



Cynulliad Cenedlaethol Cymru The National Assembly for Wales

Y Pwyllgor Cymunedau, Cydraddoldeb a Llywodraeth Leol The Communities, Equality and Local Government Committee

**Dydd Mercher, 23 Tachwedd 2011
Wednesday, 23 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
Janet Finch-Saunders	Ceidwadwyr Cymreig Welsh Conservatives
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**

Ceri Breeze	Pennaeth y Gyfarwyddiaeth Dai, Llywodraeth Cymru Head of Housing Directorate, Welsh Government
Andrew Crompton	Cyfarwyddwr Tir Rhanbarthol, Persimmon Homes Regional Land Director, Persimmon Homes
Y Cynghorydd/Councillor Dyfed Edwards	Llefarydd Tai Cymdeithas Llywodraeth Leol Cymru ac Arweinydd Cyngor Gwynedd Welsh Local Government Association Housing Spokesperson and Leader of Gwynedd Council
Sue Finch	Swyddog Polisi Tai, Cymdeithas Llywodraeth Leol Cymru Housing Policy Officer, Welsh Local Government Association
Huw Lewis	Aelod Cynulliad, Llafur (y Gweinidog Tai, Adfywio a Threftadaeth) Assembly Member, Labour (the Minister for Housing, Regeneration and Heritage)
Rhidian Jones	Uwch-swyddog Tai Fforddiadwy, Llywodraeth Cymru Senior Housing Officer, Welsh Government
Craig Mitchell	Swyddog Polisi Tai, Cymdeithas Llywodraeth Leol Cymru Housing Policy Officer, Welsh Local Government Association
Kath Palmer	Pennaeth Gweithrediadau Tai, Llywodraeth Cymru Head of Housing Operations, Welsh Government
Richard Price	Cynghorwr Cynllunio a Pholisi—Cymru, Ffederasiwn Adeiladwyr Cartrefi Planning and Policy Adviser—Wales, Home Builders Federation
Steve Thomas	Prif Weithredwr, Cymdeithas Llywodraeth Leol Cymru Chief Executive, Welsh Local Government Association
Dr Roisin Willmott	Cyfarwyddwr Cenedlaethol, y Sefydliad Cynllunio Trefol Brenhinol National Director, the Royal Town Planning Institute

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

Sarah Bartlett	Dirprwy Glerc Deputy Clerk
Jonathan Baxter	Gwasanaeth Ymchwil Research Service
Bethan Roberts	Cynghorydd Cyfrieithiol Legal Adviser

Marc Wyn Jones	Clerc Clerk
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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 and welcome to the Communities, Equality and Local Government Committee. I will run through the usual housekeeping rules. I ask Members around the table to ensure that their mobile phones and BlackBerrys are switched off, as they affect the broadcasting and translation equipment. We operate bilingually, so you are free to speak in English or Welsh. If you need translation from Welsh into English, that is on channel 1 on the headsets. Channel 0 is the floor language. This is a formal meeting, so we do not need to touch the microphones; they will be switched on remotely. We are not expecting the fire alarm to go off. Should it go off during the meeting, we will wait for our instructions from the ushers on how to leave the building. Just so you know, our assembly point is by the Pierhead building. We have received no apologies, so there are no substitutions. Do Members have any interests that they wish to declare that are not on their registers? I see that no-one does. Good.

9.30 a.m.

Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Ffederasiwn Adeiladwyr Cartrefi
a'r Sefydliad Cynllunio Trefol Brenhinol
Inquiry into the Provision of Affordable Housing: Home Builders Federation
and Royal Town Planning Institute

[2] **Ann Jones:** We continue our inquiry into the provision of affordable housing. I welcome our witnesses. Richard Price is the planning and policy adviser from the Wales Home Builders Federation. Andrew Crompton is the regional land director at Persimmon Homes. Dr Willmott is the national director of the Royal Town Planning Institute. You are all welcome.

[3] Just before we go into questions on affordable housing, speaking not as the Chair of the committee but as the Assembly Member who steered through the legislative competence Order on domestic fire safety and the related Measure, I want to raise a couple of issues with you, if I may. I really am disappointed that you have failed to recognise that the Domestic Fire Safety (Wales) Measure 2011 has been passed and is on the statute book. If I may, I also want to question your high-cost estimates. The proposal, as you call it, is actually law. It is on the statute book. It is the law. It is not a proposal, it is law. I wonder how you can supply a figure of £5,000 to this committee in your written evidence and consultation response when, to Legislation Committee No. 1, which dealt with the then proposed Measure, you supplied an estimate of around £2,700. You also say, with regard to this figure of £5,000, that:

[4] ‘These values have been discussed in detail with the WAG and the development industry and are agreed to be correct approximations.’

[5] The First Minister’s office assured me at the close of play yesterday that these figures have never been agreed with the Welsh Government and that they are indeed your figures. I wonder whether you would like to set the record straight on that matter or whether you stand by the discrepancy in the figures in your paper.

[6] **Mr Price:** I apologise for my use of the word ‘proposal’. The figures that we provided in our original response were based on a number of pieces of evidence, including conversations with our members at various technical meetings. Since then, we have done quite a lot of work with the First Minister through the task and finish group on housing supply and the burden of regulation. The task and finish group was attended by some Welsh Government officials from the construction unit, including François Samuel. We were discussing the potential cost, not only of sprinklers, but of changes proposed to Part L and the cumulative impact of regulation and what that can do to land values. Through that, we recognised that there was still work to do in assessing what the cost would be of changes to Part L and providing sprinklers. However, we agreed that, on a rough estimate, on average, the cost of providing sprinklers across a range of different house types, including flats and smaller and larger houses, would be around £5,000 per dwelling. That was agreed around the table, including with François Samuel from the construction unit and a number of others. That is why I have used it in this and some other pieces of evidence that I have provided for local development plans and so on.

[7] **Ann Jones:** Okay, but you accept that the Domestic Fire Safety (Wales) Measure 2011 is now law, as signed off by the Queen, and that it is therefore not a proposal and that you will have to work within what is defined within the regulations that come from the Measure?

[8] **Mr Price:** Yes, I accept it is law.

[9] **Ann Jones:** For the record, do you also accept that the figure of £5,000 is your estimate—

[10] **Mr Price:** Well, it was—

[11] **Ann Jones:** The First Minister’s office is quite clear that the Welsh Government has never settled on a figure of £5,000.

[12] **Mr Price:** It is correct that it is an estimate, but it was an estimate agreed with members of the task and finish group and us. It was not a case of our putting forward a figure of £5,000 and everyone disagreeing. We all said that an estimated cost for providing this would be about £5,000, and that is why I have used it in my evidence.

[13] **Ann Jones:** I dispute that figure, because of the work that I have put in. I will also say that the Welsh Government has commissioned a BRE report, so I take it that, when those figures come out, you will accept them.

[14] **Mr Price:** Absolutely. (1)

[15] **Ann Jones:** Fine. I just wanted to put that on the record. I thank Members for indulging me. We move on now to the other items that we will be discussing, and I ask Joyce to start the questioning.

[16] **Joyce Watson:** Good morning, all. I read your paper with interest. I will start the

questioning on the strategic direction of the Government, and whether you think that the strategic lead of the Welsh Government demonstrates a whole-system approach, as called for by previous witnesses.

[17] **Mr Price:** Is that concentrating on affordable housing, or looking at the whole market?

[18] **Joyce Watson:** This inquiry is looking at the supply of affordable housing, so could you please answer in those terms?

[19] **Mr Price:** Obviously, the need for affordable housing, according to that definition, is great across Wales, but we need to start looking at the whole-market solution to providing housing in general. One of the points that I make in my paper is that we have to try to understand what we are doing when we are providing affordable housing: namely, creating mixed and balanced communities, and trying to make housing in general more affordable to more people. You do that, in essence, by increasing supply in general. So, we need to start looking at how we increase supply, not only for people who qualify for affordable housing, but for the vast majority of people in Wales who do not qualify for affordable housing and are still struggling to get on the property ladder.

[20] **Mr Crompton:** I think that the definition of affordable housing is slightly misconstrued when it gets to the sharp end within local authorities. They have a blinkered view of affordable housing being 100 per cent social rented housing. Clearly, there is a whole range of different types of tenure and a mix of units that can qualify as affordable housing. Any form of subsidised housing is, in my view, a form of affordable housing. What we are about is trying to engage with authorities and the Assembly in coming up with a much broader definition of affordable housing, because there are many ways of delivering that. We can achieve the target that the Assembly is aiming for, in terms of volume, if we have flexibility in the method of procuring that affordable housing. We are certainly not against affordable housing per se; I am saying that we need to broaden the horizons as to how we procure it. The Welsh Government has reached its target of 6,000 affordable homes—congratulations on that. It was probably achieved through bringing forward some of the social housing grant to pre-empt the market back in 2008-09, but we are now paying for that, because there is no new social housing grant available. We are having to be more innovative in trying to bridge that affordability gap and making the schemes viable, so that we can start building new houses.

[21] **Joyce Watson:** Chair, can I go on to the second question, because it flows on from that? It is particularly about planning, and whether the national guidance on planning from the Welsh Government is sufficient to deliver affordable housing in what can only be described as difficult economic conditions.

[22] **Mr Price:** There is a difficulty in trying to deliver affordable housing in a market that is not only depressed, because we have recently had a recession, but also lacks public subsidy. There are a number of other requirements and developments from national Government, local government and various other sources, and all those things are impacting upon the delivery of affordable housing. We need to look at planning and how it tries to balance that. There is an emphasis from Ministers and local authorities on the delivery of affordable housing taking priority. However, as I tried to say in my consultation response, affordable housing, almost by default, slips down the scale in terms of what you need to deliver on a site by way of national guidance requirements and building regulations requirements from planning departments. We need a different approach, looking at the delivery of affordable housing, how it impacts on viability, and how that relates to developing on the ground.

[23] **Dr Willmott:** I would add that national and local policy tries to be flexible to account

for different market conditions and changes in circumstances across Wales. At the moment, viability is a big issue, and we are really feeling the effects of that. Delivering affordable housing through the planning system is, possibly, not a good option in the current economic climate, so we need to look at other ways, because of the viability aspect. When local planning authorities look at a planning application for housing, viability is a material consideration. They need to take account of whether the site is viable with affordable housing. At the moment, it is not a strong mechanism, as a result of the current system, law and economic climate.

[24] **Joyce Watson:** You have said that we need to look at different ways. We are trying to gather evidence. What are those different ways?

[25] **Dr Willmott:** Subsidy would be the main aspect that we would consider. Picking up on a point that Richard highlighted, it is to do with local political priorities for affordable housing. Looking at section 106 planning agreements, it is the local planning authorities with their political priorities that decide what they want to see coming through on those section 106 agreements—what is needed for the site to become acceptable, in planning terms. Sometimes, in some areas, affordable housing can go lower down the list of priorities than some other requests.

[26] **Mark Isherwood:** I know that the Home Builders Federation manifesto highlighted the fact that the sector, possibly because of the current economic climate, has the lead role in delivering affordable housing. Scotland has recently announced the roll-out of various schemes, including intermediate rental schemes and FirstBuy schemes. England and Scotland have announced mortgage indemnity schemes, with builders making a contribution to it and the Government underwriting it at 5.5 per cent. Should we be exploring that further in Wales, or are you already engaged in doing so with the Welsh Government and mortgage lenders? More broadly, in terms of viability, as with all these things, whether it is sprinklers, affordable housing of all tenures, or anything else, it is deliverability that we aspire to. However, that does not always happen. Deliverability depends on the decision of your members to invest and provide jobs. In that context, could you comment on affordable housing viability assessments, which you have been involved with in south Wales? To what extent do your members feel that they have had an opportunity to engage with the Welsh Government, to help understand each other's positions, and to agree a basis for their investment in Wales?

[27] **Mr Price:** On alternatives such as FirstBuy and so on, our members and I feel that we seem to be lagging behind with those initiatives, for whatever reason. The Chancellor announced £12 million for FirstBuy in Wales for the last budget, but that money does not seem to have been allocated for FirstBuy. It was not adopted by the Welsh Government, despite the fact that it could have provided a lot of benefits for first-time buyers, for the Welsh economy and in the creation of jobs. We were disappointed with that.

[28] The next package of measures that has been released is in conjunction with the UK Government and, as I understand it, it still does not apply to Wales. Our concern is that first-time buyers in Wales are being compromised in comparison with their counterparts in England. We are not looking at how we can use construction and the house building industry to stimulate the economy and create jobs in Wales. For every home built, one and a half jobs are created directly in the construction industry and two to three jobs are created in the supply chain. There is huge potential for our members to contribute to the economy and to drive it forward, with very little investment from the Welsh Government. Releasing more land and making things a little easier for our members to invest in Wales would help, and we could then provide that stimulus for the economy.

9.45 a.m.

[29] With regard to affordable housing viability assessments and deliverability, I completely agree with you. We have been involved in all the affordable housing viability assessments. They are done at a high level by local authorities, which is right; one person cannot look at each individual site and try to come up with a proper viability assessment. The problem is that they take very little account of things such as changes to building regulations and the need to remediate brownfield sites, especially now that many local development plans are making it a requirement to look at brownfield sites before greenfield sites. They do not really look at how you can reprioritise the planning obligations in order to deliver more affordable housing. I have mentioned in my response that you cannot renegotiate on building regulations, because they are required by law, and you cannot renegotiate on the physical requirements to deliver a site, because they are needed to deliver the site.

[30] With regard to planning obligations, the big-ticket items, such as transport requirements, will also be needed to deliver the site. Education provision will probably be considered by most local authorities to be a more important requirement than affordable housing. By default, you have affordable housing slipping down the scale, and the obligations that you have left do not really have the financial capacity to deliver more affordable housing. Andrew will probably agree that affordable housing probably costs the most of the planning obligations. So, your scope is limited in renegotiating the planning obligations. Affordable housing viability assessments, although—to a certain extent—are a good thing, fail to recognise the aspiration to deliver more affordable housing alongside what, in reality, can be delivered on the ground, which is what your question related to.

[31] **Mark Isherwood:** Most assessments that I have seen show that it would be uneconomic, unaffordable and loss-making to go ahead on certain percentages of affordable dwellings being required to get planning consent. What is the solution?

[32] **Mr Price:** From our point of view, the solution is that we need to recognise that we cannot expect to deliver increased amounts of affordable housing, in line with the definition of ‘affordable housing’, without a substantial increase in public subsidy. We need to change the emphasis in what we do—not only in looking at affordable housing and at who qualifies for that as a solution to the housing problem, but in looking at a whole-market solution, increasing supply, choice and availability for everyone in the housing market in order to try to balance house prices and average wage levels. That is how we must do it. We must look differently at how we provide housing and at how we try to solve our housing problems. It should not concentrate on the delivery of affordable housing alone.

