Public Document Pack

Communities, Equality and Local Government Committee

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Committee Room 2 - Senedd

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Cynulliad Cenedlaethol Cymru
National Assembly for Wales

I gael rhagor o wybodaeth, cysylltwch â:

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Agenda

1. Introductions, apologies and substitutions

2. Inquiry into the provision of affordable housing (09.30 - 12.00)

Chartered Institute of Housing Cymru (09.30 - 10.00) (Pages 1 - 19)
CELG(4)-07-11 : Paper 1

Keith Edwards, Director
Victoria Hiscocks, Policy and Public Affairs Manager

Centre for Housing Policy, The University of York (10.00 - 10.30)
CELG(4)-07-11 : Paper 2 - paper not received

Professor Steve Wilcox

Break (10.30 - 10.40)

Shelter Cymru and Cymorth Cymru (10.40 - 11.30) (Pages 20 - 30)
CELG(4)-07-11 : Paper 3
CELG(4)-07-11 : Paper 4

JJ Costello, Head of Strategy and Development, Shelter Cymru
Joy Kent, Director, Cymorth Cymru

Review into Affordable Housing for Deputy Minister for Housing in the previous Assembly Term (11.30 - 12.00) (Pages 31 - 34)
CELG(4)-07-11 : Paper 5

Sue Essex

3. Papers to note (Pages 35 - 39)

CELG(4)-07-11 : Paper 6

Additional information from the Welsh Local Government Association

CELG(4)-07-11 : Paper 7

Follow up information from the meeting held on 19 October from the Minister for Local Government and Communities.

Communities, Equality and Local Government Committee

Inquiry into the provision of affordable housing, across all tenures, in Wales

Evidence by CIH Cymru

October 2011

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policy

Introduction

The Chartered Institute of Housing is the only professional organisation representing all those working in housing. Its purpose is to maximise the contribution that housing professionals make to the well being of communities.

In Wales, we aim to provide a professional and impartial voice for housing across all sectors to emphasise the particular context of housing in Wales and to work with organisations to identify housing solutions. We are committed to working with our members, the Welsh Assembly Government and all our other partners to deliver safe, warm and affordable homes for all. We welcome the opportunity to provide evidence to the Communities, Equalities and Local Government Committee's Inquiry into Affordable Housing.

General Comments

We welcome the focus of the inquiry on the provision of affordable housing. Providing good quality affordable housing is a central part of delivering a comprehensive national housing strategy, it cannot be divorced from wider concerns about housing supply, the quality of our homes and the extent to which we are to meet the needs of everyone, including the most vulnerable people. The supply of good quality affordable housing is a pre-requisite for a strong and vibrant economy, for the health and well being of individuals and for the stability of communities. It follows that an undersupply of affordable housing will have adverse consequences in these policy areas and a detrimental impact on people and communities across Wales.

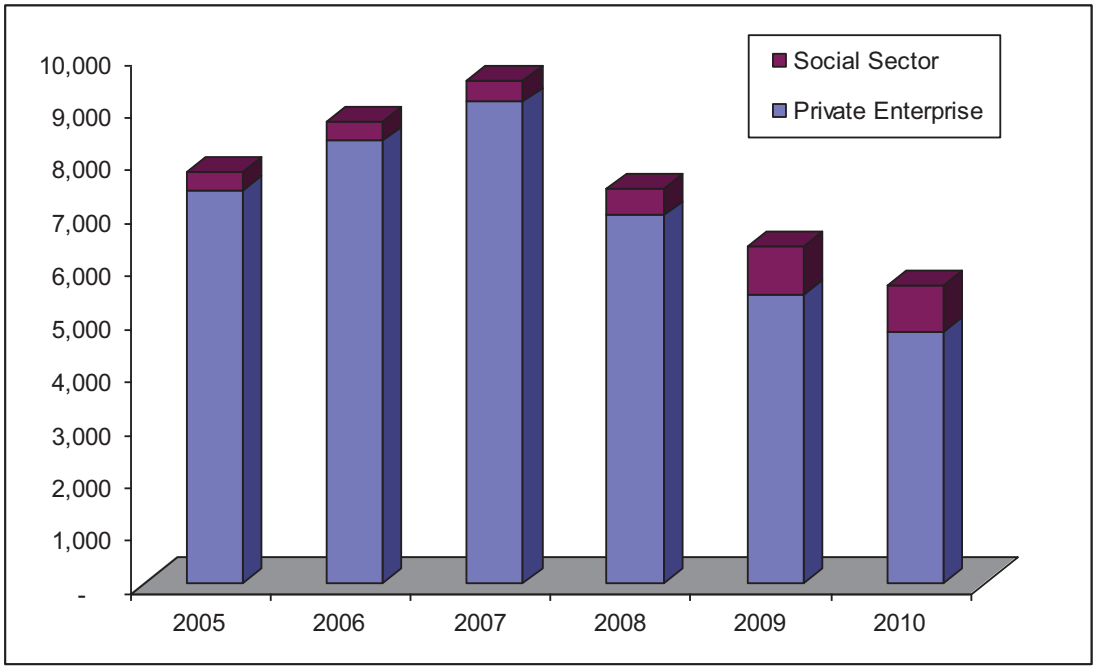
Yet, the affordability of homes in Wales remains a key challenge in 2011 with a significant number of wards in Wales experiencing house prices well in excess of 8 times local incomes, even at the first time buyer end of the market [1]. It is clear that the downturn in the market and a decrease in house prices over recent years has not done anything to address the affordability gap. Moreover, a new factor in this

