'r gyfundrefn o safbwynt y sector cyhoeddus a'r sector preifat. Felly, mae'n rhaid inni fod yn fwy creadigol. Dyna pam mae angen i ni weithio ar y cyd yn fwy a chytuno ar darged.

[101] **Peter Black:** Staying with the issue of targets, the One Wales Government had a target for affordable homes—it was for an increase in the number of affordable houses—but I will not go into the details of that now. The Welsh Government's own research identifies, as you said, a supply-side crisis. I think that we are talking about 14,200 new homes each year, 5,500 of which need to be affordable. Do you think that the target should be more sophisticated than just 'affordable homes', and that we should be looking at a target for supply, for purchase, and for rent in the private sector and in the public sector—should we work towards that? Is that beyond the bounds of what Government can achieve?

[102] **Mr Bennett:** There is sometimes a danger in over-targeting. I am advocating a target, but what sort of target is it? A simple one that people can understand. We have a supply-base crisis, so what is the solution? Supply. There would have been a danger four years ago, when, through the successful review that we had with Sue Essex, we said, as a not-for-profit company, we can borrow more, we can increase our gearing, we can borrow at least £108 million over four years but in return we need a new policy framework and a proper regulatory framework.

[103] With the greatest respect to the civil service and politicians, if we had been quangos and had a remit letter for £108 million divided by how many there are of you, we would probably have produced about £108 million over four years. Through the application of chaos theory and the fact that no individual housing association knew what their target was, they

10,000 houses' and so on. Nor is there any point in us just moaning about the Government; we have to work in partnership and ensure that we bring the resources from our sector and work collaboratively to help communities through a very difficult time.

**Bethan Jenkins:** Clearly, you are not a politician, but—

**Rhodri Glyn Thomas:** Not any more.

**Bethan Jenkins:** Huw Lewis told us that we cannot have a target because of the current economic climate. I am trying to wrestle with why he would say that now.

**Mr Bennett:** I received a letter from the Minister saying something very similar. I do not want to give a political answer, but I would say that, because of the economic climate, that is why there is a real need for a target at this time. Working in partnership is really easy to do when you have enough money and there are no problems with the banks and so on. However, as I said earlier, the system faces enormous threats from the perspective of the public and private sectors. So, we have to be more creative. That is why we have to collaborate further and agree a target.

have increased investment by £440 million. At the moment, let us go for a simple understandable framework, where we realise that bringing forward public land—it does not matter whether it is for rent or affordable sale—will make up 20 per cent of the cost. You are bringing a massive resource to the table if you are able to do that. If you have a sustainable rent policy moving forward, what are not-for-profit companies going to do? They are not going to disperse any surplus in shareholder value. They are going to reinvest it, either in more properties for rent, or more affordable housing purchase schemes for entrants into the housing market, or they will spend it on regeneration. I would not worry about being too prescriptive. We need a bit of vision, courage and shared endeavour.

[104] **Ann Jones:** I wonder if I can take the final question. We know that there will be a housing Bill in this Assembly. Is there one thing that you would like to see in that housing Bill? [*Laughter.*] You can give me several examples, but how would you like to see this housing Bill framed?

[105] **Mr Bennett:** The private rented sector.

[106] **Ann Jones:** There are no more questions. Thank you for your evidence this morning. You will receive a copy of the transcript to check for accuracy. When we finish this inquiry, you will receive a copy of the report, in whatever form it comes. Thank you both for your evidence.

*Gohiriwyd y cyfarfod rhwng 10.24 a.m. a 10.29 a.m.  
The meeting adjourned between 10.24 a.m. and 10.29 a.m.*

### **Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Ffederasiwn Tenantiaid Cymru Inquiry into the Provision of Affordable Housing: Welsh Tenants Federation**

[107] **Ann Jones:** I remind those who switched their mobile phones on during that short break to make sure that they are switched off again. This second part of our evidence session involves the Welsh Tenants Federation. It is a pleasure to welcome Steve Clarke, the managing director. We have had a paper from you; do you want to make a few opening comments before we move on to questions?