[33] **Mark Isherwood:** What role does Government have in leverage? A small contribution by Government, or even intervention by Government, can leverage in significant assets from the mutual and private house building sectors. What actions would you like to see the Welsh Government taking to generate that leverage?

[34] **Mr Price:** To a certain extent, we have had some quite positive dialogue with the Welsh Government over the last year through our work with the council for economic renewal and the task and finish group. We would like to see recognition, in national guidance, that we need to deliver more homes in Wales. Increasing supply should be a priority in national guidance. If we can get that priority written in planning guidance and in the housing strategy, we could use it as leverage at LDP examinations to say that authorities must have a strategy that helps to deliver more homes. That is one positive thing that the Welsh Government can do to help us to get local authorities to understand the situation, because it will be the authorities that deliver planning in Wales. Obviously, a release of more land for housebuilding from national and other public bodies would also help us to deliver on that.

[35] **Dr Willmott:** Increasing supply is not the pure answer to it. The LDPs currently going through, and the ones that have recently been adopted, must include evidence based on

projections for housing demand and population growth in an area and link that to the sites that should come forward. It should be evidence based. That is going forward at the moment.

[36] **Mike Hedges:** I live in Morrision in Swansea; we have two relatively large sites that have had planning permission for a long time. You probably will not know them, but there is one between Brayley Road Bishop's Walk, and the other is in the area above Harry Street. They have both received planning permission, but no building has taken place. That planning permission has existed on the first site for getting on for five years and planning permission will probably have to be reapplied for. You talk about making land available, but where land is available and there is planning permission on it, nothing much is happening.

[37] **Mr Crompton:** Are those public sector-owned parcels of land or are they privately owned?

[38] **Mike Hedges:** They are privately owned. They were both sold to developers who have not developed them.

[39] **Mr Compton:** It may be that when those properties were bought prior to the property crash—

[40] **Mike Hedges:** These were not properties; they were land.

[41] **Mr Crompton:** Yes, but when the land was bought, it might have been prior to the downturn, which would mean that the site is probably not viable, because the section 106 obligations that may be attached to that planning permission could be fairly onerous. I obviously do not know the details.

[42] **Mike Hedges:** There are no 106 agreements on the land. The land is there, with straight planning permission on both sites for building two and three-bedroomed semi-detached houses.

[43] **Mr Compton:** Are they large sites?

[44] **Mike Hedges:** One is medium-sized—

[45] **Ann Jones:** I think that we need a note on this. I am conscious that we are just going to concentrate on Morrision. So, Mike, if you make a note of your issues, we will send them to Mr Price and ask for comments.

[46] **Mike Hedges:** I just want to make the point that they talk about making more land available, but we have land with planning permission that is not being developed.

[47] **Mr Compton:** The general comment about that is that the sites must be in the right place. You can lead a horse to water, but you cannot make it drink. There must be a demand. The problem is that small two and three-bedroomed houses are the types of houses for which people are struggling to get mortgage deposits, given that you now need a 20 per cent deposit. The mortgage guarantees that they are providing in England are now bridging that shortfall, or guaranteeing that the banks and building societies can now lend at 95 per cent. Therefore, those two and three-bedroomed homes should now be coming forward in England because that affordability gap has been bridged by the mortgage indemnity guarantee. So, the principle of bringing those sorts of schemes forward is echoed.

[48] **Mike Hedges:** On that—

[49] **Ann Jones:** No, I have loads of people who want to come in, now that we have

opened this can of worms.

[50] **Mike Hedges:** On local issues—

[51] **Ann Jones:** We should not just concentrate on local issues. I will take Ken and Joyce, and then I will bring Peter in last, so that he can then move on to his questions.

[52] **Peter Black:** I just wanted to follow up on—

[53] **Ann Jones:** Go on, then, Peter, if you want to follow-up on something first.

[54] **Peter Black:** I want to come back to the issue of supply, particularly with regard to planning, because you are right that it needs to be evidence based. A question is being raised in a number of communities where the local development plans are being formulated on the nature of that evidence and how that evidence is related to demand and supply. Carmarthenshire is a very good example, as 6,000 new homes are being proposed there. However, the complaint about that particular local authority is that there is no evidence of local demand for that housing. So, the questions are: are we restricting ourselves to what is local demand or are we looking at demand coming into the area, and are we creating a demand by boosting supply? Those are the sorts of questions that are being raised. I have my own views, but I am just interested to hear what your views are on this.

[55] **Mr Compton:** The figures that we are talking about with regard to the volume of demand are based on Welsh national statistics. So, it is a top-down approach with regard to population projections and household requirements. It is the local authorities that do not believe these figures and are questioning them. However, in the meantime, there is not a lot happening in the middle with regard to delivery, because they are all going back to try to investigate further. So, there is this resistance to accepting the top-down approach in terms of delivery.

[56] The difficulty that we have within the strategic framework in Wales is that there is no regional planning guidance as such. It is all left to local authorities to deliver, and authorities are reticent with regard to accepting some of the figures that are provided from above. So, we are caught in the middle of trying to promote schemes that we believe are viable and meet the demand and the local authorities saying, ‘We don’t believe that there’s justification for that demand’. So, that is regarding new sites, not the standard sites that currently have planning consent, on which we have a deliverability problem on viability grounds.

[57] However, in the medium to long term, the pipeline with regard to sites coming forward is drying up. Picking up on an earlier point, some landowners are not prepared to bring their land to market because they know that, in the current climate, they may not get the value that they expect to get for it, particularly if they have a bank loan that they have to clear, because it will not cover that.

[58] **Peter Black:** I am interested to hear the town planning view on that.

[59] **Dr Willmott:** On going wider than the local authority areas—you mentioned the demand coming in from elsewhere—it is a requirement of the local development plan adoption process that local authorities work with their neighbouring authorities to look at that. In south-east Wales, it is a particular issue, with the dominance of the Cardiff area. So, work is under way on that. That is an area on which LDPs are tested. I do not know the specific issues with Carmarthenshire; I am aware of the headlines, but not the specific issues. However, it is noted within national planning policy and the guidance for drawing up LDPs that the national statistics are a starting point, but if there is strong local evidence, which is then tested by the inspector, that can be taken into account, because national evidence can

hide various occurrences on the ground.

[60] **Peter Black:** Does that local evidence then influence the sort of overall figures in terms of the supply that the Welsh Government might consider as necessary for Wales?

[61] **Dr Willmott:** For the local development plan, it would—

[62] **Peter Black:** If you add up the 22 across the whole of Wales, will that influence the targets?

[63] **Dr Willmott:** Not that I am aware of, sorry.

[64] **Mr Price:** Your question is very valid. We have evidence from the Welsh Government stating how many new homes we need. I would add that when that methodology for the household projections was being produced—because 2006 was the first time that that happened—all local authorities were involved and no local authority disagreed with that methodology. When they saw the figures, a number of people disagreed and a number of people agreed, all based on the fact that some did not want that level of growth, while some did. So, there is a disconnect between the evidence that we see at a local level in terms of how people interpret projections. As things stand, across Wales, there will be a shortfall of about 20,000 homes between what the projections say and what each local authority is planning to provide in its LDP. Considering that we already have a backlog of 60,000, based on our latest evidence, having a further backlog of 20,000 at the end of it all does not necessarily constitute a successful LDP process.

[65] In terms of local evidence, you are right. We need to consider how a local authority fits in with its neighbours, and Roisin is right that local authorities need to do that, but it is difficult to do that on a regional level when, if one local authority does not like what it is hearing in that region, it can pull out. There is nothing at the regional level to say that authorities have to work together to do something for the good of the region and recognise their role within the region. A lot of the LDPs that are coming out at the moment have economic and growth aspirations that are not linked to their housing development aspirations. They all want the jobs, more schools and hospitals and everything else, but none of them want the housing. So, there needs to be a balance. Local authorities need to recognise that, if they restrict housing development in their LDPs, the knock-on effect will be a restriction on jobs, growth and other things. So, they need to be honest about that.

[66] **Ann Jones:** We will have to make some progress, so we will move on to the second part of where we want to take the questioning. I call on Peter, and then I will bring in Mike on this point. You will have to be quick.

[67] **Peter Black:** The second one is on an alternative to public subsidy. I noted from your paper, and the Chair has already alluded to this, that you have identified a number of additional costs that housebuilders have to face. Putting to one side the sprinklers, you also talked about Part L of the building regulations, which is an additional cost. Are you giving the impression that there is policy confusion on the part of the Welsh Government in terms of whether it wants affordable housing, environmentally friendly housing or safe housing? Can it have it all at once?

[68] **Mr Price:** Absolutely. That is one of the points that we have been trying to raise with different departments in the Welsh Government. I work with all sorts of different departments in the Welsh Government, and they are kind of unaware of what is going on in other departments and the impact that might have. I was talking to the housing department a couple of weeks ago, when I tried to explain not just what the cost of the new requirements of the building regulations would be, but what that would mean in terms of how you deliver a

housing development and the fact that they will be required by law, so, you cannot do anything about that. In terms of the housing department and the delivery of affordable housing, one has to take account of the costs of building regulations before even looking at affordable housing. So, there is a bit of a disconnect. The policy aspirations are there between each department, which is right and correct, but we need to look at the whole when it comes to how we deliver on that and recognise that, in many areas of Wales, we have suppressed land values that have been exacerbated by the recent recession.

10.00 a.m.

[69] **Dr Willmott:** To pick up on the environmental standards that you mentioned, the requirements under planning policy for different standards are likely to come under building regulations in future. You need to acknowledge that you are talking about affordable housing and, obviously, you also want houses to be affordable to run in the future for the people we are looking at. Houses should be energy efficient, because we do not want to get to a point where there is fuel poverty.

[70] **Peter Black:** That is a valid point.

[71] **Mr Crompton:** Current building regulations—not the code for sustainable homes—mean that a property built in accordance with today’s regulations is probably 50 per cent more energy efficient than a 1970s or 1980s semi-detached dwelling. Building new homes is sustainable, without any extra burden of regulation. Part of the problem is that a tsunami is coming toward us with all of these changes and extra regulations on top of a suppressed market. Viability is at the heart of this issue; unless something is viable, we cannot continue with it. The cost of bringing these schemes forward to the planning stage is extreme. I think that the average cost of bringing a medium-size development through the planning process is £150,000 in professional fees to deal with the various reports that are needed to support the application, and it takes on average between 15 and 18 months. Some smaller landowners and developers do not have the resources for that; we larger developers find it difficult to deal with, let alone the smaller ones. There is a cumulative effect that reduces the supply of housing that is coming to the market.

[72] **Mr Price:** We also need to look at the need to regenerate and provide sustainable housing in Valleys communities, in areas that have suffered from a lack of investment over the last 10 or 20 years. It should be recognised that we are building very sustainable and energy-efficient homes at the moment and if we were to provide more of that type of accommodation in the Valleys areas, that would be substantially better than the existing stock. In terms of a good use of public money, is it right to say that we should make a small improvement to what is already very sustainable housing at a large cost, while we ignore the existing stock and let it languish at the bottom of the pile? There is a difficulty in delivering that. In the better areas, where you have higher land values, you will be able to get more planning obligations and more viable development. However, in the Valleys areas, where you have suppressed land values, we need to look at trying to provide more homes that are more sustainable for people than the stock that they already have.

[73] **Peter Black:** The bottom line is that if the Welsh Government wants to provide more affordable housing, it needs to do so through partnerships and subsidy. However, you are saying that the greater the number of requirements that are put on to schemes—requirements that cost more to develop—the higher the subsidy has to be and, therefore, you get less for your money.

[74] **Mr Price:** Yes.

[75] **Mike Hedges:** Could better use be made of publicly owned land, not only local

authority land, but former Welsh Development Agency land that is predominantly held by health authorities or the Welsh Government? What suggestions do you have for enabling some of that land to be made available?

[76] **Mr Crompton:** We have seen the experiences of some of our sister companies across the water where the authorities are bringing their sites forward. We have also had what is known as the Kickstart programme on some of the larger schemes that require a lot of infrastructure to get them going. They have had an injection of money for infrastructure, basically, for them to be kick-started. To bring these sites forward to qualify for a grant under Kickstart, you have to bring forward the delivery of affordable housing on those sites in the first phase. That has had a positive cumulative effect of getting houses built and bringing forward affordable housing, with public subsidy coming in on the Kickstart programme.

[77] On public land, the way forward for delivering those sites is that rather than the developer having to pay for those sites up front on day one, they could pay a percentage of the selling price of each property. There is, therefore, a lower risk to the developers; there is less cash outlay on day one, but they can pay for the plots as they are being completed. They could agree on a percentage of the selling price to be paid back to the authority to cover the value of the land, rather than trying to sell the land on the open market and expecting to get £3 million or £4 million for it on day one. That is in itself a constraint, because the financial resources of developers are tighter in terms of the funds that we can borrow. The cost of borrowing is much higher and there is difficulty with the availability of finance these days. We have to try to spread that finance as best we can. Having that much-improved cash flow would help to deliver more units early doors—definitely.

[78] **Dr Willmott:** I would just add that we would support that on the proviso that the land or sites are in the right location. There may be an offset, so that different use goes into the public land availability, but the money from that then goes to developing another site.

[79] **Gwyn R. Price:** Good morning. Do you have a view on the assertion that the UK Government's welfare reforms could have an impact on the demand and supply of affordable homes?

[80] **Mr Price:** The short answer is 'no'; I do not have a view on that.

[81] **Gwyn R. Price:** That moves the meeting along, I suppose. [*Laughter.*]

[82] **Mr Price:** It is not something that I have gone into for this inquiry, but I can come back to you on that, if you would like.

[83] **Gwyn R. Price:** Thank you.

[84] **Ann Jones:** We made a bit of progress there. That is not an invitation for people to ask long questions and make long preambles, however. Let us move on to the next topic, which is partnership working across sectors. Rhodri Glyn, do you want to take the first set?

[85] **Rhodri Glyn Thomas:** Yr ydych wedi cyfeirio at y cynllun FirstBuy yn Lloegr. Bu ichi awgrymu iddo fod yn llwyddiannus a bod eich aelodau wedi bod yn rhan ohono, ond nid yw Llywodraeth Cymru wedi ei fabwysiadu. Yn eich tystiolaeth, yr ydych yn cyfeirio at ryw 1,000 o bobl sy'n prynu am y tro cyntaf a all fanteisio ar hyn yng Nghymru pe bai Llywodraeth Cymru'n **Rhodri Glyn Thomas:** You have referred to the FirstBuy scheme in England. You suggested that it has been a success and that your members have been part of that, but that the Welsh Government has not adopted it. In your evidence, you refer to some 1,000 first-time buyers who could take advantage of it in Wales if the Welsh Government were to operate that policy. Where exactly does this

gweithredu'r polisi. O ba le yn union y mae'r figure come from?
ffigur hwn yn dod?