[1] *Meeting Housing Need,* Victoria Hiscocks, Welsh Housing Review 2011 (CIH Cymru)

agenda has emerged in what has been deemed 'the deposit barrier'[2] to homeownership, where by stricter lending criteria is significantly limiting access to owner occupation. These trends are putting a growing pressure on social housing and the private rented sector to meet housing need, and also means that when we consider 'affordable housing' we need to include all tenures as the committee has suggested.

Research commissioned by the Welsh Government in 2010[3] suggested that Wales needs on average an additional 14,200 homes per year over the next fifteen years in order to meet future housing need and demand (9,200 in the market sector and 5,100 in the non-market sector). However we compared these estimates to the number of homes that we have actually been building in Wales (see figure 1. showing annual completions since 2005) it is clear that even in the more prosperous years 'pre credit crunch' when we were building over 10,000 homes per year, this was still no where near the required amount.

Fig. 1 Annual completions in Wales since 2005.



[2]'The Deposit Barrier to Homeownership, Steve Wilcox, UK Housing Review 2011
[3] *Housing Need and Demand in Wales 2006 to 2026*; Cambridge Centre for Housing and Planning Research, Alan Holmans and Sarah Monk

We welcome the fact that the inquiry is considering affordable housing across all tenures, as this is very much in line with CIH Cymru's approach to tackling housing issues. We have for some time been advocating a 'whole system' approach to delivering housing solutions which recognises the role that all tenures and sectors can play and also takes into account the interactions between various sectors. We are pleased to see this approach reflected in the terms of reference for this inquiry.

Key messages:

- There is a housing shortage in Wales which is set to worsen, with demand for affordable housing outstripping supply
- Despite declining house prices, access to home ownership is impossible for a growing number of people and significant areas of Wales remain unaffordable
- Both the provision of new housing and the reuse of existing stock must be explored if the fundamental problem of a housing shortage is to be addressed
- This can only be delivered though a cross sectoral, whole system approach to modelling a more flexible housing system

The effectiveness of public subsidy in delivering affordable housing, in particular SHG

There is considerable evidence to demonstrate the positive impact that public investment in housing can deliver. During the *One Wales* term the social housing sector exceeded its target of delivering 6500 homes by 23% at a time of significant economic downturn. As well as helping to maintain the construction sector through a very difficult period, this programme also helped create employment and training opportunities across Wales and provided crucial support to related supply chains both directly and indirectly. These benefits were on top of delivering much needed affordable housing to meet housing need in communities across Wales. However, it

is important to note that this significant achievement would not have been possible without the use of Social Housing Grant and the additional investment that was allocated via the Strategic Capital Investment Fund.

Of course, we are currently in a very different environment to that under the One Wales Government with housing capital now severely restricted. CIH Cymru noted with disappointment the significant reduction in this funding in the recent budget which will place additional challenges on the housing sector in delivering affordable housing going forward. In these circumstances it is important to look at what other forms of public subsidy aside from Social Housing Grant might be utilised to support the delivering of affordable housing.

Land

The cost of land is considerable factor in the delivery of affordable housing and whilst land value has fallen in response to the economic downturn, the 'hope value' that landowners attach to their asset and their consequent reluctance to release it, remains a major challenge. Use of public sector land for affordable housing has long been cited part of the solution to this particular problem and could potentially be a key form of public subsidy. A protocol launched in 2006 set out a commitment by the Welsh Assembly Government and Assembly Sponsored Public Bodies (ASPBs) to consider how surplus land - and other land being brought forward for development – could make best use of public assets for achieving housing priorities. This was followed by a commitment in the *One Wales Agenda to '* improve radically the supply of publicly-owned land, including land in the ownership of the Assembly government, for local, affordable housing.' Despite these clear commitments from two successive governments this has not been successfully implemented to date on any sort of scale. The new 2011 Labour administration provided a clear manifesto commitment to make public land available for housing and it is essential that this is translated in to action if we are to deliver any where near the number of affordable homes that Wales requires. It is important that this commitment is taken forward across Government departments who have land within their ownership. An analysis

of barriers to releasing public land should be undertaken leading to specific actions to significantly increase supply across all departments and

Developing skills and capacity

Delivering affordable housing is not just about funding development and build costs, but about ensuring that housing (and other) professionals have the right skills and capacity to be able to effectively take this agenda forward. Whilst opportunities for delivering affordable housing through the planning system have reduced significantly in the last few years, that is not to say that they have diminished completely. Moreover, there is a considerable argument to be made for ensuring local authority housing and planning departments are ready to make the most of any opportunities that might arise should the market begin to improve.