[108] **Mr Clarke:** Just to thank you, Chair, for inviting us to submit a paper and to attend the committee meeting. I apologise that our chair, Gail McFee, is absent; unfortunately, she is unwell. She was hoping to make it, but she has not recovered sufficiently to be able to attend.

10.30 a.m.

[109] I would like to make a few comments about the paper and the situation. I have been involved, as a volunteer and as an officer at various levels, for nearly 20 years now. There is a lot of fear in communities; people are afraid of losing their homes not just as a result of losing their jobs, but because of welfare changes and a whole range of issues, such as pressures on family incomes and the cost of living. This review is timely and I hope that it will address the real issues of how we try to sustain a decent social housing system in Wales.

[110] **Ann Jones:** Thank you for that. We will now move to questions. Joyce, would you like to start?

[111] **Joyce Watson:** Yes. Thank you for your paper. I am going to ask questions around the strategic direction that we might follow together. Do you think that the strategy of the Welsh Government is sufficient? Is it a whole-system approach, as called for by some witnesses last week?

[112] **Mr Clarke:** I think that we need to move to a whole-system approach. Whether we are utilising all that that entails is debatable, but it is encouraging to hear that that is the general direction. For me, there is an issue around how we increase mobility within the system to accommodate crises such as the one that we are in now. I fear that there is not enough fluidity in the system to be able to accommodate crises such as this. For example, in the social housing sector, we have suggested that there be a priority move-on scheme to make better and more efficient use of the existing stock. There are many people who live in under-occupied homes and want to move on but cannot, as the system does not allow it. There is a voluntary choice to move on, but who wants to move to a sink estate where there are no jobs in the area and so on? So, we need to have a whole-system approach, involving the housing associations, local authorities, the owner-occupied sector and the private rented sector, and better encourage and motivate people to move between those sectors.

[113] **Joyce Watson:** It has been suggested that the use of intermediate rent might help. What are your views on that?

[114] **Mr Clarke:** For me, intermediate rent has its place in the market for new entrants that probably could not access mortgages and traditional owner-occupied housing. So, it has a place in the market. The question should be: should we use the social housing grant to subsidise that or to encourage that? From my point of view, there are other priorities. Social letting agents are a key body in this, because they encourage the private rented sector to come under their umbrella, rather than private landlords using letting agents that are probably not providing a very good service to the landlord and which certainly, from our point of view, do not have a very good reputation in Wales. That is a good reason to use social letting agents. I think that we need to look at ways to encourage the private rented sector to use social letting agents and, because they are regulated, that would address at least one of the issues for tenants that are using the private rented sector.

[115] **Joyce Watson:** I want to come back to the use of intermediate rent. I have heard everybody saying that it would be used where people have a little bit more money but are not able to get a mortgage. Are we not in danger of forever putting those people into the social housing rented sector, simply because we are creaming off the money that they might otherwise have saved up for a deposit, which might have got them into a situation whereby they could have a mortgage? That is my real fear and concern.

[116] **Mr Clarke:** That is echoed here as well: as I have stated in the report, if you are saving 5 per cent of your income, and yours is an average income, it would take you 30 years to save for a deposit for a home. The private rented sector is fine for some people. It suits some people because it gives them fluidity in the market and allows them to move around for different jobs and so on. From my point of view, the 80 per cent of market rent proposals are not generally supported in Wales and that is probably right.

[117] **Mark Isherwood:** There was talk in the last Assembly of a first rent scheme and rent-to-purchase schemes. Do you feel that the Welsh Government, in its strategic lead, should focus on those areas or do you feel that it should focus to a greater extent on the social rented sector in its use of social housing grant, for example, and other activities? To what extent should local authorities play a strategic role? The Chartered Institute of Housing Cymru highlighted the strategic role that they need to play in fulfilling the role that you have already identified, but their performance varies significantly.

[118] **Mr Clarke:** The demand for housing is different in each area. According to the report commissioned by the Welsh Government, around 14,000 to 15,000 homes need to be built every year for the next 20 years. Of those, a significant proportion is for social housing for people on low incomes. I have mentioned before that we have a service-sector job base, with lower skills levels, so there is a need to meet that demand for housing at that level.