[86] **Mr Price:** That figure was given to me by our economics director. The same figure was used to work out how many homes would be provided as a result of the FirstBuy funding in England. That was done with the UK Government. They did the same calculation for Wales in looking at how the £12 million would be split up to finance the delivery of housing. We worked out that that £12 million would provide 1,000 homes in Wales, which would help 1,000 first-time buyers.

[87] **Kenneth Skates:** Picking up on this and a point that was raised earlier, about accessing 95 per cent mortgages, two nights ago on *Newsnight*, Grant Shapps said that he would like to see average house prices fall from seven times the average salary to three times the average salary, because he believed that they are overvalued at the moment. Is there not a danger that enabling people who perhaps could not currently borrow a 95 per cent mortgage without Government assistance to buy homes by borrowing that amount and then reducing demand, consequently reducing house prices, will put a lot of people, probably the most vulnerable, in a position of negative equity?

[88] **Mr Price:** I would put that in a different way. It is not about reducing house prices drastically, but allowing them to become more balanced against people's average income levels, which you would do by generally increasing supply and allowing the two lines to come together. It would be very difficult for you to start devaluing house prices.

[89] **Kenneth Skates:** Not devaluing—

[90] **Mr Price:** Providing FirstBuy would allow people to get on the property ladder—you have an equity loan with FirstBuy, which is paid back by the borrower, who is tested to make sure that they can afford this scheme. So, there is no risk of that happening—

[91] **Kenneth Skates:** But it always comes down to the loan-to-value ratio, does it not? That is essentially what it comes down to. If the value falls because demand is falling—

[92] **Mr Price:** Demand has not fallen—

[93] **Kenneth Skates:** No, but what if it were to fall? We are talking about increasing the supply of affordable homes, thereby easing demand, which has consequences.

[94] **Mr Crompton:** But, at the moment, we are not building enough homes. Therefore, that is automatically having an impact on the supply of affordable homes. Every new home built creates better affordability, whether it is on the open market or in subsidised housing, because we have a shortage of housing in the UK. So, for every new home built, we generate an element of affordability. The initiative in England is to try to rejuvenate the supply of housing, because the Government recognises the benefits to economic growth. The construction sector accounts for five per cent of the UK's GDP, and the equivalent figure in Wales. When you have people actively employed and paying taxes, that creates wealth: that has a snowball effect in the overall recovery.

[95] **Kenneth Skates:** I absolutely agree with that. My point was that if the aim is to make houses more affordable by allowing people to borrow a higher proportion of the value while at the same time ensuring that affordability is guaranteed, there is a risk that you will put more people into a precarious position.

[96] **Mr Crompton:** Lenders have to take a far more responsible approach to lending these days. Back in the early 2000s, when they were offering mortgages of 125 per cent loan-

to-value, there was irresponsible lending.

[97] **Kenneth Skates:** So, 95 per cent is safe.

[98] **Mr Crompton:** Yes, 95 per cent is safe.

[99] **Kenneth Skates:** Okay.

[100] **Mr Price:** It comes down to responsible lending. In Wales, we have to recognise that, because we have been underproviding over the last 10 or 20 years—we build fewer homes now than at any time since the second world war—house prices have increased exponentially, at a much higher rate than average wage levels. So, it is not essentially a matter of trying to bring house prices crashing down, it is about trying to rebalance our economy and bring jobs and average wage levels into line with average house prices.

[101] **Kenneth Skates:** I am sorry, I do not want to take up much more time, but I would like to pick up that point about rebalancing and making sure that it evens out with average salaries. Once again, the Minister for Housing and Local Government, Grant Shapps, has said that average house prices are currently seven times the average salary. What would you like to see it come down to?

[102] **Mr Crompton:** I do not think that that is the case in Wales.

[103] **Kenneth Skates:** Okay, it is not at that level in Wales. What would you like it to be?

[104] **Ann Jones:** Perhaps you could ask that question to the Minister for Housing, Regeneration and Heritage in the next session.

[105] **Kenneth Skates:** What is the figure in Wales?

[106] **Mr Price:** It varies. In Monmouthshire, it is probably around seven times the average salary, for various reasons.

[107] **Kenneth Skates:** What would you like it to be? If it is around five times the average at the moment.

[108] **Mr Price:** The ideal would be what mortgage companies say it should be.

[109] **Mr Crompton:** Mortgage companies usually lend three times the joint average earnings. When I was a lad and bought my first house, that was the parameter that was used.

[110] **Mr Price:** That is what the Council of Mortgage Lenders says is the safe level.

[111] **Kenneth Skates:** So, from five times the average down to three.

[112] **Mr Crompton:** No, three times the joint earnings. I think that the figure that you are referring to is seven times the single income, but when a couple is buying, it is three times the joint earnings. So, it is not far off seven times the average earnings of one person.

[113] **Ann Jones:** Mark, you wanted to ask a supplementary question.

[114] **Mark Isherwood:** Until the madness took over, it was three times the salary of one person or two and a half times the joint salary as a maximum. However, until the early to mid-1990s, that was based on 95 per cent mortgage indemnity guarantee schemes being available from all reputable lenders. Was the key issue not the psychological effect of the

sense of ownership? If you have a 5 per cent ownership, statistically, the likelihood of default and repossession is significantly reduced than if there is zero ownership, which is why the Council of Mortgage Lenders is so keen on having that equity stake, while complying with the prudential rules, capital adequacy and liquidity requirements stipulated by European and UK legislation. As you have said, we are facing a supply-side crisis. There is no option with regard to income multiples; it is mandatory. No mortgage lender will lend above those income multiples and no first-time buyer will be able to buy above those income multiples at a local level. It is about what is affordable where you are.

[115] **Ann Jones:** The Council of Mortgage Lenders is coming in to give evidence at a future session. Is that the next meeting?

[116] **Mr Jones:** The meeting on 7 December.

[117] **Mr Price:** The FirstBuy scheme makes the purchaser pay a 5 per cent deposit. It recognises that they need to have an equity stake in their own home. I believe that the shared bit is an equity loan, which they pay back. Therefore, it recognises that the purchaser needs to have a certain stake in their own home.

[118] **Ann Jones:** Have you finished, Ken?

[119] **Kenneth Skates:** Yes.

[120] **Ann Jones:** We will move on, then, to consider innovation and new ways of working. Bethan, do you want to take the first set of questions, and then Janet can take the next?

[121] **Bethan Jenkins:** Hoffwn fynd yn ôl i drafod rhywbeth y bu ichi ddweud yn gynharach, os yw'r Cadeirydd yn hapus i mi wneud hynny. Gwelaf ei bod. Dywedasoeh i'r fethodoleg ar gyfer y cynlluniau datblygu lleol gael ei dyfeisio yn 2006. A ydych yn credu bod angen ailedrych ar y fethodoleg honno?

Bethan Jenkins: I would like to go back to discuss something that you said earlier, if the Chair is happy for me to do so. I see that she is. You said that the methodology for the local development plans was devised in 2006. Do you think that we need to re-examine that methodology?

[122] Yr ydym wedi derbyn tystiolaeth gan Sefydliad Tai Siartredig Cymru, sy'n dweud y byddai Cymru yn elwa ar gael cynllun tai fforddiadwy cenedlaethol. Credaf fod Shelter hefyd wedi dweud bod angen targedau. A fydddech yn cefnogi hynny?

We have received evidence from the Chartered Institute of Housing Cymru, which said that Wales would benefit from a national affordable housing scheme. I believe that Shelter has also said that there is a need for targets. Would you support that?

10.15 a.m.

[123] **Dr Willmott:** I would like to pick up on the point regarding the LDP system first. There is a light-touch review going on at the moment, which the Welsh Government is leading on and which is looking at the experiences of the five adopted local plans that we currently have, and seeing whether any improvements can be made to them. The discussions that we have had with Royal Town Planning Institute members across sectors in Wales, not just with members from local authorities, but from the private sector and so on, has led us to the conclusion not to undertake a wholesale review of the LDP system. That would not help anyone, because it would mean that we would go back to square one in terms of time, as it would take a long time to get anything moving. So, there will be a light-touch learning process based on existing experiences on that issue.

[124] In terms of an affordable plan strategy, that would be welcomed across Wales. I do not know whether it fits here, but I wish to highlight that Wales is not just one market and that we must recognise that rural areas face different problems. Andrew mentioned earlier the scale of housing developments and that the larger volume housebuilders can achieve better economies of scale and cope with the cost better than smaller developers. In rural areas, we are talking about a single development for houses, so the problems of delivering affordable housing on the back of that become significant. So, an affordable housing strategy could also look at those differences.

[125] **Mr Price:** On what I said about 2006 and LDPs, I was talking about the household projections. The Welsh Government released household projections at a local level for the first time at that time. That methodology was discussed with local authorities and no-one disagreed with it until they saw the figures, which is when a few people started disagreeing and a few started agreeing. That was the particular methodology that I was talking about. However, a review of the LDP process and learning lessons from it is something that we would support.

[126] In terms of a national affordable housing action plan, I would prefer a national housing action plan to see how we can deliver housing in Wales, and not just deliver housing for people who qualify for affordable housing. I mentioned in my response that there is an affordability gap at the moment, where you have people who qualify for affordable housing and people who can afford to get on the property ladder, and there is a big gap between those because of the way in which the market has changed. We are not catering for that at all, and that gap is growing. Therefore, work needs to be done to identify that. So, I would support a national affordable housing action plan as long as it was realistic and got national Government departments to look at what they are requiring in terms of development in Wales, and at how to deliver that. However, I would favour a national housing action plan over just concentrating again on affordable housing.

[127] **Bethan Jenkins:** A fydddech yn cefnogi pennu targedau, achos mae'r Gweinidog wedi newid ei feddwl rhywfaint ar hyn? Pan oeddem yn cymryd tystiolaeth ar ddechrau'r ymchwiliad, nid oedd yn cydnabod ei fod yn gallu gosod targedau, ond yr wyf yn meddwl ei fod wedi newid ei farn erbyn hyn fod angen rhyw fath o dargedau er mwyn rhoi ffocws i'r diwydiant yng Nghymru. Yr ydych yn dweud bod angen cynllun tai yn hytrach na chynllun tai fforddiadwy, felly a fydddech yn anghydweld â'r angen am dargedau?

Bethan Jenkins: Would you support the setting of targets, as the Minister seems to have changed his mind somewhat on this? When we took evidence at the beginning of the inquiry, he did not acknowledge that he could set targets, but I think that he has now changed his mind about the fact that some form of targets are needed to provide a focus for the industry in Wales. You say that you need a housing plan rather than an affordable housing plan, therefore would you disagree with the need for targets?

[128] **Mr Crompton:** We have to be careful that we do not kill the goose that lays the golden egg, because without the private sector, which delivers the majority of housing in Wales, you will not get affordable housing. So, the targets need to be driven from the overall housing targets. As a spin-off from that, you will automatically sweep up the affordable housing, as it will form part of that overall housing target. Those housing targets are effectively set out in the household population projections, which filter down to the LDPs. It goes back to the question that we spoke about earlier, in that authorities do not accept that they have to provide housing for that amount of population growth. So, we are caught between two stools at the moment of wanting to deliver and getting on with building houses, creating jobs and wealth for everyone, and the fact that authorities are not laying the path for us to achieve that.

[129] **Mr Price:** In terms of targets, was the Minister talking about an overall housing target or was he specifically talking about an affordable housing target?

[130] **Bethan Jenkins:** He was talking about an affordable housing target, because he said that with the economic situation as it is, he did not think that he could put a number on it. I know that Peter Black will contest it, but the previous Government had a target of 6,500 affordable homes. At the moment, we do not have any target, so that is what we were talking about.

[131] **Mr Price:** Going back to housing and affordable housing, we have to start recognising that we cannot just deliver affordable housing in a time of falling land prices, more requirements and less public subsidy. The evidence from every local authority in affordable housing viability assessments proves that the only way that you deliver significant amounts of affordable housing is through the inclusion of public subsidy. We know that that is not going to be the case going forward, and we know that the social housing grant is on a downward spiral, so we need to start looking at a different strategy to try to tackle the housing problems that we have. I would agree with a national housing target, based on the appropriate evidence in Wales. That is something that we could get behind. That would give focus to local authorities in terms of ensuring that they recognise the need to deliver more housing in their local development plans, because, again, they will be the people delivering it.

[132] **Mr Crompton:** It is about broadening the definition of what affordable housing is, as there tends to be a blinkered view by authorities that it is only social rented housing. It is also about intermediate rents and low-cost home ownership. For example, I was approached by one authority the other day that had some recycled capital grant available, and it said that it had the money available and that it could deliver four three-bedroomed semi-detached houses on our development with that money, using market rents. However, if we allow the registered social landlord to come in and charge intermediate rents, we can probably deliver 10 units with the same money. So, it is still subsidised affordable housing, but you are getting more bang for your buck by dropping some of the barriers and allowing more flexibility. As I say, we can achieve close to 25 per cent or 30 per cent affordable housing across all of our sites if we can provide different kinds of affordable housing, and not just take that one blinkered view that it is social rented housing—for which there is a great demand, but there is demand for all forms of affordable housing, as well as for open-market housing.

[133] **Dr Willmott:** I would just say that the national guidance under section 5.72—*[Inaudible.]*—intermediate housing.

[134] **Ann Jones:** Okay. Thank you very much for that.

[135] **Janet Finch-Saunders:** As homebuilders, what new ideas and innovative ways of working can you bring in to ensure that we develop more affordable housing? What would you like to see in the forthcoming housing Bill, and where do the thousands of empty properties across Wales figure in your deliberations?

[136] **Mr Price:** I have mentioned in my report that our members have a lot of products that they can bring to the market to deliver affordable housing, and, as Andrew says, the definition of affordable housing needs to be changed to look at what different types of housing are out there that you can deliver as part of an affordable housing scheme. Again, I go back to the fact that we need to look beyond the delivery of affordable housing. We need to look at increasing housing supply. That should be the primary focus rather than concentrating on trying to deliver a different type of product for people who qualify for that product.

[137] **Janet Finch-Saunders:** Okay, to sum up, what new ideas can you bring forward,

because what is happening currently is not working?

[138] **Mr Crompton:** One scheme that was launched in England, which we would like to bring into Wales, is called the Westbury housing trust. Effectively, that provides low-cost home ownership at 70 per cent or 75 per cent of the open market value. So, the purchaser comes along and only needs to get a 95 per cent mortgage on 75 per cent of the value. The unsold equity, the 25 per cent, is then ringfenced and the purchaser has the ability, when their earnings increase over time, to staircase out and buy that 25 per cent equity. Those proceeds are ringfenced in a trust fund and that money is recycled, in conjunction with the local authority, into the next development that comes along. So, that money can be reused and recycled. So, you are not just locking in a property on day one at 75 per cent of the open-market value and never accessing the 25 per cent; you are unlocking that 25 per cent to be used in the next development that comes along within that local authority area. So, it is helping to generate more users.