CIH Cymru has long advocated the local strategic housing enabling role and the importance of having a well resourced and highly skilled strategic housing function cannot be overstated. We acknowledge the recent work in raising awareness of this role across local authorities in Wales which has been undertaken by WLGA in conjunction with Sue Essex. We would however suggest that the committee considers the way in which the Welsh Government might further support this function and the benefits that investing in strategic skills and capacity might deliver.

For example CIH Cymru in 2009 received Social Housing Management Grant to deliver a series of intensive seminars around 'skills for affordable housing' for strategic and affordable housing officers. This training covered skills such as negotiation skills and development viability appraisal in an effort to equip housing professionals with the technical expertise to work more effectively. As new staff enter this area, it is essential that high quality skills training is available and we would urge the Welsh Government to work in partnership with professional bodies to develop and deliver this. CIH Cymru is already making an impact in this area through the joint Housing and Planning network that we run with our colleagues in

the RTPI, bringing housing and planning professionals together to share good practice and facilitate joint working. Housing Pact Cymru, CIH Cymru's ask and offer to the Government at this year's elections, recommended that that the Government '*invest in a cross professional skills programme in housing, planning, community development and regeneration'* and we would consequently urge the committee to give serious consideration to skills and capacity as part of their inquiry.

The role of Housing Benefit as public subsidy

Housing benefit is often overlooked as a housing subsidy, however with its primary policy objective of ensuring that low income households have access to accommodation that reasonably meets their needs, it is in fact a key consideration when discussing the effectiveness of public subsidy in delivering affordable housing.

CIH Cymru would take this opportunity to highlight some of the concerns of our members about the impact of the current Welfare Reform agenda on their businesses and the people they work with and for. The range of reforms and their likely impact on some of the most vulnerable in society are well documented and can be accessed in more detail in other CIH publications[4]. However, in relation to the impact on delivery of affordable housing we are not convinced that the necessary steps have been taken to examine the important inter-relationships that exists between housing benefits, rents and new supply.

Housing providers and the lending community are both clear that changes to housing benefit, in particular in the social sector, will have important effects on business plans and the ability to service existing debt as well as service new borrowing. The off balance sheet borrowing undertaken by housing associations is of particular importance given its pivotal role in providing for the building of new affordable housing. Changes to housing benefit will have implications across other

[4] http://www.cih.org/housingbenefit/services.htm

areas of public expenditure, including the impact and effectiveness of capital investment in new homes, that need to be fully understood and quantified.

Defining 'affordable' housing

Until recently, measures of affordability of homeownership focused on the incomes which households required to access the market. This was the basis for CIH Cymru's analysis of housing market affordability in Wales in 2005[5] and 2006[6] which highlighted the significant and increasing affordability problem in Wales as house price to income ratios rose to record levels. Since this research, the affordability issue has certainly risen up the public and political agenda.

Whilst access to home ownership has often characterised discussions on affordability, it has always been an issue for other forms of tenure – indeed it is becoming an increasing problem across both the private and social rented sector because welfare reform meaning reducing the level of housing benefits and in the case of the private rented sector concerns about rents rising faster than incomes.
The Welsh Government has so far shown little enthusiasm for the 80% market rents model for affordable housing being developed in England and CIH shares concerns that such a model not only undermines the concept of affordability but is politically, culturally and socially unacceptable as a model for Wales. However it would be naive to think that such policy developments in England do not have an impact on the Wales housing system both through 'policy creep' and by virtues of the fact that housing markets transcend administrative boundaries.

From CIH Cymru's perspective the important issue is to define affordability in a Welsh context and proactively fashion policy interventions. We believe that an important step in that process is for the Welsh Government to lead the

[5] *Young, working and homeless* CIH Cymru Key Information Briefing, 2005
[6] *Young working and still homeless*,CIH Cymru Key Information Briefing 2006

Needs to be part of a bigger discussion in Wales about the role / purpose of social housing as part of a wider debate on affordability

The housing advantage

The impact of housing investment in delivering wider benefits - jobs, training, regeneration, improved health and wellbeing etc – although long understood has never been more relevant. The evidence to support this is increasingly extensive and robust and includes the WERU report produced by Community Housing Cymru,[7] *The cost of poor housing in Wales*[8], produced by Shelter Cymru and BRE and the evaluations carried out on impact of the i2i Can do toolkit[9] over the first two years of its operation. Moreover, a recent Value Wales evaluation of the 'multiplier' outcomes for public investment in three case studies concluded that the best results had been achieved through the housing.