[119] The problem is that social housing has been declining year on year, through demolition, right-to-buy schemes and so on. Now, it is at a level where the default social housing provider is the private rented sector, which is much more expensive and, from our point of view, provides less security. It also has a worse record on repairs and improvements, and there is less access to redress.

[120] Each local authority has to look at the issue for itself and decide what the priorities are in that area. For example, in Rhyl, where there is an overabundance of houses in multiple occupation, the private rented sector may be a priority. There are some poor landlords in Rhyl, and we have had many complaints there. So, it is horses for courses. However, in using the social housing grant, we need to add as much value to it as possible, by using local authority resources to address issues such as empty homes, future supply and, as I said, bring in the owner-occupied sector, with equity release, perhaps, as well as various other schemes, so that we can have a whole-system approach to housing needs in the area.

[121] **Mark Isherwood:** You mentioned social letting agencies earlier. Not far from Rhyl is Cefni Lettings, which is based in Dolgellau and covers the north west. It has been very effective in providing sustainable housing to the hardest-to-house people: it has a very low rate of tenancies going bad, because of the interventions it puts in place. Again, thinking about the strategic role that local authorities could take, do you foresee that they could engage better in certain parts of Wales with that model to ensure that housing from the private sector is provided at the right quality, at the right price and with the right management for the groups concerned?

[122] **Mr Clarke:** Yes. The problem that we have is how we encourage the private rented sector to invest in an area, while also providing safeguards for tenants and ensuring that we have decent standards.

[123] In my world, I would see that social letting agents could be the agents for the revolving loan guarantees of local authorities, encouraging empty homes into that sector, so you have an incentive to bring the private rented sector into that portfolio. In return, they would provide better guarantees on security of tenure and more accountable standards of repair—perhaps, as I said, looking at the Welsh housing quality standard, or an early version of it; we already have the health and safety rating system, which defines what should be provided. So, I see them as a way of encouraging the private rented sector in. It would be for every local authority area to decide whether they use social housing grant or their existing resources—reserves or general funds—to prop up that system. However, as I said, we need a whole-system approach, even using money to release owner-occupiers from massive under-occupation in their homes and find somewhere more suitable, as they are normally capital rich, but cash poor.

[124] **Ann Jones:** We will move on to the second section, namely alternatives to public subsidy and making the best use of existing resources. Mike and Peter Black have questions on this. Mike, would you like to start?

[125] **Mike Hedges:** Yes, please. My question follows on from your last answer. Owner-occupiers of a four-bedroomed house can quite happily sell that four-bedroomed house and move into a two-bedroomed house. That generates two extra bedrooms in the area, and they still get to live in a house. Unfortunately, if they were to look to move into council housing or housing association accommodation, they would be offered a one-bedroomed flat. Do you agree that, as I have been arguing for some time, we need to look more closely at what people want in housing, as well as what they need? If someone is releasing a four-bedroomed house, and you were to allow them to have a two-bedroomed flat rather than a one-bedroomed flat, you would still have the benefit of two extra bedrooms.

[126] **Mr Clarke:** We have been campaigning for a more universal, fairer and more accountable scheme for downsizing since 2008. The fear about downsizing is that the housing will just meet your needs, but most people downsizing will have children and grandchildren or health needs, or they might be lonely or have mental health problems, and they need a range of facilities, so applying a strict model acts as a disincentive for people to give up their homes. Location is also an issue. We have new properties coming on stream. Existing tenants who have been loyal to a local authority or a registered social landlord for 20 or 30 years see that new people are coming in and taking over those properties, while they are still trying to get repairs done and a decent investment in their homes. Given the current position with regard to the Welsh housing quality standard in the local authority sector, large proportions of stock in the local authority sector still need to be renovated. So, it is very frustrating for someone who has been loyal for 20 years and has invested a lot of their own money in a home because the local authority did not have the money to invest. We should go that extra distance to try to support them to free up that home, even if that means offering them an extra bedroom. The problem is that, if you are under the age of 65, you will be penalised under the forthcoming welfare reforms. So, it must be looked at on a case-by-case basis.