[139] **Peter Black:** In that particular model, is there a rent chargeable on the unsold portion through a service charge?

[140] **Mr Crompton:** No, there is not. Not under that housing trust model. Under our conventional shared ownership schemes, after year five there is a nominal amount of interest charged on the unsold equity, but that is a conventional shared equity scheme. This is a housing trust model—

[141] **Peter Black:** So, it is not conventional shared ownership?

[142] **Mr Crompton:** No. I will just pick up on a point about the housing stock. We have opened up negotiations with one authority that is requiring a large percentage of affordable housing on a particular site that we did not feel was an appropriate location for affordable housing, because it was slightly divorced from the main services and so on, and we were aware that the authority has quite a lot of unlet properties on an adjacent, or close by, local authority estate. We said, ‘Look, why not allow us to make a capital contribution in lieu of the on-site affordable housing and we will make a contribution to off-site improvements and improve the existing housing stock?’ At the moment, the authority does not think that it can agree to that entirely, but we are getting close to a part off-site and part on-site contribution, providing some on-site affordable housing as well as a significant off-site contribution in regenerating housing stock.

[143] **Janet Finch-Saunders:** I think that Roisin wanted to respond to the first part of my question.

[144] **Dr Willmott:** I just wanted to say that Richard has mentioned quite a lot about land supply, but we have heard about the case in Morrision. I do not want to open up a can of worms again, but one of the main problems that needs to be looked at is the lending aspect, rather than the supply, and how we get through on those mechanisms. It is also about giving people the ability to buy houses, which can then help those sites with planning permission to come forward. You also mentioned empty properties, which is a major issue. The Joseph Rowntree Foundation did an inquiry a few years ago into rural housing in Wales, and found that there were significant numbers of empty properties. There are some good case studies around; some of the housing associations in north Wales have used them. There are many legislative tools available in planning legislation that can help move those empty properties on. North Wales Housing, for example, has done some good developments on those. They are small scale, so it is not volume delivery, but they make an improvement, particularly in rural areas.

[145] One significant point is the section 106 agreements, which have been particularly

problematic in relation to the limits that were attached to them. Lenders are reluctant to lend on those, if owners go into default. However, there is work under way on that side of it. If you do not have a registered social landlord involved in the properties, how you sell that property to someone who qualifies for the affordable housing is a particular problem in rural areas. So, mechanisms for overcoming that are needed.

[146] **Janet Finch-Saunders:** What do you want to see in the housing Bill?

[147] **Mr Price:** A recognition that we need to increase supply. [*Laughter.*] With regard to the housing Bill, do we have any idea of when that would be released?

[148] **Ann Jones:** No. We were told that it would be during the second half of the Assembly, with a White Paper next year—well, we are nearly in next year. So, the White Paper will be sometime in 2012.

[149] **Mr Price:** I would like to see a general recognition in it that we need to look at a whole-market solution. That is what we would push for.

[150] **Ann Jones:** Thank you for that. We have run out of time, as we always do, because the subjects are very interesting. The Home Builders Federation's briefing paper was very detailed, but based around south Wales. As there are four and a half Members here from north Wales, could you highlight—not now, but in writing—some of the work that is going on in north Wales, especially with regard to the strategic regeneration area across the north Wales coastline? It would be handy to receive that paper.

[151] **Mr Price:** The reason why it was based on south Wales is because that was the only evidence that I could gather from a collection of local authorities in an area.

[152] **Ann Jones:** Well, I am sure that the local authorities in north Wales will be pleased to talk to you about their affordable housing policies.

[153] **Joyce Watson:** How about mid Wales, Chair?

[154] **Ann Jones:** I counted you in, Joyce. We will write to you to follow up the point that Mike was making about land being available but builders not building. If we could have a note about that, that will be fine.

[155] **Mr Price:** Certainly.

[156] **Ann Jones:** Thank you very much for attending. You will get a copy of the transcript to check for accuracy. When we do our report, you will get a copy of that as well.

*Gohiriwyd y cyfarfod rhwng 10.29 a.m a 10.36 a.m.
The meeting adjourned between 10.29 a.m and 10.36 a.m.*

**Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Cymdeithas Llywodraeth Leol
Cymru
Inquiry into the Provision of Affordable Housing: Welsh Local Government
Association**

[157] **Ann Jones:** If you switched your mobile phone on during that very short break, please switch it back off. I welcome our next set of witnesses or evidence providers, from the Welsh Local Government Association. With us is Steve Thomas, the chief executive, and Sue Finch, the housing policy officer. By video link, we have Councillor Dyfed Edwards, who is

the housing spokesperson and the leader of Gwynedd Council. You are all very welcome. We can see you there, Dyfed, so hopefully the video link will carry on working through this session.

[158] **Mr Edwards:** Diolch yn fawr. **Mr Edwards:** Thank you very much.

[159] **Ann Jones:** We have received your paper. I do not know whether you want to add any comments, Steve, before we go into questions.

[160] **Mr Thomas:** We can go straight into questions, Chair. I ask for one indulgence; we have Craig Mitchell with us, who is our planning specialist. Would it be okay if Craig joined us today when it comes to dealing with some of the planning questions?

[161] **Ann Jones:** Would you like to come and sit at the table, Craig? We do not have a nameplate for you, sorry.

[162] **Mr Thomas:** Craig is our planning officer on regeneration. He is the man who knows the mysteries of the planning system.

[163] **Ann Jones:** Ah, well; we will talk to you then, Craig—no pressure. *[Laughter.]* Thank you. We will move on to questions. Mark, do you want to take this first set of questions?

[164] **Mark Isherwood:** Good morning, everybody. We have heard calls from many witnesses for a whole-system, whole-market approach, and all of them, in one form or another, refer to the key role that local government must play in delivering this. To what extent do you believe that local authorities, in developing their development plans, but also in making planning decisions, are demonstrating a whole-system approach that takes into account the practicalities faced by housebuilders, about which we heard earlier today, and also by mortgage lenders, landlords—registered social landlords as well as public sector social landlords—in developing the practical constraints and also maximising the practical opportunities to deliver affordable housing?

[165] **Mr Thomas:** I chaired the affordable housing group for the Essex review in 2008. Clear messages came forward from that in terms of bringing all these different elements together and a need for effective collaboration across local government, RSLs, financial institutions and housebuilders. We have made some progress along that road, but we are not where we should be; there is still a long way to go. In terms of affordable housing—I am sure that Councillor Edwards will make this point—I am still not quite certain where we are in terms of the definition of affordable housing. There are some issues around that. However, from our point of view, it is a major strategic priority in local government, but it is among a range of other major strategic priorities. Pressures on education and social care at the moment are huge, as well as on waste management, but we have seen a very different approach to the delivery of housing in local government, and now have something like 14 large-scale voluntary transfers across Wales.

[166] In terms of affordable housing, we have worked on a range of issues. We heard the previous evidence from the Home Builders Federation, and we were struck by a sense of déjà vu about many of the issues that we are discussing today, particularly targets and the like. There is a big strategic interface across all of the institutions, but you are not going to be surprised by the major problems that we have, namely the diminishing of public subsidy and a range of other factors.

[167] **Mr Edwards:** Hoffwn ategu'r **Mr Edwards:** I endorse the comments made sylwadau mae Steve wedi'u gwneud. Un peth by Steve. One thing that should be

sydd angen ei bwysleisio yw bod y cyddestun bellach yn un heriol tu hwnt. Mae pwysau aruthrol ar awdurdodau lleol erbyn hyn, o ran y stoc tai a'r cynnydd mewn digartrefedd. Ein dymuniad ni yw ceisio cydweithio ar draws pob asiantaeth er mwyn sicrhau cyfleoedd i bobl sydd angen cael tŷ. Mewn ffordd ryfedd, credaf fod yr argyfwng hwnnw yn creu cyfle inni.

[168] Mae'r sector adeiladu bellach yn sylweddoli bod angen cydweithio'n agos gydag awdurdodau lleol, drwy'r broses cynllunio ac yn y blaen, er mwyn sicrhau bod cyfleoedd iddynt godi tai a pharhau mewn busnes. Un enghraifft yw'r trafodaethau sydd bob amser yn digwydd o ran cytundebau adran 106 gyda chaniatâd cynllunio, sef un o'r prif ffyrdd inni alluogi cyflenwad o dai fforddiadwy. Mae'r cytundebau hynny yn gallu bod yn broblemus, ond mae trafodaethau'n digwydd ar lefel genedlaethol i geisio cael datrysiaid o ran mynediad i forgeisi gydag adran 106 ac yn y blaen. Mae'r ymdrech yn digwydd, ond mae angen inni wneud llawer mwy; yr wyf yn cydnabod hynny. Nid yw'n fater hawdd, fel yr wyf yn siŵr eich bod yn ymwybodol.

[169] **Mark Isherwood:** We have heard from the Home Builders Federation that understanding of affordable housing at local authority level—the witness did not name any authorities—is often confused and is only understood as social rent. Of course, as the witness rightly said, there is huge demand for social rent, but affordable housing can also include intermediate rent and low-cost home ownership. In fact, it can include anything with any form of public subsidy; sometimes, even a scheme receiving private sector subsidy can be defined as affordable housing. However, the housebuilders identified a perception gap at local authority level. I am sure that Members will have encountered that perception among officers and members of some authorities, who also sometimes effectively sabotage developments because of a misunderstanding over what those developments are going to be. How do we overcome that and build on good practice? Gwynedd has made great progress in recent years; it had an effective transfer because it took a professional approach to it. It has worked in an innovative way, for instance with its rural housing enabler; I commend the council for that. Denbighshire has been winning awards for its delivery of affordable housing, but you cannot say the same for every local authority. How do we ensure that we can do that and, in practice, how do we engage at a local authority level, as well as nationally, the housebuilders and mortgage lenders so that the decisions being made are based on practical delivery rather than perception?

[170] **Mr Mitchell:** In terms of the local context, the local market housing assessments are critical to the understanding of need. As you say, the need is not black and white. It is not only about social housing or market housing; rather there is a continuum that needs to be reflected in the provision. There is scope in the local land availability studies to understand collectively, with all the stakeholders in the locality, the availability of land, what potential there is and the issues and constraints around the sites. So, there is a process there, but it is obvious from your comments that it is not working effectively across the board. We want to

emphasised is that the present context is very challenging. There is now a great deal of pressure on local authorities in terms of housing stock and the increase in homelessness. Our wish is to seek collaboration across all agencies to ensure that there are opportunities for those who are in need of a house. In a strange way, I believe that this crisis is an opportunity for us.

The construction sector now realises that there is a need for close collaboration with local authorities, through the planning process and so on, to ensure that there are opportunities to build houses and remain in business. One example is the discussions that always take place on section 106 agreements on planning permission, which are one of the main ways for us to facilitate a supply of affordable homes. Those agreements can be problematic, but discussions are ongoing on a national level to seek a solution in terms of access to mortgages through section 106 agreements and so on. The effort is being made, but we need to do much more; I acknowledge that. It is not an easy matter, as I am sure that you are aware.

take that up with planning colleagues following this meeting so that we can understand where there is good practice, and work with the Royal Town Planning Institute on the lessons to be learnt. We would be very concerned if opportunities were being missed because of a lack of understanding of the range of different housing models that are out there.

10.45 a.m.

[171] Councillor Edwards mentioned the work that we are doing with the Council of Mortgage Lenders, the Chartered Institute of Housing and RTPI to try to understand how section 106, and the clauses and constraints that are included in section 106 agreements, can influence the viability of affordable housing units going forward. That work is ongoing, and we would like to take your comments on board and ensure that the guidance that we are developing reflects those concerns.

[172] **Mark Isherwood:** It should reflect the concerns of homebuilders as well. We have heard a lot about viability from homebuilders this morning. Do you have, or do you intend to have, the level of engagement necessary to understand the requirements that they have or must meet if they are to invest and create jobs?

[173] **Mr Mitchell:** Absolutely. We undertook some joint training for planning members and officers some two years ago around viability models—understanding their use and how the negotiation process can operate more effectively and more openly, so that both sides can fully understand where the other is, in terms of what is deliverable on different sites. That varies greatly. Steve hinted at the range of other deliverables that section 106 also has to try to meet, so we are having ongoing dialogue with authorities around understanding viability issues. The key issue for us at the moment is that planning permission is granted over a five-year period and market conditions have changed hugely in that period. Many local authorities are re-entering negotiations with developers around section 106, and issues relating to viability and what is deliverable in the short term. Meanwhile, we have to be cognisant of the fact that development is there for the longer term and has to address broader issues. Perhaps there is a tension there.

[174] **Joyce Watson:** I want to explore whether the witnesses think that local authorities are going to build new homes in significant numbers if there are changes to the housing revenue account subsidy system.

[175] **Ms Finch:** Perhaps I could answer that one. Although great progress has been made in England on dismantling the HRAS system, we are still yet to make that advance in Wales. Negotiations between the Welsh Government and the Treasury are starting. The answer to the question of whether there will be ‘significant numbers’ is that it depends very much on what the settlement will be with the Treasury in terms of the debt that local authorities will take on. It will also depend on the borrowing ceiling that might be imposed on local authorities. There is a fairly tight ceiling in England, and if the same ceiling is applied in Wales, there will be an initial period in which it could be difficult to have much headroom, but the ability to deliver will increase over time. Therefore, this issue depends on the deal that is struck with the Treasury. There is a huge willingness among local authorities to build new housing, if they have access to finance.

[176] **Ann Jones:** Councillor Edwards, do you have anything to add?

[177] **Mr Edwards:** Cytunaf â’r sylwadau a wnaed gan Sue. Fodd bynnag, mae angen cofio ein bod bellach mewn sefyllfa lle mae mwyafrif yr awdurdodau lleol wedi trosglwyddo eu stoc i gwmni arall. Felly, yr **Mr Edwards:** I agree with Sue’s comments. However, we have to remember that we are now in a situation where the majority of local authorities have transferred their stock to another company. Therefore, you are talking

ydych yn sôn am faterion fel arbedion maint mewn perthynas ag awdurdodau nad oes ganddynt stoc ar hyn o bryd. Mae hynny'n codi cwestiwn o ran ai'r awdurdodau lleol yw'r cyrff priodol i sicrhau stoc o dai yn y sector cymdeithasol.

about issues such as economies of scale in relation to authorities that do not have stock at present. This situation raises a question as to whether local authorities are the appropriate bodies to secure housing stock in the social sector.

[178] **Ann Jones:** Joyce, do you want to carry on?

[179] **Joyce Watson:** Yes, I do. I will ask another short, sharp question. Do you think that it is appropriate to use the social housing grant for intermediate rent, when it will favour areas of Wales with intermediate incomes, or even people within certain areas with intermediate incomes?