There is also evidence that a greater number of job and traineeships are created through housing than other construction investment for example transport where a higher proportion of the spend goes on plant and materials and less on employment. CIH Cymru is therefore a strong advocate of taking a wider assessment of the value of public investment in housing that takes into account the positive economic, social and environmental impacts

Whether alternatives to public subsidy are being fully exploited

[7] http://www.chcymru.org.uk/chc_dev_final//publications/weru-report.cfm

[8] http://www.sheltercymru.org.uk/media/press-release-display.aspx?Parentid=4&year=2011&newsid=26

[9] http://www.whq.org.uk/i2i/about_resources.php

Making public subsidy go further

CIH Cymru would not necessarily agree with the principle of seeking 'alternatives' to public subsidy because (as we have noted earlier) of the crucial part that affordable housing plays in not only meeting housing need and building sustainable communities but in delivering on a wide range of other government policy areas including health, education and economic regeneration. We would advocate the maximum possible investment in housing because there is a strong case that spending on housing can deliver added value across so many other agendas. We do however agree that it is important to consider how public subsidy might be used more effectively in order to achieve the maximum impact, and recommend that the committee also starts from this premise.

Accessing other forms of subsidy

The housing sector in Wales has been exploring how it can make public subsidy go further for some time. We would commend the work being undertaken by Community Housing Cymru who are working hard with their members to explore a range of mechanisms for achieving this objective. The recently launched Welsh Housing Partnership is a clear example of a number of organisation coming together with a view to increasing the provision of quality affordable homes with a lower level of public subsidy. The key issue is however that accessing innovative funding can only reasonably be expected to compliment public investment and not replace it.

The importance of direct investment in affordable housing in accessing other public / private investment is also an important consideration. A decrease in capital programmes runs the risk of incurring an opportunity cost through a subsequent failure to lever in of public investment for example through energy efficiency schemes such as HEES and Arbed . Accessing European resources if as anticipated

housing projects become eligible for funding in the future could also be undermined if public investment is not available as match funding.

Whilst the opportunities for planning gain have reduced as noted earlier, this is still an option that should be explored where possible. Unfortunately, affordable housing Affordable housing is often the only thing that can be negotiated on S106 agreements with projects for education and highways taking a priority. It is essential that local government makes affordable housing a strategic priority if the housing opportunities from this route are to be maximised.

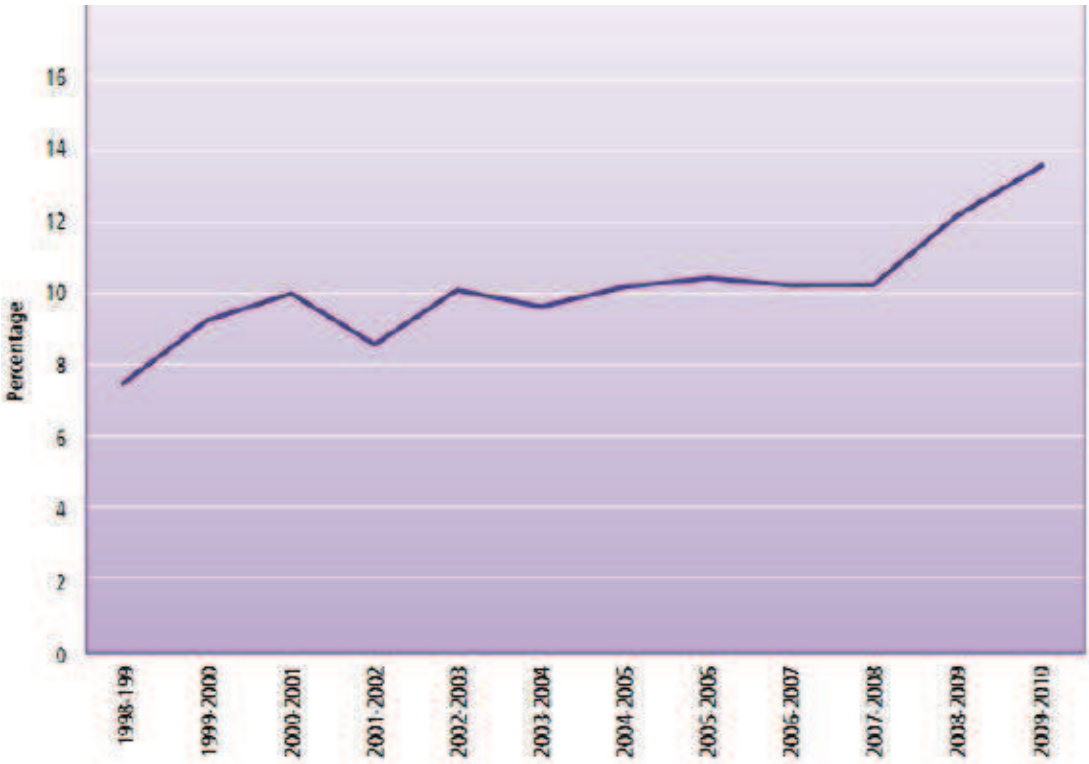
Direct public investment will not only continue to be necessary but there are very strong arguments for it to be restored to at least 2009-10 levels. This is not however and argument for simply returning to better times. The housing sector as a whole will need to take responsibility for narrowing the gap between the supply and demand for affordable housing and this involves a far more joined up and cross sector approach long advocated by CIH Cymru. This should include exploring innovative funding, utilising public land, bringing empty properties into use and developing new mutual forms of delivery