[127] **Mike Hedges:** Most people who want to do this would be aged over 65 and will want to stay in the same area. From my experience, much of this movement is not about the quality of the housing—wanting a new kitchen or bathroom—but the fact that the area is not as nice now as it was when they first moved there and they would like to move somewhere where there are more people of their age group.

[128] **Mr Clarke:** As I said, we need more fluidity in the market. We need to be more innovative about providing for the needs of people of various age groups and at different stages in their life. Sue Essex mentioned social housing above retail premises. Retail developments are being built and town centres are being emptied, or there is a lack of occupation in town centres, so there are options to bring older people into town centres and utilise that facility more. There is a lot of scope to look at such projects and to have some joined-up thinking about how we create more fluidity in the market and give people more choice.

[129] **Peter Black:** You have identified some of the hazards of private sector renting. The number of private tenants has doubled, in effect, as people are unable to sell their houses and are renting them out. Often, those tenants are in a less secure position, because the mortgage company may foreclose on the property and throw them out into the street or into the hands of the local authority. What can the Welsh Government do to try to improve the security of tenure and to protect such tenants?

10.45 a.m.

[130] **Mr Clarke:** There are two issues there. First, for tenants who have converted their mortgage to rental schemes, there are safeguards in place to enable them to do that and to spread any arrears over a longer period. The problem is getting access to the support to find out whether there is someone to advocate on your behalf. Shelter provides an excellent service in helping people to do that. The other point about the private rented sector in relation to the security of tenure is a critical issue. Shelter's research shows that the majority of cases it deals with arise because of the turnover in the private rented sector. It is predicting 2,000 cases of people becoming homeless between now and Christmas.

[131] We have argued—in relation to the housing Bill for example—that there should be better equality of tenure. Your fundamental rights to do with security of the home should transcend different landlord types. We believe that we need equality of tenure across the sector. This is particularly an issue where the landlord is receiving some subsidy from

Government. There should be some payback for that. As I said, the three areas we are interested in are better security, better standards and greater accountability.

[132] **Peter Black:** The Minister's big idea is co-operative housing. One of the previous witnesses made the point that, often, a tenant is not really interested in helping to run their own property—they just want a quiet life in high-quality secure accommodation. What is the Welsh Tenants Federation's attitude to this initiative on co-operative housing? I think that it is generally a good idea. Do you think that this is something that will run, and do you think there is any extra money that might come through as a result of it?

[133] **Mr Clarke:** Essentially, co-operative housing is about self-management. Once you have the finance in place, it is about management, so if you can reduce management costs, you make it more cost-effective to deliver. The right to manage, for instance, is something that secure tenants have. They can exercise their right to manage on a local authority. If they have a secure tenancy, they can manage aspects of housing themselves. Research done in England shows that they provide a better and more cost-effective service. The problem is that, in Wales, that has never really taken off. I did one of the first studies. There was one in Glyntaf and then there was the one I did in Bridgend. More recently, there was one done in the Mount in Pembrokeshire. The issue is whether there is an appetite for that. There is in some areas under some circumstances. The problem is that, for most tenants, there is a giant leap between setting up a consultative local tenants' group and taking over management.

[134] I am working with the Welsh Government at the moment to bridge that gap by looking at neighbourhood management agreements and perhaps an enhanced estate management agreement, so that tenants can get involved in their local communities and the delivery of services and so on. So, if they wanted to take it a step further, it would be much easier for them to do so. Those tenant management organisations are co-operatives. In England, there are around 250 to 260 TMOs. They are providing really good services to the community and, as I said, outperforming existing RSLs.

[135] With regard to additional money for the co-operatives of the type to build new homes, there is an interesting scheme going on in Newport on the old Pirelli site. It is a multi-tenure scheme involving private finance. It will be a co-operative housing model. We will look at that pilot scheme to see whether it works. My general feeling about what I have looked at in terms of co-operatives themselves is that they can be quite expensive to set up and finance without significant subsidy. So, co-operatives work well; there are different levels and, if you want to reduce cost in social housing, there are opportunities for tenants to self-manage housing to reduce costs and provide better services. So, some efficiency savings can be achieved there. My whole paper is about making better use of existing resources to provide housing and to reduce costs and ride the crisis out while it is still growing. So, I think there is a place for that.