[180] **Ms Finch:** In terms of the use of the social housing grant, we need to look at a range of solutions. I do not think that we should be aiming the scarce amount of public subsidy available at one single part of the housing market. The need within any local authority area will be evidenced by the research and analysis done for the local housing market assessment. However, it is important that we do not allow a desire to stretch the social housing grant to produce a large number of intermediate housing, which will have the effect of reducing the scale of building for social housing. There is an important question to be asked in Wales about whether we are looking to address housing aspiration or housing need. If you are looking at intermediate housing, that will tend to address aspiration rather than need. We need to have a debate in Wales about the role of the social housing grant and the role of social housing in Wales.

[181] **Mike Hedges:** Surely, it is the right to buy that is the bit that stops councils from building houses. A council sells a parcel of land for £5 million and could build 50 houses, for example, with that money. However, as soon as it builds those 50 houses, people move in, and then the next stage sees 25 or 30 of them being bought. That happened a lot in Swansea. Swansea built houses in the 1970s and 80 per cent of the developments were bought within the first three or four years.

[182] **Mr Edwards:** Dyna pam yr ydym wedi gofyn am ohirio'r hawl i brynu, am yr union reswm yr ydych wedi ei nodi. Pe bai cynghorau yn codi tai byddai lefel y stoc yn gostwng oherwydd yr hawl sydd gan bobl i brynu. Felly, nid yw'n gwneud llawer o synnwyr i ddefnyddio arian cyhoeddus yn y ffordd honno.

Mr Edwards: That is why we have asked for a suspension of the right to buy, for the exact reason that you noted. If authorities were to build houses, that stock would be reduced because of the right that people have to buy. So, it does not make much sense to use public money in that way.

[183] **Mark Isherwood:** We have received evidence that suggested that if local authorities had money to invest in affordable housing from a housing revenue account, the right to buy, their own reserves or anything else, that could be most maximised, on a multiplier effect, on leverage, by investing in a housing bond or directly through housing associations, for them to leverage in additional resource and multiply the number of houses, rather than local authorities themselves being the builders and becoming landlords. Also, in terms of the right to buy, the UK Government's proposals to increase discounts mandate local authorities to use the receipts to build more social houses. That will increase the number of households owned, which is something that Professor Wilcox has highlighted in evidence to previous committees. Could that not be a positive use of public resource, to multiply the number of dwellings by investing local authority money through a housing bond and a housing association?

[184] **Mr Thomas:** I hear what Mike is saying about the right to buy, but sales through the right to buy, in recent years, have been very small in the great scheme of things. Although, that is not to say that there should not be some sort of suspension. We have been pushing that strongly in the recent period. From our point of view, in terms of the registered social landlord sector, the days when it was almost like a third world war, sometimes, between local authorities and the RSL sector have ceased. The partnership with the RSL sector is now good. If there are more appropriate vehicles, we will use those. In this time of resource constraint, there is no point being precious about that. If there is a way of pushing forward, particularly with the borrowing powers that RSLs have, that would make a good deal of sense.

[185] **Mike Hedges:** I hope to make progress on fairer downsizing. The problem is that someone lives in a four-bedroomed house, they want to downsize, but all they are offered is a one-bedroomed flat, so they stay in the four-bedroomed house because it is better than moving to a one-bedroomed flat. The Welsh Tenants Federation and I have been campaigning on this for a long time. If people could move into a two-bedroomed flat or a two-bedroomed house, you would generate two extra bedrooms, rather than the situation that we have at the moment where they just stay put because the alternative is totally unacceptable.

[186] **Mr Edwards:** Yr wyf yn cytuno'n llwyr â'r datganiad hwnnw. Mae'n broblemus i awdurdodau lleol lle mae rhywun sydd wedi bod mewn tŷ ac yn defnyddio'r tair llofft bellach ond yn defnyddio un ohonynt. Tystiolaeth y cynghorau yw bod person yn aml am aros yn y tŷ gan mai yno y mae wedi byw am chwarter canrif; mae'n adnabod y cymdogion ac yn adnabod yr ardal, felly'n gyndyn i symud. Hefyd, mae paru anghenion person â'r ardal y mae'n mynnu symud iddi yn anodd iawn. Ond yr ydych yn hollol iawn i ddweud y gallem, pe baem yn gallu cracio hyn, ryddhau tai addas i bobl sydd ar y rhestr aros. Yr wyf yn cytuno ei bod yn broblem a bod rhaid inni chwilio am ddatrysiad ar ei chyfer, ond nid yw'n fater hawdd.

Mr Edwards: I completely agree with that statement. It is problematic for local authorities where someone who, having lived in a house in which all three bedrooms were used, now only uses one. The councils' evidence is that a person often wishes to remain in a house because that is where they have lived for a quarter of a century; they know the neighbours and they know the area, so they are reluctant to move. Also, matching the needs of the person with the area that they want to move to is very difficult, but you are absolutely right to say that, if we could crack this, we could release appropriate housing for people on the waiting list. I agree that it is a problem and that we have to look for a solution, but it is no easy matter.

[187] **Mike Hedges:** That is the difference between Gwynedd and Swansea: in Swansea, we have quite large estates, which means that people can move and stay in the same community, perhaps by moving 100 to 200 yards to a smaller property. That is different to some of the problems in the more rural areas.

[188] **Peter Black:** I want to come back to the issue of intermediate housing, particularly the definition of aspiration and need. You made a distinction between the two. Clearly, there are many people out there who cannot afford to get on the housing ladder who would rent at an intermediate rate. Is that not need or demand? How is that an aspiration; what is the difference?

[189] **Ms Finch:** If we are looking at intermediate housing, we are talking about properties that people on average incomes can access, but these are people who can also access rental properties in the market. I suppose that it is a matter of how you balance the different needs. If you are going to resolve housing issues in the community, you are not going to address the needs of just one group; you need to address the range of needs across the population. It is about balance, and ensuring that we balance the need for intermediate housing with the need for social housing.

[190] **Peter Black:** So, are you saying that socially provided housing should only relate to people who cannot afford to rent in the private sector?

[191] **Ms Finch:** In an ideal world, we would like to see social housing as an option of choice, but the reality is that the scale of need is so considerable that, essentially, we are in a place where we need to ensure that those in greatest need can access properties that they can afford in terms of social housing.

[192] **Peter Black:** Could that be provided by the public sector at an affordable rent that would apply to intermediate, as well as to more traditional, social housing?

[193] **Ms Finch:** Yes; and how you define affordability depends on income, does it not?

[194] **Peter Black:** Absolutely. Moving on to the issue of co-operatives, virtually the only policy pronouncement that the Minister has made since taking office is that he is in favour of co-operative housing. I asked him in Plenary how that would add value, and he asserted that there were additional income streams that could come with co-operative housing to facilitate the building of more housing. Are you aware of any such income streams?

[195] **Mr Thomas:** I am not, but then I suppose that some of the community mutual models that we have are co-operative in nature.

[196] **Peter Black:** Absolutely.

[197] **Mr Thomas:** I used to sit on the RCT Homes board, and one thing that we were able to do was to access a range of funding that local authorities clearly could not, particularly funding through banks. However, I am not aware of anything specific that wears the badge of a co-operative. With the models that are in place, some of the community mutuals have been very good at accessing funding, but there is a range of funding, and they access it: I do not think that there is anything new out there in terms of pulling down extra funding because you are a co-operative.

[198] **Peter Black:** Have local councils embraced this idea of co-operative housing? Perhaps Councillor Edwards would like to answer that.

[199] **Ann Jones:** Shall I fetch Councillor Edwards in on co-operative housing?

[200] **Mr Edwards:** Nid wyf yn siŵr a yw awdurdodau lleol wedi hwyluso llawer o'r gwaith hwn. Yr wyf yn ymwybodol bod enghreifftiau o ymddiriedolaethau tir mewn mannau—yr wyf i fy hun yn aelod o un. Credaf fod cyfleoedd ac anawsterau yn y maes hwn. O ran y cyfleoedd, dyma un peth mae'r Gweinidog wedi ei danlinellu, ynghyd ag a ydym yn edrych ar dai yng nghyd-destun ehangach adfywio. Mae rôl i fudiadau a chyrrff yn y maes hwn, nid yn unig i fynd i'r afael â'r maes tai, ond hefyd y maes adfywio.

Mr Edwards: I am not sure whether local authorities have facilitated this work much. I am aware of examples of land trusts in places—I am a member of one myself. I believe that there are opportunities and difficulties in this area. With regard to the opportunities, that is one thing that the Minister has underlined, along with whether we are looking at housing in the wider context of regeneration. There is a role for various organisations in this field, to tackle not only the housing field, but also the regeneration field.

11.00 a.m.

[201] Credaf, ar y llaw arall, fod cwestiynau yn codi ynglŷn â chapasiti. On the other hand, I believe that there are questions about capacity. With the pressures

Gyda'r pwysau sydd gennym bellach o ran anghenion tai a thai fforddiadwy, bydd yn cymryd cyfnod go hir i gorff sy'n llawn gwirfoddolwyr, i bob pwrpas, sicrhau'r cyflenwad tai yn y tymor hir. Mae'r pwysau'n gofyn am weithredu yn y tymor byr. Mae enghreifftiau da. Gall cyrff cydweithredol fod yn rhan o'r ateb, ond dim ond yn rhan honno.

that we have now in housing need and affordable housing, it will take quite a long time for what is an organisation of volunteers, in effect, to secure the housing supply in the long term. The pressures require short-term action. There are good examples. Co-operative organisations could be part of the answer, but only a part of it.

[202] **Mark Isherwood:** Is it not the case that housing associations are already, effectively, co-operatives and membership-owned organisations? With shareholdings at £1, they are mutual organisations. We are either talking about having more mutual organisations or maximising the ones that we have, whereas a lot of the discussion has been about them working closer together rather than developing even more.

[203] **Mr Thomas:** That was precisely my point regarding community mutual organisations, which is a model that we have tended to pioneer in Wales recently, especially with regard to stock transfer bodies. It is a model that suits the public service ethos in Wales. It seems to have a foot in social enterprise more than in the private sector. As a result, the co-operative model is enshrined. The Minister may have some cunning plans, and I look forward to hearing them.

[204] **Ann Jones:** We are moving to *Blackadder* are we? [*Laughter.*] We will now move on to welfare reform.

[205] **Gwyn R. Price:** Good morning, everyone. What consequences will welfare reform have on local government and housing and homelessness?

[206] **Mr Thomas:** We met with the three other local associations last week in Edinburgh. It was interesting, because the Local Government Association is a Conservative-Liberal coalition, we are an independent coalition and the Convention of Scottish Local Authorities is SNP, and every political party thought that the whole thing is potentially a disaster.

[207] We discussed a range of issues last week. Regarding our impact on local authorities, I have written things this morning—creditors, cash payment create a risk of higher-rent arrears, which could affect landlords and people from councils, housing authorities are picking up a rise in evictions as a result of claimants defaulting. There is an impact of merging housing benefit into the universal credit, which means that councils will no longer have a role in housing benefit. There is a possibility that they will be out of it for working-age claimants. As community leaders, we look to help our local residents, but we know that, in the first instance, the majority of claimants have been asked to assess their universal credits online. Someone will have to help people in Welsh communities to do that. So, there is a range of issues there.

[208] I speak regularly to the Institute of Revenues Rating and Valuation. It has technical people who deal with housing benefits and council tax benefits. They are not renowned for their Bolshevism, but they have said that these moves are potentially a bigger disaster than the community charge, especially with regard to housing benefit. When we discussed this last week, no-one was looking forward to this. With regard to housing, it will be hugely problematic if there are more evictions, and we have seen the homelessness rate going up.

[209] **Gwyn R. Price:** Could a local authority offer a credible alternative to the housing stock transfer? Do you have a view on that?

[210] **Mr Thomas:** Yes, if it could do it, it would be great. For a number of years we have

discussed the fourth option, but the problem was that we did not know what the fourth option was. There was a lot of discussion on that. The trouble is that it never came forward as a credible model. The model, in effect, required more investment in housing at a local level. That is fine if that is what is on offer. However, the problem is that, when it comes to revenue and, in particular, capital—we know the situation—I do not see many alternatives to the stock transfer model unless, of course, you can meet the Welsh housing quality standard from your own resources.

[211] I feel very sorry for the authorities—Swansea is a classic case in point, as is Wrexham—that have gone through a ballot process only to find themselves in a strange situation as to how they go forward. We have explored other options for many years, but the problem is that they have not really emerged as viable models.

[212] **Gwyn R. Price:** Do you know if there are any around now?

[213] **Mr Thomas:** People have discussed them, and if there is a model, fine. I worked very closely with Newport City Council when it transferred its stock. It took a view that it had a £300 million funding gap and that the clearest model for it was to transfer its stock. There are more marginal cases across Wales, and authorities can meet costs from their own resources. Cardiff is looking at a non-stock-transfer model, and Carmarthenshire has applied a unique approach in terms of how it goes forward. So, there are ways of approaching this other than stock transfer. If authorities can do that, well done, and a pat on the back to them.

[214] **Ann Jones:** Councillor Edwards, do you have anything to say on the issues that have arisen from Gwyn's questions?

[215] **Mr Edwards:** No.

[216] **Gwyn R. Price:** It has transferred.

[217] **Ann Jones:** Denbighshire took the decision not to ballot for stock transfer and it prudentially borrowed, and, to its credit—you will not hear me say that very often—it should be applauded for taking that stance.

[218] **Mr Thomas:** In that respect and in terms of Gwyn's question, the Minister for Finance made an announcement yesterday on local authority borrowing, which I suspect will apply in the first instance to roadwork schemes. However, if a pilot scheme emerges on that basis, housing is an area that you would want to look at. In the same way, one of the things that we would have looked at if the subsidy had not been cut was solar power.

[219] **Peter Black:** Prudential borrowing is an option when you have income streams to meet the needs. Is ring-fencing the housing revenue account an obstacle here? Should that be looked at?

[220] **Mr Thomas:** I think that it probably is, is it not?

[221] **Ms Finch:** On dismantling the housing revenue account subsidy in England, after lots of discussion, the HRA has remained ring-fenced in order to allow authorities to operate a self-sustaining business plan. Obviously, there are different ways of resolving that. The changes to the HRA could provide huge opportunities to those authorities that will be able to use their council tenants' rents to invest in the properties, which they cannot do at the moment. So, the sooner that we can get to that situation, the better.

[222] **Mark Isherwood:** To go back to the stock transfer issue, as I recall, Welsh Ministers and the Treasury found that only five Welsh authorities met the criteria and were authorised

to prudentially borrow. Denbighshire was one of those five. However, the consequences are that it not only has to fund maintenance of the Welsh quality housing standard for 30 years, but it must also fund interest payments and capital repayments from revenue over that 30-year period.