The role of the Private Rented Sector

In the past the private rented sector has been undervalued and overlooked , mainly playing a residual role for those who cant access social housing or owner occupation. There is now however an increasing expectation that it will cater for demand in the wider housing market, meeting a variety and diversity of needs and becoming the tenure of first choice for some households, fulfilling need that cannot be met by either the owner occupied or social rented sector. CIH Cymru has been reinforcing the message that the PRS is part of a 'whole system' solution to meeting housing need and there is an expectation that the PRS will have to play an increasingly important role in the future. This is evidence from the increase in the proportion of stock in the PRS over recent years (see figure 2) a trend which looks set to continue,

with some commentators estimating that it will rise to 30% of the market over the next few years.

Figure 2. Increase in the Private Rented Sector in Wales.



It is clear that in any strategy to provide affordable housing a good quality private rented sector must play a key role and we need to ensure that it can fulfil this role. This means providing private rented homes which are of a high quality, are managed well and offer a secure, long term option for those wishing to access it. CIH Cymru is currently doing some work to consider how we take a strategic approach to delivering this ambition, building on the report produced by the Communities and Culture Committee under the previous Government. This will look at what legislative options might be presented under the Housing Bill to address quality and security as well as how else we might improve the PRS offer in Wales, for example through growing social letting agencies using the expertise of the RSL sector in managing and maintaining properties.

Learning from other parts of the UK

The challenges that Wales faces in relation to affordable housing are not unique, but are common to all four corners of the UK. Whilst the policy, regulatory and political environment might vary across the regions, there is nevertheless an opportunity to learn from good practice an innovation from other areas. We would particularly commend some of the work that has been undertaken by our colleagues in CIH Scotland in a new briefing which has attempted to understand the new reality of how social rented and other affordable housing will be funded in the future.

For housing providers who still want to develop, this will mean a change from current business models to provide a mix of homes including market and mid market rent or shared equity, which the Scottish Government anticipates will cross subsidise the provision of social rented housing. New governance structures may also be required to set up special purpose vehicles to manage new funding arrangements. Bond and pension fund markets are to be explored, but all of these new funding models come with an element of risk and whether they can work or not will depend on how much risk an individual organisation is prepared to be exposed to and how they manage that risk. For some of the models, the Scottish Government may be prepared to take on some of the risk through Government backed guarantee schemes, but in most cases the risk will be with the provider. The Scottish Housing Regulator will also be developing its thinking around acceptable levels of risk in the new funding process. Some of the models that have been explored in the beefing include:

- Pension funds and special purpose vehicles
- Mortgage Indemnity Guarantee
- Mid market rent initiatives (MMR) including National Housing Trust
- Bond finance
- JESSICA funding

http://www.cih.org/scotland/policy/affordablehousing-briefing-July11.pdf

Whether the Welsh Government, local authorities and RSLs and effectively utilising their powers to both increase the supply of, and access to affordable housing

We would refer to the release of land alluded to earlier as a significant area where the Welsh Government could further utilise its power. We have also called for a National Housing Delivery plan which we feel would be a useful way of bringing all the components and sectors together to develop a strategic approach for increasing the supply of affordable housing (see question 5).

National government is not the only public body with a land supply; local authorities are key players in this and have the capacity to dispose of their land at less than best consideration in order to bring forward affordable housing. In difficult economic times, local authorities are understandably under pressure to achieve best value from their assets, but it important that they see this as part of 'the bigger picture'; the significant added value that housing investment can bring (see The Housing Advantage) alongside the cost of not meeting local housing need (not least though increased homelessness) should provide a clear mandate for local authorities to make use of their land for housing where appropriate. This also applies to those LSVTs who have inherited developable pockets of land post transfer, where there is a large amount of potential to work in partnership to bring forward housing on these sites.