[136] With regard to additional finance, the problem with co-operatives has been shown in two major research reports undertaken in England recently. One was called 'Bringing Democracy Home' from a commission set up in England, and the other was called 'Financing Co-operative and Mutual Housing'. One of the problems addressed by those reviews was that the banks do not like small schemes—they like big investments, and big schemes. As Nick said earlier, even with raising a bond, they want £60 million to £100 million to tempt them into that. The problem that you have, unless there is a massive drive to co-operatives, or massive demand, and some money to initiate that, is that there may be some difficulties in promoting that, or in achieving that.

[137] **Mark Isherwood:** Peter raised a point about homeowners bringing tenants in because they cannot afford to sell, and then the tenant being repossessed. That is most likely to arise where the homeowner fails to get consent from the lender, which frequently arises, but

equally it arises where corporate landlords have defaulted on their secured commercial loans, and the tenant finds themselves at risk of repossession. Do you therefore feel that there could be a role for a court protocol, as there was a couple of years ago, in the event of mortgage repossession, for tenants who find themselves in a position where the court seeks eviction? As a very last resort, it could pursue mechanisms such as the tenant paying rent directly to the lender.

[138] **Mr Clarke:** Yes, I do. That was one of the issues that we were concerned about with regard to the Welsh housing investment trust, which Community Housing Cymru was looking at. It was all about regulation and security for tenants and so on, but it was not clear how that system would work. So, yes, it raised those very issues. We need those safeguards, and we need to move to better security overall, I think.

[139] **Ann Jones:** We move on to welfare reform, and, Gwyn, you have questions.

[140] **Gwyn R. Price:** Do you support the principle of universal credit being paid directly to claimants? Following on from that, given that social landlords will be able to get direct payment of universal credit when the tenant goes into arrears, where does that leave the tenant?

[141] **Mr Clarke:** We have had this debate in the tenant movement, and it is not an issue for tenants to have the money paid directly to landlords. In fact, a lot of people support it, because families live in difficult, pressurised circumstances, and there is a whole range of pressures on them. It could be that your washing machine breaks down, or your kids need uniforms for school in September, and so you dip into the rent money. So, the more controls that people have in relation to that, the happier they are. Securing a roof over their heads is the priority. There are lots of pressures on families, whether it is alcoholism, drug addiction, or whatever. I do not want to stereotype tenants in that respect, but what I am saying is that it is not an issue for the tenants movement to have payments made directly to landlords. We have heard from the Council of Mortgage Lenders about the addition of approximately 1 per cent to borrowing, so there is a significant issue there. That does not make sense. Tenants do not want that, and yet it will cost us more money because it is being imposed on us. We do not want it, and we are happy with the system of paying landlords directly.

[142] In terms of the universal credit moving forward, there are concerns about falling into arrears and the fines. As has already been said, there is an increase from £5 to £25, and if they are controlling universal credit, then that is a step further than just paying rent to your landlord. There are some concerns around that.

[143] **Gwyn R. Price:** The question was really this: if it is paid directly to tenants, and then they go into arrears, and the landlords take the universal credit directly, then they have no income, and it puts them in an invidious position.

[144] **Mr Clarke:** Yes, and that is why tenants support paying rent directly to the landlord as a first course. Tenants support that, and it is not an issue for them. As I said, we are baffled by what will be achieved by this proposal to pay tenants directly, unless they are in arrears, because you will get into scenarios like the one you described. There are other pressures on your income, and you will dip into that money and put your family at risk.

[145] **Ann Jones:** You mentioned poor housing in Rhyl. If landlords are able to take housing benefit from vulnerable people, because it is paid directly to the landlord under the universal credit system—which you say is not a problem—does that not cause problems for tenants in substandard housing? If the landlord is taking the rent directly in the form of a benefit, when is the landlord ever likely to put that property right?