[223] **Mr Thomas:** The word ‘prudential’ describes it, does it not? The key issue is about servicing the debt—you do not do the borrowing unless you can service the debt. Part of Jane Hutt’s announcement yesterday was about looking at a slightly different variant of prudential borrowing, which is some form of assisted borrowing. That might be a slightly different route. If you talk to local authority directors of finance, they will tell you that they have reached their prudential borrowing limit. Strictly speaking, there is no limit—as long as you have the revenue to service the debt, you can do the borrowing—but it is a big problem. With the downturn in revenue, many local authority finance officers are being somewhat cautious in entering borrowing deals at the moment.

[224] **Ann Jones:** Councillor Edwards, do you want to come in?

[225] **Mr Edwards:** Yr wyf am ddweud dau beth yn sydyn. Y peth pwysicaf yw ein bod yn sicrhau sicrwydd tenantiaeth i denantiaid, a bod tai yn cyrraedd safon ansawdd tai Cymru. Dyna yw’r ddau beth pwysig. Mae sut yr ydym yn cyrraedd yno yn fater arall. Pwysleisiaf fy mod yma hefyd yn cynrychioli Cymdeithas Llywodraeth Leol Cymru, nid Cyngor Gwynedd, dim ots beth mae Cyngor Gwynedd wedi ei wneud. Pe baech wedi gofyn 10 mlynedd yn ôl, byddai’r rhan fwyaf o gynghorau wedi dweud eu bod yn dymuno cadw eu stoc tai, ond y realiti yw nad oedd y rhan fwyaf o gynghorau yn gallu cyrraedd safon ansawdd tai Cymru heb edrych ar fodel arall, a’r unig un oedd ar y bwrdd bryd hynny oedd trosglwyddo stoc.

Mr Edwards: I wish to make two quick points. The most important thing is to ensure that tenants have security of tenancy, and that houses reach the Welsh housing quality standard. Those are the two important points. How we reach that point is another matter. I also emphasise that I am here representing the Welsh Local Government Association, not Gwynedd Council, regardless of what Gwynedd Council has done. If you had asked 10 years ago, most councils would have said that they wished to keep their housing stock, but the reality is that the majority of councils could not reach the Welsh housing quality standard without looking at another model, and the only one on the table at that point was the stock transfer.

[226] **Mike Hedges:** I would like to make a brief point. This is not about assisted borrowing, because assisted borrowing would have a certain effect; it is about money being made available to local authorities, which they can use, if they desire, to borrow prudentially.

[227] **Ann Jones:** Thanks for that. Mike always puts that point on the record. We will now move on to discuss partnership working across sectors.

[228] **Kenneth Skates:** Do you believe that working with the private sector through empty homes initiatives and social lettings agencies could provide access to long-term and sustainable homes?

[229] **Ms Finch:** There is no single solution to the terrible challenge that we face in terms of meeting housing needs. Making better use of the existing stock has to be part of the way forward. There is some debate about the number of empty homes in Wales, but whether you take the figure of 18,000 or 26,000, it represents a huge wasted resource. We have to get much better at bringing those homes back into use. So, that is one part of the jigsaw puzzle. The WLGA would like to see the consideration of a change in the regulations, which would allow local authorities to charge more than 100 per cent council tax on empty homes. We would see that as having a double effect. The first would be to dissuade owners from leaving properties empty, and the other would be to generate an income stream, which could

potentially be invested in a recyclable loan fund to bring empty homes back into use in future. The best guess that we can give as to the income that this might generate is somewhere between £4 million and £6 million, which would provide a very valuable income stream to do that work on empty homes.

[230] Social lettings have to be part of the way forward, particularly when we look at the proposals for the housing Bill, which might include the discharge of the homelessness duty into the private rented sector, thus potentially increasing the demand placed on that sector. However, local authorities and housing associations have the potential to provide a halfway house, if you like, where they can provide good standards of management, de facto security—there is absolutely no reason why a tenant should lose a home if they are complying with the contract—and it could also deliver rents that are at the level of the local housing allowance, so are affordable to those on benefits. So, social lettings have huge potential in addressing some of the need. It will not increase the size of the housing stock, but it will merely change the body that manages that stock. However, it has huge potential.

[231] **Mr Thomas:** I would like to stress the point that Sue made. The change that we are talking about is a regulatory change, not a legislative change.

[232] **Ann Jones:** Okay. Joyce, do you want to come in on this point?

[233] **Joyce Watson:** Yes, very briefly. I agree with the principle, but you have to watch catch-all proposals. A property could be empty for a long time because someone owns it but is otherwise indisposed, perhaps in a nursing home. So, I assume that, when you talk about charging more than 100 per cent council tax, the aim would be to consider the circumstances of the individual rather than the fact that the property is empty. There needs to be a focus on the individual—and we all know that there is in many cases.

[234] **Ms Finch:** We would see it as a power rather than a duty to charge more than 100 per cent. So, it would be at the discretion of the local authority to take into account the circumstances of the owner.

[235] **Kenneth Skates:** Are local authorities working effectively with private developers and financial institutions, and is best practice being shared?

[236] **Mr Thomas:** We might as well be candid about the fact that, over the last few years, things like section 106 agreements dried up for a period of time in terms of the housing market. We are starting to see more partnership working on that basis. As to whether we could do more; yes, certainly we could, but we could give you evidence of innovation across large parts of Wales in various authorities, and hopefully some of it was in the paper that we supplied to the committee. The key driving principles of the Essex review were about treating housing as a system, not various elements of a system. That has been a lesson that we have all learned well.

11.15 a.m.

[237] **Ann Jones:** Thank you. We will move on now to innovations and new ways of working. Janet and Bethan will take this one, with Janet first.

[238] **Janet Finch-Saunders:** Do you feel that local authorities and the housing associations have enough freedom and support from the Welsh Government to be innovative and to use new ways of bringing housing forward?

[239] **Mr Thomas:** There are always frameworks that are constricting, but there is a time now to be innovative. You know from your own authority, Conwy, that some of the things

that it has done on mortgages are absolutely spot-on. Ceredigion has been doing something broadly the same as well. That is just coming forward in terms of local authorities' own initiatives within our own powers, and sometimes we do not use the powers that we have sufficiently well. There are a range of issues in terms of regulation that we would have some concerns about, but in terms of the ability for new thinking to come forward, a lot of that is down to us. It is not always about the frameworks that we operate in; it is about using the legislation that we have to the best effect.

[240] **Janet Finch-Saunders:** What would you like to see in the housing Bill?

[241] **Mr Thomas:** In terms of the things that Conwy has done, I would like to see encouragement of that. It is very difficult to put something like that into a Bill, but I was recently discussing the work that Wrexham did on its housing in terms of green energy. Again, the thing that struck me once it did it, particularly at the time it did it—it has obviously changed now—was why many more authorities had not done something similar.

[242] **Janet Finch-Saunders:** It is about sharing those ideas around Wales, is it not?

[243] **Mr Thomas:** Absolutely. There has to be a trailblazer, but, at the same time, some authorities are rather slow on picking up on the trailblazers.

[244] **Ann Jones:** Councillor Edwards, do you have anything to add to that?

[245] **Mr Edwards:** Yr wyf yn cytuno â'r sylwadau. Mae gennym y gallu i wneud mwy nag yr ydym yn ei wneud. Mae enghreifftiau, fel mae Steve wedi dangos, ond gadewch i ni atgoffa'n hunain mai'r prif broblem ar hyn o bryd yw diffyg cyflenwad cyfalaf o fewn yr holl gyfundrefn. Ni chewch chi godi unrhyw dŷ heb arian wrth gwrs, felly efallai bod cyfle i ni gydweithio â Llywodraeth Cymru i feddwl am ffyrdd o greu'r capasiti ariannol hwnnw, boed drwy awdurdodau lleol neu gymdeithasau tai, i gael y cyflewnwad tai sydd ei angen. Beth bynnag yw ein meddyliau creadigol ni, ar ddiwedd y dydd, mae'n rhaid i ni gael arian, a dyna'r allwedd i'r holl beth.

Mr Edwards: I agree with the comments. We have the ability to do more than we are doing. There are examples, as Steve has noted, but let us remind ourselves that the main problem at present is a lack of supply of capital within the whole system. You cannot build any house without money of course, so there may be opportunities for us to collaborate with the Welsh Government to think of ways to create that financial capacity, whether through local authorities or housing associations, to get the housing supply that is needed. Whatever our creative thinking, at the end of the day, we need money, and that is the key to the whole thing.

[246] **Bethan Jenkins:** Yr ydym wedi derbyn tystiolaeth gan Sefydliad Tai Siartredig Cymru yn gofyn am gynllun tai fforddiadwy i Gymru, ac mae Shelter Cymru wedi dweud bod angen targedau hefyd. Fodd bynnag, clywsom y bore yma gan y Ffederasiwn Adeiladwyr Cartrefi, fod angen cynllun tai cenedlaethol sy'n mynd yn ehangach na tai fforddiadwy yn unig. Beth yw eich barn chi am yr angen am gynllun, a'r angen am dargedau?

Bethan Jenkins: We have received evidence from the Chartered Institute of Housing Cymru calling for a national affordable housing action plan, and Shelter Cymru has also said that we need targets. However, we heard this morning from the Home Builders Federation that a national housing plan is needed that is not just confined to affordable housing. What is your opinion on the need for a plan, and the need for targets?

[247] **Mr Thomas:** The only way many plans in Wales would provide any illumination would be to burn them. We have plans everywhere. You could add another plan to this, but we know the issues, do we not? We just have to get on and deal with them. I have no problem

if the Assembly decides to do a national affordable housing plan or a national housing plan; we will do our usual bit and take part, but, as I say, I want to get on and deal with the issues.

[248] **Bethan Jenkins:** So, what about targets?

[249] **Mr Thomas:** We worked very closely with Jocelyn Davies, the previous Minister for housing, and we are working very closely with Huw now in terms of how we go forward, particularly with regard to the work we did in bringing forward the social housing grant and a number of other things. We are in a position where this has to be measured and there must be some sort of rigour on outcomes, but sometimes, we are hitting the target and missing the point.

[250] **Mr Mitchell:** I would like to reinforce that point. In this year's performance indicators for local authorities, there is one planning indicator that is about affordable housing, namely the number of additional affordable housing units provided during the year as a percentage of all additional housing units provided during the year. Hopefully, that is sending a very clear message. Also, as local development plans come on-stream, there are annual monitoring review processes. The delivery of affordable housing will be a very clear measure within that annual monitoring process that will allow us to review the effectiveness of the local development plan in delivering on affordable housing. This is not a comment on targets, but on practical delivery and on what is currently happening on the ground. Hopefully, that is one mechanism that will continue to keep affordable housing front and centre in people's minds, in terms of local development plans.

[251] **Ann Jones:** Councillor Edwards, do you have any comments on targets?

[252] **Mr Edwards:** Mae'r cwestiwn hwn yn un da iawn. Yr wyf yn nerfus am dargedau weithiau, am resymau y mae pawb yn ymwybodol ohonynt. Mae perygl y byddwn yn cydweithio tuag at sefyllfa lle byddwn yn ticio blychau, ond beth fyddwn yn ei gyflawni? Efallai mai'r man cychwyn yw edrych ar y 6,000 o dai fforddiadwy a godwyd yn sgîl addewid y Llywodraeth flaenorol, ac i ystyried y dystiolaeth sydd wedi dod i law yn eu cylch. Dylid ystyried yr hyn a gyflawnwyd gan y cynllun hwnnw a'r gwersi y gallwn eu dysgu. Dylwn gofio hefyd fod awdurdodau lleol yn gyson yn rhoi caniatâd cynllunio ar gyfer tai, gan gynnwys tai fforddiadwy, ond bod y caniatâd hwnnw'n gorwedd yn segur mewn nifer o achosion ar hyn o bryd. Mae'r sefyllfa honno'n bryder i bob awdurdod lleol yng Nghymru, yn fy marn i. Felly, mae'n rhaid mabwysiadu agwedd gynhwysfawr. Nid yw'n ddigonol rhoi caniatâd cynllunio yn unig. Mae'n rhaid inni ofyn sut y mae'r caniatâd hwnnw wedi cael effaith yn y pen draw. Efallai bod modd holi am yr effaith y mae'r 6,000 o dai a addawyd gan y Llywodraeth flaenorol wedi ei chael.

Mr Edwards: This is a very good question. I am nervous about targets sometimes, for reasons that everyone is aware of. There is a risk that we will be collaborating towards a box-ticking exercise, but what will we achieve? Maybe the starting point is to look at the 6,000 affordable homes that were built in the wake of a commitment by the previous Government, and to look at the evidence that has come to light following that. We should consider what has been achieved by that scheme and the lessons that we can learn. We should also remember that local authorities often grant planning permission for housing, including affordable housing, but that that permission lies dormant in many cases at present. This situation is a concern for all local authorities in Wales, in my opinion. Therefore, we have to adopt an inclusive attitude. It is not enough to give planning permission only. We have to ask how that permission has ultimately had an impact. Maybe we can inquire about the impact that the 6,000 houses that were promised by the previous Government has had.

[253] **Bethan Jenkins:** Credaf fod **Bethan Jenkins:** I believe that that is now a

hwnnw'n gwestiwn i'r Gweinidog yn awr. Mae'r Gweinidog wedi dweud nad yw'r targed yn bosibl yn sgîl y sefyllfa economaidd sydd ohoni. Os felly, dylid gofyn ar ba sail yr aeth y Llywodraeth flaenorol i'r afael â'r sefyllfa, gan gofio bod yr hinsawdd economaidd yn galed bryd hynny hefyd.

question for the Minister. He has said that the target is not possible in light of the current economic situation. If so, we should ask on what basis the previous Government tackled the situation, given that the economic climate was tough then as well.

[254] **Ann Jones:** We are about to have the Minister in to give evidence. I am sure that we will get around to asking that question.

[255] I thank the witnesses for their attendance at today's meeting and I also thank Councillor Edwards for his contribution via video-conference. Witnesses will all get a copy of the transcript to check for accuracy.

11.20 a.m.

Ymchwiliad i Ddarpariaeth Tai Fforddiadwy: Llywodraeth Cymru Inquiry into the Provision of Affordable Housing: Welsh Government

[256] We now move on to our final evidence session today, where we will take evidence from the Minister and question him, as part of our inquiry into affordable housing. I therefore welcome Huw Lewis, the Minister for Housing, Regeneration and Heritage, and Ceri Breeze and Rhidian Jones. Rhidian is the senior official for affordable housing in the Welsh Government. Ceri, I am told that you from the Welsh Government Housing Directorate, but I do not have any more information than that.

[257] **Mr Breeze:** Yes, I am head of housing.

[258] **Ann Jones:** Okay, thank you very much for confirming that.