Another area for local authorities to consider is their approach to bringing empty homes back in to use. Local authorities have extensive powers in this area but there is inconsistency across Wales in the extent to which these powers are utilised and the level off resources being committed to tackling empty homes. We are looking forward to hearing details of the new national empty homes initiative that was announced in the Programme for Government as this was something CIH Cymru has

championed for a number of years. Our references to the strategic housing role, relationships with planning and the corporate commitment to affordable housing are also pertinent to the way in which local authorities are effectively using their powers.

In terms of access to affordable housing, we would highlight the very important role of providing good quality housing information and advice. Most local authorities now have very comprehensive housing options services and it is essential that these are maintained and not put under pressure by spending cuts. Housing options advice should ideally include the full range of housing options including private renting and owning and should not be 'crisis driven', although there is a risk services retreating to this under current pressures.

The RSL sector, as stated previously, has been very successful at finding new ways to use the tools at their disposal to increase affordable housing, but there is of course still scope, and indeed a large drive, to continue to do more, including using their own reserves and land where possible. There are interesting opportunities in the LSVT sector where land has transferred over to the new organisation and there is an appetite to build.

Overall, it is CIH Cymru's view that housing providers are generally committed to seeking out innovation and developing new models in order to meet Wales' housing need and on our part we will do everything we can to support the sector to achieve this.

Whether there is sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders

Over recent years there has been a growing recognition that no one sector can deliver on its own and that collaboration the key to being able to achieve anything in the current climate. In CIH Cymru's view there is in general a high degree of collaboration between local authorities and their RSL partners, although the quality of this relationship might vary across Wales, and there is always a case to made for trying to improve ways of working.

The current challenge it seems is around private sector partners who, in response to the external environment have become much more risk averse and have retreated from the affordable housing market to focus on what they perceive as more 'mainstream' activities. CIH Cymru members have informed us that engaging with lenders and house builders is now more difficult than ever, and that this does present a barrier to delivering affordable housing in the current climate.
CIH Cymru is currently working with the WLGA and the CML to develop new guidance for local authority housing and planning officers on mortgage lending for affordable housing. This aims to set our some parameters that lenders are current prepared to work within in lending on S106 and other affordable housing products. This aims to overcome some recent challenges whereby potential owners have been unable to secure mortgages on certain properties due to overly restrictive criteria around occupancy clauses and future sales. This will hopefully achieve the balance of helping properties to remain affordable in perpetuity and satisfying the requirements of lenders who perceive this sector as a higher lending risk. This has been a good examples of engaging lenders in the affordable housing agenda and maintaining their engagement in the future will be critical.

Local authorities have a critical role not simply in terms of their strategic housing role but in maximising opportunities to collaborate with ach other and develop

effective partnerships with other sectors. This includes regional market assessments, sharing strategic resources and empty homes management initiatives.

Whether innovative methods of delivering affordable housing such as Community Land Trusts or co-operatives could be promoted more effectively by the Welsh Government.

The key issue raised by this question is the need for innovation, not just from Government but from all the partners who work across the housing sector. Innovation is the key message here.

CLTs and cooperatives are both very interesting models that have potential to add to the range of tools and solutions in Wales, and could present particular opportunities in rural areas for example. Wales has a rich tradition of co-operation, and in recent years has led the way in new models of community housing.

The Community Housing Mutual sector now represents thousands of homes and has significantly changed the landscape of housing in Wales. These organisations, along with the many other social landlords who are taking more mutual approaches are succeeding in offering greater opportunities for local decision making, wider regeneration activities and for tenants to have a greater say in the way their organisation is run. The current policy, financial and social climate makes mutual and co-operative options and attractive solution in addressing housing needs, community ownership and neighbourhood / community management.

CIH Cymru is also very interested in the opportunities that cooperative models might present for the delivery of new affordable housing – whether this be for social rented housing or for helping people in to homeownership or intermediate tiers. There are already a considerable number of models and approaches that have been

tried and tested and there is scope to give further consideration to what might work in Wales. It is important the full range of models. Including self build, self-help housing and cooperative and mutual owning and rented are explored. CIH Cymru was pleased to recently receive an invitation to attend a Welsh Government working group to explore this agenda and look forward to contributing to this growing body of work alongside our partners.

We recognise however that co-operative and mutual housing is not a panacea for the housing problems currently faced in Wales. Whilst it provides an interesting alternative model that is worthy of further consideration by the housing sector and local and national government, this should be part of a patchwork approach to meeting housing need across the whole housing sector.