[146] **Mr Clarke:** That is why you need the safeguards in place, and moving to a system without having better control of the private rented sector is dangerous. What we are saying is that before we move to such a system, we need better equality, better accountability and better standards of housing, and so on. We are not quite there at the moment. There are some very good landlords in Wales; we work with the National Landlords Association, an ethical investor which wants to bring money to the market, and it is a very good landlord with tenants who have been with it for 20 or 30 years, because it involves a long-term investment portfolio. My concern is what comes first, and how you make sure that those safeguards are in place.

[147] **Ann Jones:** I knew that I had opened a can of worms. Mark?

[148] **Mark Isherwood:** I just wanted to point out that private landlords receive the local housing allowance, which is already not paid directly, although the Government is proposing an incentive to private landlords that means that if they charge sub-market rents, they can be paid directly.

[149] **Ann Jones:** Yes, but unfortunately Rhyl still has Rachman-style landlords. It worries me that tenant federations feel that moving to direct payment of universal credit to landlords would be beneficial, because if you have tenants in poor housing they are never likely to move out of it, because landlords will not do that work if they are getting the rent; that is the upside-down aspect of it. However, we will move on to partnership working across sectors, with questions from Ken Skates and Rhodri Glyn. Ken, do you want to start?

[150] **Kenneth Skates:** Can the private sector ever be seen as a source of affordable housing, and should it be?

[151] **Mr Clarke:** I do not think that we have a choice. The private rented sector has always been there. Given the lack of supply in the social housing sector, it is now becoming the default sector for new entrants into the market, and that is an area of concern. As an organisation, we have been around for 30 years or so, and we campaign for rights to better security and better standards, and so on, and the Welsh Government and the National Assembly have supported raising the standards of aspects such as fire safety, community safety and a whole range of issues. So, my concern is that we have a sector there, but how do we deal with it? We need the investment—we cannot say ‘no’ to the investment that it brings because that puts pressure on capital elsewhere, so we have to work with the sector. I have suggested encouraging the use of social letting agents with sufficient muscle to encourage the good investors to invest in return for better security, better standards, and so on.

[152] The problem is that buy-to-let landlords are also under pressure. The buy-to-let mortgage sector is drying up, and there is a lot of emphasis on the private rented sector. For example, the National Landlords Association represents a small percentage of all the landlords in Wales, and there is currently an over-reliance on the private rented sector to meet future demand. That is a concern for me. I do not think that we really know to what extent that will fill the gap. There are some opportunities for more institutional investors from the private sector, not landlords as such, and, as I think has been mentioned, there are opportunities arising from pension fund investment and from people who want a smaller return for better long-term security. We need to galvanise a figurehead to see if we can drive that agenda in Wales, through summits, or whatever. That does not mean someone from among registered social landlords, but rather someone from Government taking a lead on encouraging ethical investment in our social housing models in Wales.

[153] **Rhodri Glyn Thomas:** Yr ydych yn Rhodri Glyn Thomas: You mention the sôn am y sector rhentu preifat a rôl private rented sector and the role of central Llywodraeth ganolog yn hyn o beth. Beth yw Government in this context. What is your

eich barn am bartneriaethau o ran ceisio mynd i'r afael â'r broblem gynyddol hon? Sut yr ydych yn gweld rôl awdurdodau lleol yn hyn o beth yng Nghymru?

view on partnerships in trying to tackle this increasing problem? What role do you envisage for local authorities in this context in Wales?

11.00 a.m.

[154] **Mr Clarke:** As I said, local authorities now have the social housing grant paid to them directly. We would expect them to top up that grant with general funds or other use of resource. This is a time of crisis, and at a time of crisis, we need to use reserves to meet that crisis. We feel that there is a need to focus on delivery, using a whole-system approach, depending on the needs of that local authority area and even across boundaries to a certain extent. Some effective partnerships are already going on. We have seen that through the registered social landlords sector, rural enablers, empty homes strategies, systems thinking around the delivery of core services and support to readdress empty homes. So, there is a lot of work going on. We need to double those efforts in a difficult climate. Our general view is that, as I said, at a time of crisis these are what reserves are for. Perhaps we should be looking at how we can improve the way we utilise existing reserves, pension funds or other investment models.