[259] Minister, we have had your paper and time is short, so could we please go straight into questions?

[260] **The Minister for Housing, Regeneration and Heritage (Huw Lewis):** Of course.

[261] **Ann Jones:** Thank you, Minister. Joyce and Mark will ask the first set of questions.

[262] **Joyce Watson:** I will ask two questions together. Minister, are you satisfied with the strategic lead shown by your department and by local authorities, and do you think that continued delivery of affordable housing through section 106 agreements is threatened by the economic climate?

[263] **Huw Lewis:** Thank you, Joyce. With regard to the strategic lead, we have a very clear policy. The housing strategy that was published just prior to the elections in April—I beg your pardon, it was April 2010, not April 2011—set out the strategic priorities of the Welsh Government, and those priorities remain. Having said that, the world has changed since that document was produced. I think that we all recognise that we are in a situation of some degree of flux to say the least. The economic downturn is starting to bite in all sorts of ways. UK Government policy, which we are not always consulted on or forewarned of, has changed considerably. We have welfare benefits changes—the impact of which is still, to an extent, unmeasured or undetermined—coming our way. I am sure that you have been taking evidence from all sorts of partners in the housing sector. Every single one of them is now in a different place to that even in April 2010.

[264] Therefore, the need for the Welsh Government to take a strategic lead and be the custodian of the Welsh housing scene becomes even more pressing than before. There is also a new urgency in terms of local authorities facing up to the fact that housing needs to become a strategic priority of theirs. I hope that we have signalled this in part by giving housing a seat at the Cabinet table. That is a different situation from that which went before. Local authorities working collaboratively through these new regional structures also need to grasp the fact that there is an urgent requirement upon them to take a strategic lead. In response to this, there will also be a conversation about the legislative aspect of the way in which Welsh government, locally and at the Welsh Government level, relate to each other and to others in ensuring quality, affordability and supply across all housing sectors. So, the situation is changing.

[265] **Ann Jones:** There was also the question about section 106 agreements.

[266] **Huw Lewis:** I think that the question was whether section 106 is under pressure—

[267] **Joyce Watson:** Is it threatened by the economic climate?

[268] **Huw Lewis:** Yes, of course it is. Yes, potentially, in every single instance. There is a priority need there, and people need to realise that there are two options here in response to what the changes in the economic climate have done to what we might have assumed would have happened when section 106 agreements were taken through, given what we have been used to happening over the past decade or so. There is the option of standing still and waiting for things to turn up and things get to better. Or there is the option, particularly for local authorities as strategic housing leads, to adapt to the situation and attempt to push forward with developments that may not have been their first choice. I would say that the second option is the only option. We have to adapt to the situation because the pressures on the people of Wales in terms of accessing affordable housing are only going to increase over the coming period, and it will happen quickly.

[269] **Mark Isherwood:** Developing your comments regarding section 106, which are, of course, fully endorsed, the challenges are focused by the economic situation, but the challenges for mortgage lenders are long-standing. They are seeking simplicity and standardised products to align with low-cost-of-ownership or FirstBuy mortgages, and the registered social landlords and others are seeking flexibility so that they can adapt a financial model appropriate to each development to maximise the number of units. So, again, there is a focus on the joined-up approach. Equally, for housebuilders, as we have heard, there are issues of viability. Economic viability is not an abstract concept. It is a matter of whether they can actually afford to build where section 106 is too restrictive or too demanding, so you end up with a high percentage of nothing rather than a lower percentage of something. So, what strategic role should the Welsh Government be taking with local authorities to pull out good practice, but also to intervene where some of them are struggling to grasp that?

11.30 a.m.

[270] In addition, as we heard from the Home Builders Federation this morning—this was, I think conceded by the WLGA—there is often confusion at local authority level between affordable housing, which can mean many different things, and social rented housing, which is only one component of affordable housing. That can create certain perceptions and, unfortunately, sometimes prejudices as well. Finally, in that context, I know that you have recently made announcements on intermediate rent, and the UK Government has made announcements on intermediate rent, right to buy, FirstBuy, mortgage indemnity schemes, and so on, so how do you feel you, as Minister, should be setting the scene for a whole-market approach to recognise the need for a multi-pronged response that addresses the

pressures in the current marketplace on those who might be facing homelessness, or denial of access to the housing marketplace?

[271] **Huw Lewis:** There is quite a bit in that question, Mark. First, what is our role regarding the pressures over section 106 agreements, and so on? Our role is to broker a conversation about viable solutions, and there will be viable solutions—they may vary from place to place, and circumstance to circumstance, but I can assure you that intensive conversations between ourselves, the Home Builders Federation, the Welsh Local Government Association, the registered social landlords and other partners are ongoing about how we can find innovative ways in which finance could flow. You mentioned the Welsh housing partnership as a new way, potentially, of getting finance in the door, and there are other ways that we are considering to make this happen, including our insurance captive idea. We are also looking closely at what Grant Shapps is saying at a UK level, and, indeed, what Keith Brown, my equivalent in Scotland, is up to in terms of innovative funding packages. They might vary from case to case in suiting the needs of private investors and homebuilders, and in answering as best we can the need for affordable housing to continue to be built. We must never let go of the pressing need for that.

[272] Regarding intermediate rent, yes, we are opening up a new front here in Wales, and we need to. I would reassure all those partners out there who are concerned that this might be some kind of sudden change of direction that it is not a threat, but simply another opportunity that we have to pursue. The intermediate rent model is attractive because, of course, we can make public subsidy go further, and the social housing grant can travel a lot further. It also answers the needs of a growing proportion of the population that might not necessarily need the ultimate security of social rented housing, but is still locked out, for the time being, from private ownership, or even forms of market rent, because of the current economic situation and the attitude of mortgage lenders. Intermediate rent is not a threat—it is an opportunity that we need to exploit as much as possible. That sector needs to grow, and we need to encourage it to do so. At the centre of all our concerns remains the drive for social rented housing to continue to expand in numbers of units, and we retain our commitment to quality and all the standards that we are very proud of in relation to that social rented sector as well.

[273] I am sorry, Mark—the third part of your question escapes me now.

[274] **Mark Isherwood:** You have partly addressed it already—it linked in with the UK announcements of a raft of measures.

[275] **Huw Lewis:** We have looked closely at the announcements made by Grant Shapps. Some of this stuff is yet to be explained fully, and we will take a long, hard look at it. If there are Barnett consequentials to come, then we will do our very best to grasp them and make best use of them. If there are good ideas, we will take advantage of them. We will diverge on one thing, in terms of the attitude of the Welsh Government. An element of the UK Government's proposals is essentially the selling-off of more social rented homes to subsidise the intermediate rent market. No. I do not think that that is an ethical option. It is not something that the Welsh Government will want to pursue. It is essentially selling off social rented housing, which is in desperate shortage, and removing that from the social rented sector in order to bolster the intermediate rent scene.

[276] I think that we can build the intermediate rent market without locking people out of the option of social housing. The demand for that will only grow. Our commitment is to grow the sector, not sell it off.

[277] **Mark Isherwood:** I will come back on that final point, if I may. I presume that you are referring to the UK Government announcement for England that it would increase deposits on right-to-buy schemes, provided that the local authorities, directly, or through a

RSL, put that money into developing new housing units. My understanding was that that would be social housing, unless the local demand was primarily for intermediate rent housing.

[278] **Huw Lewis:** Let us get some clarity on this. My understanding is that it would be a one-for-one arrangement with the selling off of, essentially, social rented units to be replaced with intermediate rent units. There is an element of robbing Peter to pay Paul to this, no matter how you look at it, and it makes me profoundly uneasy. Let us get to the bottom of the detail of Grant Shapps's announcement. I am eagerly waiting news of whether there will be consequential for Wales, because that is not clear. I have not had that in writing from anyone as yet. We will grasp every opportunity that the UK Government's housing policy offers to us, but we will not necessarily adopt the same value system.

[279] **Mark Isherwood:** I am conscious, through evidence that we have already taken, that you are working with Professor Wilcox. He has done a paper for Scotland and has given evidence to previous committees on the way that right-to-buy sale proceeds can be reinvested to multiply the number of households homed in Wales. Provided that money is mandatorily invested in social housing in Wales, is it something you might consider among a raft of many other measures?

[280] **Huw Lewis:** I do not anticipate that right-to-buy sales will feature prominently in the Welsh Government's thinking at all over this Assembly.

[281] **Ann Jones:** We are going to move on to questions on alternatives to public subsidy and making best use of resources. Peter Black and Mike Hedges have questions on this. Peter is first and then Mike.

[282] **Peter Black:** I am bit concerned by the rhetoric that the Minister used in relation to right-to-buy schemes. Selling off under the right-to-buy scheme is not privatisation, as he seemed to be hinting, and the previous UK Government embraced it enthusiastically as well. It is important that we get the language right on this.

[283] I want to raise a few issues. The evidence that we had from the Home Builders Federation raised a number of issues about Welsh Government policy. It highlighted the additional costs in relation to housing provision, relating to such things as the Chair's Measure on domestic sprinklers, for example, the changes to building regulations under Part L, and the Government's affordable housing policy. It indicated that there may be some policy confusion among the Government and no clear direction on the house building sector, simply because your policies are at odds with each other: you want more affordable housing, but you are adding more costs to providing housing at the same time. Will you comment on that?

[284] **Huw Lewis:** I am very alive to the arguments of the housebuilders in terms of costs. We do not want to shut down development, whether the build is for social housing, other forms of affordable housing, or for private sector sale. We want to stimulate the housebuilding market for all those sectors of housing. The door is open, therefore, and conversations have already begun on what makes it viable for housebuilders to continue their investment in Wales. We also want to talk to them constructively about the new flows of finance that we are hoping to open up in order to help and sustain their activity on the ground. That does not mean to say that we should, for one moment, let go of our agenda on quality and safety; it is the expressed will of the National Assembly for Wales on sprinklers, for instance, that that will happen. That becomes part of the landscape of the conversation that we have to have with housebuilders. In terms of building regulations and so on—which do not necessarily come under my portfolio—there are lessons to be learnt from Boris Johnson, of all people, who has recently been very critical of the ever-decreasing size of new-build homes in London, although this is a UK-wide phenomenon. That sets us apart from a large chunk of

Europe in terms of the size of homes: there is a big quality issue to be addressed. We must retain sight of the fact that, even though we are in a downturn now and there is a pressing need for urgency on all our parts to ensure that housebuilders are accommodated and so on, at the end of the day, homes of any kind must be fit for purpose; they must be homes that people want to live in because, if they are not, at some point in the future those homes may simply become unviable. When the recession is over and people become better off—let us hope that that will be very soon—I do not want Wales to be left with chunks of housing development in which no-one wants to live and that we could not even hand over to a registered social landlord to rescue because they would not meet the bare minimum quality standards of the social housing sector. It is pointless to build substandard housing. There is a tension in the argument, but the middle way has to be found and we will be constructive and open in listening to housebuilders and their problems.

[285] **Peter Black:** I do not think that anyone is advocating building substandard housing, and I am sure that Boris Johnson's problems are completely different to the problems that we have in Wales in terms of the space that he has available. The point that is being made, Minister, is the extent to which you and other Ministers are talking to each other about how the policies fit together, and how your prerogative in terms of affordable housing fits in with the Minister for the environment's prerogative in terms of more sustainable housing. How are those conversations going and how is that emerging as a clear statement of Welsh Government priorities?

[286] **Huw Lewis:** Of course it is a priority and those conversations are ongoing. The development of that conversation and the conclusions reached will be part of an all-party discussion in the run-up to the housing Bill and the planning Bill. Ceri, do you want to add anything to that?

[287] **Mr Breeze:** You have hit the nail on the head as regards the discussions that are ongoing between Ministers. There is to be a housing Bill next year, a housing White Paper, a planning Bill and a planning White Paper. Those are the things that will prompt the discussion, which is already under way.

[288] **Huw Lewis:** I would like to underline the fact that this is a conversation for us all—not only the active partners out there, but also on a cross-party basis in the Assembly. I am acutely aware that no party has an overall majority here. Therefore, it is incumbent upon us to focus on the conversation to come to agreed solutions, because the people of Wales cannot wait while the recession knocks them for six and we have arguments about the niceties of policy here. We have to come out with results.

[289] **Peter Black:** Briefly, I will move on to the issue of the co-operative sector. Co-operatives have general support around Wales, with people having control over their own housing and environment. You said in Plenary that there might be extra funding streams associated with that, which would help the sector to add value to the overall policy. However, none of the witnesses so far have been able to identify what those funding streams are or how that sector will add value. Where it has been done before, it has had limited success. Could you give us more detail as to where those funding streams are coming from?

[290] **Huw Lewis:** To take your last point first, I think that 'limited success' is a little bit harsh. There have been a limited number of units and the co-operative sector in the UK as a whole is small. In fact, in Wales, it is non-existent. That is not to say that where it does exist, it is not successful. In my experience, it has been extraordinarily successful. It is a major housing sector in continental Europe, for instance. My belief is that there has never been the political will in any previous UK Government to make it happen. There is also the question of ensuring that everyone understands and becomes familiar with what is a new form of home ownership.

11.45 a.m.

[291] To go backwards through your questions, co-operative housing is needed because, again, it addresses the needs of a growing chunk of the Welsh population who aspire to home ownership, but who are not necessarily able to break into the traditional mortgage-lending market, especially at the moment. It also addresses all sorts of questions on the future stability of household budgets, because householders, who are owners in the co-operative sector, have a built-in stability to face future economic shocks. We would ride through this recession a little more confidently as a Welsh housing community if we already had a substantial co-operative housing sector. People would be able to ride the recession with a great deal more stability, if that was the case.

[292] In terms of new money flows, co-operatives are not magic; they do not come sprinkled with fairy dust. To kick them off, they rely on exactly the same things as any other housing sector relies on, which are a supply of land and a supply of capital, from whichever source. I would be looking to all the innovative forms of capital flow that we are trying to promote in this coming period. So, outside social housing grant, with all the various ways in which we can get private investment into ethical social housing, which is a safe and attractive investment, I would be looking to get money flowing towards a co-operative idea in the same way as I would to any other housing sector that is under consideration.

[293] **Peter Black:** So, are you saying that there are no specific funding streams associated with co-operative housing?

[294] **Huw Lewis:** Not as yet, but there will be no specific housing funding streams associated with intermediate rent or shared equity or any of the other solutions.

[295] **Peter Black:** I think that you might find that there are funding streams associated with those last two examples.

[296] **Huw Lewis:** There is no budget coming out of my department, as yet, that is ring-fenced for co-operative development. That is not to say that there would not necessarily be one in order to kick-start this in the very near future. However, the conversation about how you promote house building within this, or any other sector, remains pretty much the same. We must have new ways of tapping private capital to multiply the effect of the public investment that we wish to make.