CIH Cymru's view is that going forward we will need a comprehensive approach to affordable housing which utilises the full range of tools at our disposal. A key recommendation of Housing Pact Cymru was for the development of a 'national affordable housing delivery plan' to map out all the different elements that could contribute to increasing the supply of affordable homes. We feel that this could include

- Bringing empty Homes
- Intermediate rental products
- Maximising the use of public land
- Enabling local authorities who have ambitions to build to do so
- A strategic approach to the Private Rented Sector
- Traditional social housing funded through grant
- RSLs maximising the use of their RSLs
- Maximising the use of the planning system
- Innovative financing models such as bonds and pension schemes

Contact Details

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Shelter Cymru

Written evidence to the Communities, Equality and Local Government Committee Inquiry into the provision of affordable housing across all tenures

Introduction

Shelter Cymru welcomes the opportunity to submit evidence to this inquiry. We feel it is important first of all to establish a common understanding of what affordable housing means, given that there can be variances in usage particularly between the English and Welsh policy contexts. For the purpose of the Welsh land use planning system, affordable housing is defined as 'housing where there are secure mechanisms in place to ensure that it is accessible to those who cannot afford market housing, both on first occupation and for subsequent occupiers'[1], including social and intermediate rents. Rather than focusing narrowly on affordable rents as 80 per cent of market rent, it is important that the Inquiry states clearly that the Terms of Reference apply to the wider definition of affordable housing as outlined in the TAN 2 guidance.

Effectiveness of public subsidy in delivering affordable housing

The current and predicted future pressures on the housing system make it an appropriate time to clarify the purpose of affordable housing. There are a wide range of models of affordable provision, some of which are only slightly more affordable than market rents or mortgages. Different models will suit different households and there is scope for extending access across the board. However we would also argue that, in the current economic climate, provision of social rents must not suffer because intermediate rents are more attractive to private investors.

At a time when increasing numbers of people are finding themselves in unsuitable and unaffordable accommodation it is crucial that the Welsh Government not only protects capital funding for affordable housing but actually increases levels of investment to meet need.

The vast majority of affordable housing is delivered through capital grant: in 2010-11, 86 per cent of new affordable housing units were funded this way[2]. However, over the last four years affordable housing provision has been less than half of the scale of need, estimated by the Holmans report[3] at 5,100 below-market units per year. Between 2007 and 2011, a total of 9,091 affordable housing units were provided. Over that same

[1] Planning Policy Wales Technical Advice Note 2: Planning and Affordable Housing (June 2006) Welsh Assembly Government
[2] SDR 196/2011 Affordable Housing Provision in Wales, 2010-11
[3] Housing Need and Demand in Wales 2006 to 2026, Holmans and Monk, 2010 http://wales.gov.uk/topics/housingandcommunity/research/housing/needandemand/?lang=en

period, 1,428 were lost through the Right to Buy and Right to Acquire, and an unknown number were demolished[4].

Cuts in capital funding outlined in the Welsh Government's draft budget for 2012/13 will exacerbate the shortfall between affordable housing provision and need. Local authorities have estimated that provision of affordable housing units will contract as a result, with an estimated reduction of 13 per cent between 2012/13 and 2013/14.

We argue that, in the current economic climate, cuts in public spending on provision of affordable housing fail to take account of the available evidence that increasing capital housing investment would assist economic recovery more quickly.

A study by Shelter[5] calculated that every £1 of public investment in housing generated £3.51 of economic output, just in terms of the boost to the house building sector alone and not including the wider social and economic impacts of housing investment.

Furthermore, a recent study[6] commissioned by Shelter found that action to increase investment in housing has potential to increase economic growth quicker than investment in other traditionally high value sectors. There is spare capacity in the construction industry and sufficient land available for extra investment to quickly turn into increased activity. Housing investment also has the benefit of improving long-term growth potential because of its beneficial impact on overall economic capacity and through strengthening labour mobility and work incentives.

A proportion of affordable housing can be provided through alternatives to public subsidy, such as planning gain, as well as through making better use of existing stock, and the Welsh Government should be making the most of these alternatives, some of which are described in more detail below. Government has an essential role in creating the conditions and environment for co-operatives and social enterprises to flourish. However, while it is not realistic to expect the Government to pay for everything, there is no avoiding the fact that, given the scale of housing need and the current state of the market, the lion's share of demand for affordable housing needs to be met through public subsidy.

Alternatives to public subsidy

There is undoubtedly more that can be done to maximise resources and lever in private investment. Housing associations are in the vanguard of developing innovation in private finance although many of the emerging models are built around intermediate rents, which while meeting the housing needs of certain types of tenant will not be available for those with the most acute levels of need. It should be possible to strike a balance between intermediate rents, funded through private finance initiatives, and social rents funded through public investment.

There are many models of co-operative housing that have developed, largely outside of Wales, some of which would fit within the TAN 2 definition of affordable housing. We see

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[4] Welsh Government statistics do not disaggregate numbers of demolished housing units by tenure type

[5] Research briefing: Housing Investment: Part 1 (June 2010) Shelter

[6] Pryce, V., Corry, D., Beatson, M. (October 2011) Investment in housing and its contribution to economic growth. Report prepared for Shelter http://england.shelter.org.uk/professional_resources/policy_library/policy_library_folder/investment_in_housing_and_its_contribution_to_economic_growth

merit in exploring all of these options. However, while there is interest and enthusiasm for developing co-operative models of housing in Wales, the lack of an enabling secondary housing co-op to provide advice and support is holding back innovation in this area. The Welsh Government should provide an effective kick-start to co-operative housing by establishing a secondary co-op.