[155] **Ann Jones:** We will now move on to innovation and new ways of working.

[156] **Bethan Jenkins:** Cawsom dystiolaeth gan Sefydliad Tai Siartredig Cymru yn sôn am y ffordd ymlaen, a ffyrdd newydd o weithio. Yr oedd yn dweud bod angen i'r Llywodraeth arwain ar hynny. A ydych o'r farn bod angen cynllun tai fforddiadwy cenedlaethol, a thargedau i gydfynd â hynny? Bydd Bil tai yn cael ei gyflwyno; beth hoffech weld yn rhan o hynny, o safbwynt ffyrdd newydd o weithio?

**Bethan Jenkins:** We received evidence from the Chartered Institute of Housing Cymru on the way forward and new ways of working. It said that the Government needs to lead on that. Do you think that there is a need for a national affordable housing plan and targets to go alongside it? A housing Bill is to be introduced; what would you like to be included in that in terms of new ways of working?

[157] **Mr Clarke:** First, with regard to targets, we have to understand what capacity is there to deliver in difficult times. It would be great to see stable delivery. I think that the registered social landlords sector delivers something like 2,000 homes on average year on year. It would be great if we could maintain that. As I said, there is a lot of scope for better use of the existing resources that are there. There are a lot of empty properties in local authorities' stock, including steel-framed constructions. They could be brought back into use, but it would be too expensive, at the moment, to improve them to the Welsh housing quality standard. However, I do think that we need to focus on the existing stock. I have visited communities across Wales and I have seen some areas where 10 per cent of the stock is empty, which is a real tragedy, but the local authority does not have the money to invest in those. So, we need to look hard at our existing stock, as well as at the empty stock in the private rented sector.

[158] The focus of my paper is the better use of existing resources and prioritising more efficiency in the system through priority move on, so that priority is given to a tenant who has been under-occupying so that she gives up her four-bedroomed house to move to a two-bedroomed or a one-bedroomed house. That should be a priority, because that will create more efficiency within the system. As we know, there are lots of people in that scenario. That will also help the welfare housing benefit agenda, because, as we know from 2013, if you under-occupy your home by one bedroom, you will be charged a rate of 13 per cent of your disposable income for that room, and for two bedrooms or more the rate is 23 per cent. So, we know that that is going to cause a problem. In some areas in the Valleys, there is a high density of people in that scenario. In some estates it is even as high as 50 per cent of people

because the allocation policy has been to redistribute the child density or whatever. So, it is about the utilisation of the existing stock.

[159] With regard to what we would like to see in the housing Bill, the biggest issue for my members and for the Welsh Tenants Federation is better equality of tenure. It is a travesty that, for so long, we have had good standards of quality of tenure in Wales, but by over-relying on the private rented sector to meet the shortfall in social housing, tragically, some of our most vulnerable people are now losing that security of tenure by having six-month shorthold tenancies and invariably, although not in all cases, poorer housing standards and less access to redress. So, the private rented sector, and specifically a better equality of tenure, should be the goal for the housing Bill.

[160] **Bethan Jenkins:** Mae gennyf un cwestiwn ychwanegol. Cawsom dystiolaeth gan Shelter, a ddywedodd rhywbeth nad oedd neb arall wedi'i ddweud mewn tystiolaeth, sef bod yr adeiladau hyn yn dai, ond eto'n gartrefi i bobl. Wrth gwrs, efallai bod y tai yn rhy fawr, ond rhaid inni edrych arnynt fel mwy na thai, a cheisio parchu pobl a'r hyn y maent eisiau ei wneud. Beth yw eich barn chi ynghylch ceisio cael cydbwysedd rhwng hawliau i'r tenantiaid a hefyd cydnabod bod mwy i hyn nac a drafodir, efallai, yn y pwyllgor hwn?

**Bethan Jenkins:** I have one further question. We received evidence from Shelter that said something that no-one else has said in evidence, which is that these buildings are houses, but they are also people's homes. Of course, the houses are perhaps too big, but we need to look at them as more than houses, and try to respect people and what they wish to do. What is your opinion about trying to maintain that balance between the rights of tenants and also recognising that there is more to this issue, perhaps, than what is discussed in this committee?