[297] **Peter Black:** Thank you for clarifying your previous remarks.

[298] **Ann Jones:** We need to make some real progress now. Mike still has some questions on this issue.

[299] **Mike Hedges:** My first question is this: the Welsh Government, through various organisations, owns large quantities of land, including a lot of former Welsh Development Agency land; are you satisfied at the speed with which that is being brought forward for affordable housing? My second point is that the Welsh Tenants Federation and I believe that there is a problem with downsizing. For example, if someone lives in a three or four-bedroomed house, the only option that they would be given would be to move to a one-bedroomed flat, therefore it is better for them to say where they are. If they were offered a two-bedroomed house or flat, they would probably move, especially if it was in the same area. Is there anything that you could do to assist local authorities and housing associations with downsizing people to the size of property that they want to move to, rather than the size that the housing association or local authority think that they ought to move to?

[300] **Huw Lewis:** The question of land is a perennial question, and it is something that we have to crack in this Assembly term, if for no other reason than that the need is so pressing and urgent compared to the situation in the financial landscape as it was a few years ago. Am I satisfied with the speed at which public land is being brought into use for housing? No; emphatically no. We need to move much more quickly on this. We also need to get a grip quickly on where exactly all that land lies as there has been a great deal progress in registering the land. We now have online ability to begin to build a comprehensive picture, but there is still, especially in terms of land owned by local authorities, an incomplete picture of where all this land happens to be.

[301] I am also beginning conversations with, let us say, non-traditional partners about where land that is publicly owned or that might be used for public benefit actually lies. Some very interesting early conversations have been undertaken with the churches in Wales, which I intend to pursue. We will also be talking to the Ministry of Defence, the Forestry Commission and so on. However, the core of this will lie with Welsh Government-owned land and, crucially, local authority-owned land. The interdepartmental working that is often necessary for these things to happen must be streamlined, and we must have a system that is understood by all concerned and that people can get used to. Part of the problem we have had in the past is that, for every single parcel of land, we have reinvented a process for releasing it. Really, that is unnecessary. It is a question of good communication and a good method of working that involves trust between all concerned.

[302] This is work in progress and you are quite right to raise the issue as a committee. I hope that you will return to it, because the pressure on all concerned, including me, must be sustained. It is critical that we get this land flowing towards use.

[303] **Ann Jones:** There was also a question about downsizing.

[304] **Huw Lewis:** Yes, I beg your pardon. Welfare reforms coming down from Westminster, which we are stuck with in terms of the hit that some people will take to their income because of the size of the property they occupy, are being used as a stick to beat people with. I would not agree for one moment that that should be a part of the solution. However, we will see downsizing as a feature of the landscape. I start from the premise that these are people's homes, that we must be sensitive to the fact that people's homes mean a great deal to them and that these are not simply consumer durables that can be transferred from one person to another without consequence. There are ways in which we can have sensitive conversations to incentivise people to downsize where that would be good for the community as a whole, and we will be pursuing that. However, I do not intend to oversee any kind of regime where people are bashed over the head and driven into smaller accommodation because that suits what a politician might want. That would be very unfortunate and would lead to all sorts of unnecessary distress. The person comes first, along with the recognition that they are lodged in a home and not just a unit of accommodation. That is where we begin.

[305] **Mike Hedges:** I think you missed the point. I was talking about voluntary downsizing and the fact that local authorities and housing associations say how many bedrooms they need. The authority or association might say that they need one, but they might voluntarily downsize to two. There are unexpected repercussions of the legislation. We are going to see a spike in house sales.

[306] **Huw Lewis:** Yes, I think that you are right. People are complicated. There may be a grandparent, for example, who may well, on paper, be very suited to a one-bedroomed home, but they may also be thinking about where their grandchildren will stay when they come to visit. Or, indeed, they may have long-term caring responsibilities for grandchildren or others within the family. These are families with needs, and flexibility is something that I would

want to promote and encourage.

[307] **Ann Jones:** We really need to make some fast progress. So, we need shorter questions—well, not so much shorter questions, but shorter answers, Minister, I think.

[308] **Huw Lewis:** Thank you, Chair. [*Laughter.*]

[309] **Gwyn R. Price:** With that in mind, Chair, the Minister has covered some of my points. Do you have a view on whether tenants want to be paid directly or not?

[310] **Huw Lewis:** The bulk of tenants make it very clear—and have done in all sorts of surveys and input that we have received—that the current regime suits people very well. It is stable and we manage to avoid the build-up of arrears because of direct payment to landlords. For the life of me, I cannot fathom why there is such a commitment on the part of the UK Government to tear up the current situation. All we have had by way of explanation is some kind of ideological commitment to the idea—I think that it was Iain Duncan Smith who said this—that people become more independent and stand on their own two feet if they have to manage payments made to them and individually budget for their needs. That denies all sorts of realities, including the needs and wants of the tenants concerned. We are heading for trouble here, and quite unnecessary trouble over this issue.

[311] **Ann Jones:** Do you have any more questions, Gwyn? I see that you do not. Ken, you have a question on partnership working across sectors.

[312] **Kenneth Skates:** You have spoken on numerous occasions, Minister, about empty homes and have identified the need for best practice to be shared. I will move straight to regional working. What scale of co-operation would the Welsh Government like to see?

[313] **Huw Lewis:** Do you mean in relation to empty homes in particular?

[314] **Kenneth Skates:** Not in relation to empty homes in particular, but, more generally, the co-operation between local authorities.

[315] **Huw Lewis:** The regionalisation agenda within local government extends to the housing agenda, as it does to any other agenda. Empty properties are an interesting example. In response to Peter's debate later on this afternoon in the Chamber, I will be making an announcement about a commitment to our empty homes initiative. Part of the way in which it works will demand co-working between local authorities at a regional level to ensure that it comes out right. We have examples of good working, and they include empty properties. We have examples of best practice that need to be shared and spread across Wales. That goes for the whole housing conversation—the whole agenda.

[316] **Ann Jones:** Do you have anything else to add, Ken?

[317] **Kenneth Skates:** No, that is grand.

[318] **Ann Jones:** Bethan, you have a question on innovation and new ways of working, and then we will move to Janet Finch-Saunders.

[319] **Bethan Jenkins:** Pan ddaethoch gerbron yr ymchwiliad yn gynharach eleni, dywedoch ei bod hi'n anodd gosod targedau tai fforddiadwy yn sgîl yr hinsawdd economaidd. A ydych chi wedi newid eich barn am hynny? Cawsom dystiolaeth oddi **Bethan Jenkins:** When you gave evidence to the inquiry earlier this year, you said that it was difficult to set targets for affordable housing because of the current economic climate. Has your view changed? We received evidence from Councillor Dyfed

wrth y Cynghorydd Dyfed Edwards yn gynharach y byddai'n syniad da i'r Llywodraeth wneud asesiad o'r targedau a gyrhaeddwyd gan Lywodraeth Cymru'n Un, sut y'u cyrhaeddwyd, a'r gwersi a ddysgwyd, er mwyn gweld sut byddai hynny yn gallu eich helpu i osod rhyw fath o darged. Mae llawer o grwpiau sydd wedi dod gerbron y pwyllgor hwn wedi dweud bod targedau'n rhoi ffocws i bobl yn y sector tai. [*Torri ar draws.*]

Edwards earlier that it would be a good idea for the Government to assess the targets reached by the One Wales Government, how they were achieved and the lessons learned, in order to see how that could help you to set some kind of a target. Many groups who have come before this committee have said that targets gives focus to people in the housing sector. [*Interruption.*]

[320] I have just heard a man's voice.

[321] **Ann Jones:** Sorry, Bethan; I think that somebody cut across the translation.

[322] **Huw Lewis:** On setting targets, my opinion has not changed. It is just as difficult now as it was then. As I have already announced, there will be targets, but the nature of those targets has to be different. They must be more ambitious than anything that has gone before. In the past, Welsh Governments have set building targets through social housing grants for homes for social rent. That is fine, and I anticipate that when we have caught our breath—given all of the changes that are coming our way, not least the economic changes that have happened—there will be, for this Assembly, a target for homes for social rent.

[323] We must face up to the problem of affordability in a much wider spectrum if we are going to address the needs of the people of Wales. We must face up to the fact that there is a supply problem, not just in terms of homes for social rent, but in terms of those for intermediate rent, those for private market rent, and those for purchase. We should also be considering targets for empty properties—[*Interruption.*]

[324] **Peter Black:** I think that the video-conferencing switched off.

12.00 p.m.

[325] **Huw Lewis:** Empty properties are now seen as an early contender for an agreed target between all partners. First, because bringing empty properties back into use is potentially much the quickest way towards attempting to tackle housing shortage, and the regional working that we would demand of local authorities as crucial partners within that initiative would only be helped and reinforced by the setting of targets. So, yes, it is difficult to set targets, but, no, I do not have any as yet. It would be premature. However, when those targets come, they will be much more comprehensive, wide-ranging and demanding of people than anything that has gone before.

[326] **Bethan Jenkins:** I gadarnhau, felly—gan obeithio na fydd sŵn yn y cefndir y tro hwn—yr wyf yn deall ei bod yn anodd gosod targedau yn awr, ond a fedrwch chi roi rhyw fath o syniad i'r pwyllgor o'r amserlen yr ydych yn mynd i'w gosod? Nid fy marn bersonol i yw hon ond barn llawer o bobl yn y sector yw bod targed wedi rhoi ffocws ac, ar hyn o bryd, mae pethau'n symud yn arafach oherwydd nad oes ffocws o gwmpas targed.

Bethan Jenkins: To confirm, therefore—hopefully, there will be no background noise this time—I understand that it is difficult to set targets now, but can you give the committee some kind of idea of the timetable that you will set? This is not my personal view, but the view of many people in the sector is that a target gave a focus and that things are now moving more slowly because there is no such focus around a target.

[327] **Huw Lewis:** That is an interesting view that I have to listen to; it is not one that has been expressed directly to me as yet. What I can say on timetables is this: first, I would not necessarily see all these targets being set in one raft in one announcement. If we are ready to move forward, we should do so; we should not hang about. Secondly, I intend to publish before Christmas a vision paper or discussion paper, if you like, which will be a precursor, I hope, to the debate in the lead up to the White Paper for the housing Bill, which, again, I hope to publish in early spring next year. Those two things taken together describe a space in time when targets and other issues will become part of the big debate around housing that I hope will be kicked off this winter for the whole housing sector, for all partners concerned and for all those people who are interested in and care about the huge issues and problems that are facing us in terms of housing. I do not want to commit myself to announcing a target on 21 April next year on intermediate rent units for the next four and half years, but I do not see this discussion lasting much beyond the White Paper period. That would be unfair on people. Given that targets will be set, that needs to happen as quickly as is reasonably possible, ensuring that they are realistic and that they stretch all our commitments as much as possible.

[328] **Janet Finch-Saunders:** Good afternoon, Minister. Talking about new and innovative ways of working, there are lots of good ideas and practice across Wales, not least in my area in north Wales. What are you doing as a Minister to embrace some of these new ways of working, to look to support other authorities to engage in some of this best practice and to share the ideas across the whole of Wales?

[329] **Huw Lewis:** Do you have anything specific in mind, Janet?

[330] **Janet Finch-Saunders:** One example is in Conwy, where we have put £1 million aside to help first-time buyers. Another is our empty homes strategy, but the problem is that the targets that we have set ourselves are unreasonable. It is nice to say, 'Bring empty homes back into use', but there is a feeling that there should be some support from the Welsh Government to do that.

[331] **Huw Lewis:** Watch this space for announcements this afternoon in that regard. It has been a feature of Welsh politics for at least the last 12 years that we have good practice sparking up, which sometimes sustains itself, in one or two areas across the country, and we have always found it difficult to ensure that that becomes the norm across the piece. Again, I am hoping that the conversation heading towards the housing Bill will have a great deal to say about how we could normalise best practice across the country. Empty homes are a case in point. We know that there are examples of good practice in Conwy and Denbighshire in particular, Carmarthenshire has things to say and, looking further afield, the county of Kent has a lot of lessons to teach us. We need to think about a regime of sticks and carrots that will be instituted partly through regulation and legislation, which demands of partners a certain level of duty when it comes to things like empty properties.

[332] **Mr Breeze:** We are working closely with local authorities to identify and spread good practice. A good example of this is Powys County Council's property improvement loan scheme, which the council developed off its own back. The scheme is doing a good job in helping home owners to improve the condition of their properties. The question that we are discussing with local authorities is how we can spread that across Wales. A second example is our regulation team, which is in touch with housing associations and is already identifying good practice. Naturally, we are looking to spread that good practice to other housing associations.

[333] **Janet Finch-Saunders:** You may have somebody who is interested in an empty property. However, you need a facilitator to ensure that the interested party can come together with the person who owns the property. There are experts in the field, namely private sector estate agents, who could bring people together, but I think that they need support from their

local authorities or the Welsh Government to do so. The problem would then be solved, would it not?

[334] **Huw Lewis:** Conversations have to be facilitated. The local authorities that have shown the way on this have proactive empty properties officers, for instance, who facilitate those kinds of conversations. If you get to a situation where you have to consider compulsory purchase or some kind of management order, in many ways that represents a failure and a breakdown in conversation. We do not want to get to that point, as it often just slows things down. A feature of this could be duties on local authorities and perhaps other partners that involve someone ensuring that conversations take place.

[335] **Janet Finch-Saunders:** Would you consider using section 215 notices under the Town and County Planning Act 1990 to ensure that people bring their properties up to a reasonable standard?

[336] **Huw Lewis:** I am not the Minister responsible for planning.

[337] **Mr Breeze:** We will look at all options, be they financial, non-financial or legislative.

[338] **Ann Jones:** Thank you, Minister, for your evidence in this morning's session. Our aim in preparing a report was to try to offer some assistance to you for your housing Bill. You will receive a copy of the transcript to check for accuracy. I hope that we can develop the conversation around your vision paper and our report leading up to the White Paper and the housing Bill.

[339] **Huw Lewis:** The committee's inquiry will be of enormous value.

12.08 p.m.

Papurau i'w Nodi Papers to Note

[340] **Ann Jones:** There are several papers to note. Are Members content to note the five papers? I see that you are. The next meeting of the task and finish group on the future outlook for the media in Wales will be held on 1 December. The next meeting of this committee will be on 7 December, when we will be taking evidence from the Royal Institution of Chartered Surveyors, the Principality Building Society and the Council of Mortgage Lenders. Thank you for your attendance. The meeting is now closed.

*Daeth y cyfarfod i ben am 12.08 p.m.
The meeting ended at 12.08 p.m.*

(1) The witness would like to clarify that, in providing this answer, he meant that 'I accept the WG is undertaking more work on the costs and we will need to consider these costs in how we decide to take the issue forward—rather than I will unreservedly accept whatever costs are provided within the BRE report.'