[161] **Mr Clarke:** I have been involved in many demolitions and improvements for Newport Housing Trust, when the prefabs were knocked down. I recognise that losing your home is a tragic experience. For example, there was an elderly lady living in a Newport Housing Trust prefab house—my mother used to live in one as well—whose child had died and the coffin had been brought into the house, therefore she was really upset about its subsequent demolition. In another estate, there was a lady who kept budgies, and she wanted to take the budgies that had been buried in her back garden with her, even though a period of about 10 to 15 years had passed. So, there are some really sensitive and emotional issues that must be dealt with.

[162] We know that moving home is one of the most stressful things that anyone can undertake. I am not advocating compulsion, but a voluntary move-on scheme, which is sensitively and lightly addressed and takes on board the issues underlined in the major works improvement programme report that I wrote years ago. So, there is some slack in the system. As I said, I have spoken to people who are living on the breadline, and yet they are under-occupying their homes. They would love to have somewhere to move to and increase their disposable income, but there are a whole range of issues that need to be considered. That is why the scheme needs to be voluntary. There is scope to have a scheme in Wales, if we had better consistency, standards, monitoring and support.

[163] The home swap direct website announced by the Minister needs to go further. People use those facilities, but more support is needed behind them to encourage people to do so. Tenants have told me that compensation is the big issue. If you have supported your home through dark times, when the local authority was unable to invest for 20 years, and you have done a lot of work on your property, then you should be entitled to some compensation. However, as I said, I did some work in 2008 about the cost-benefits: if a family is waiting in temporary accommodation for six months because there is no access to, say, a four-bedroomed house, or you have to put them into overcrowded conditions, that costs a lot of money. So, some of these spend-to-save initiatives should be promoted. However, we are not

advocating compulsion; we are promoting voluntary schemes. There is scope and slack in the system, provided that there is a whole-system approach.

[164] **Mark Isherwood:** You mention sub-standard concrete panelled and steel-framed houses. The Housing Defects Act 1984 was supposed to address those, but some local authorities failed to engage. Could you see an updated twenty-first-century version of that being put into the housing Bill to enable existing supply to be maximised? You also referred to local authority reserves being used to piggyback on social housing grants. Could you see a better multiplier—a greater number of units being delivered—if those reserves were invested in a Welsh housing bond instead of in Icelandic banks, or wherever they have been invested historically, that would go to Welsh housing associations to multiply the investment for new-unit delivery?

[165] **Mr Clarke:** To answer your latter point first: yes, that is what we are saying. This is a time of deep crisis for Wales's housing supply. We have just heard from the judge that they have to pay that back, which is great. We need to look at ethical investments by local authorities, how they utilise those reserves and how they invest for the long term. There may be less return, but they are more secure. That is what we need to look at. The Welsh Government needs to take a lead on that and put some conditions in place for how they should be used. On the first part—

[166] **Mark Isherwood:** It was on the Housing Defects Act.

[167] **Mr Clarke:** Yes, on that, I have visited communities in the south Wales Valleys with the previous Minister to address issues relating to defective properties. Thankfully, the resources to address those properties are now there as a result of recapitalisation through stock transfer. There are other areas of Wales that are not in that position, where there has not been a stock transfer yet. Only 50 per cent of stock has been transferred. We need to look at that and see how we can support local authorities to address that problem, particularly if tenants vote against it and vote to retain the stock. After all, it is a free ballot. If it is the will of the tenants to stay with the local authorities, fair enough, but it puts added pressure on addressing the properties that have to meet Welsh housing quality standards and the resources are not there to do so.

[168] **Ann Jones:** We have come to the end of the questions. Thank you very much, Mr Clarke, for coming in, for your paper and for giving evidence today. You will get a copy of the transcript to check for accuracy. Thank you for your time.

[169] **Mr Clarke:** Thank you.

[170] **Ann Jones:** That is the end of today's session, Members. The next committee meeting is an informal one on 17 November. Thank you.

*Daeth y cyfarfod i ben am 11.12 a.m.  
The meeting ended at 11.12 a.m.*