Making best use of existing stock

While there is no avoiding the need for a step-change in the numbers of new build affordable homes, there is also scope for public subsidy to be used in a cost-effective way to increase use of existing stock.

There are 24,000[7] empty homes in Wales, many of which could be brought back into use if owners had resources to do necessary renovations. A low cost loan fund, coupled with support for local authority Empty Homes Officers and a public relations campaign to raise the profile of the issue, would assist owners to bring properties to the market and there are established initiatives[8] where this has been successfully done, which the Welsh Government can learn from. We are aware that the Government is examining options for an Empty Properties Initiative and we hope that this will be built on existing good practice and sufficiently resourced.

The introduction of under-occupancy cuts to Housing Benefit in 2013 will cut the income of 42 per cent of working age claimants in the social rented sector. Given the extent of financial hardship that will result from this policy, the Welsh Government could concentrate on creating positive incentives for households to downsize, not only in the social rented sector but across all sectors including owner-occupied housing. The Home Loss Payments (Prescribed Amounts) (Wales) Regulations 2008 may provide an effective blueprint for incentive payments – these regulations established a flat rate payment of £4,700 for homeowners and tenants displaced by compulsory purchase or public redevelopment of land, to compensate for the distress and inconvenience of having to move home at a time not of their choosing.

The availability of mortgage rescue has declined considerably since the Welsh Government's Mortgage Rescue Scheme came to an end in April 2011. Currently only four local authorities and a handful of housing associations offer schemes and, although mortgage possession numbers have generally stabilised in recent months[9], predicted rises in interest rates will undoubtedly result in a new wave of mortgage arrears and possession proceedings.

By facilitating mortgage rescue, local authorities and housing associations can avoid homelessness and safeguard that property for future affordable housing, generally at a lower cost than building new units. The Welsh Government could provide a stronger steer in this respect. Where mortgage rescue schemes exist, outcomes can vary significantly between social landlords. Some schemes have a high success rate in terms of keeping people in their homes, while others see greater numbers of people who have gone through mortgage rescue subsequently falling into rent arrears and losing their home. A key factor is the provision of support and financial advice alongside mortgage

[7] Shelter Cymru research
[8] Kent County Council 'No Use Empty'
[9] Ministry of Justice mortgage repossession statistics http://www.justice.gov.uk/publications/statistics-and-data/civil-justice/mortgage-possession.htm

rescue. Some local authorities and housing associations do this effectively and there is a role for the Welsh Government in drawing together good practice and setting basic benchmarks so that quality and effectiveness can be measured.

Supporting you
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Cymorth Cymru Evidence to: Communities, Equality and Local Government Committee

Inquiry into the provision of affordable housing, across all tenures, in Wales

Background

Cymorth Cymru is the representative body for providers of housing-related support, homelessness and supported living services in Wales. Our members work to assist people who are vulnerable, isolated or experiencing housing crisis, including:

- people who are homeless, or at risk of homelessness
- families fleeing domestic abuse
- people dealing with mental or physical health problems
- individuals with learning disabilities
- people with alcohol or drug problems
- refugees and people seeking asylum
- care leavers and other vulnerable young people, and
- older people in need of support/care

This list isn't exhaustive, and individuals may often face a range of challenges that make it difficult for them to find or maintain a stable home and build the sort of lives we all aspire to.

Cymorth Cymru has over 110 members all of whom help people address these issues, supporting them in finding both emergency accommodation and long-term, secure homes where they may fulfil their potential and build happy and fulfilling lives.

We have three overarching objectives:

- To improve the links between policy and practice by ensuring that those working in frontline service delivery understand and are influenced by the wider policy context, and those working in policy

development understand and are influenced by the experiences and knowledge of those working on the ground.

- To ensure that the sector maximises its contribution to the lives of citizens and the communities in which they live by helping to build and develop the sector's capacity and professionalism.
- To increase public understanding and support for the sector and the work it does in helping people build the lives they aspire to within the community.

Overview of evidence

It is understandable that reviews or inquiries into housing issues tend to focus on issues relevant to mainstream housing. Cymorth Cymru is particularly grateful to the Committee for not limiting its remit in this way and for giving us the opportunity to highlight issues regarding the provision of housing with support/care.

In drafting this response we are grateful to our members working within housing associations, third sector organisations and local authorities for their input.

We have also liaised with partner organisations and would like to take this opportunity to endorse the evidence provided by CIH Cymru and Shelter Cymru.

Our evidence is presented in the following format:

- General comments
- Responses to the Inquiry's specific points
- Summary of our key points

General comments

Accessing affordable housing poses particular challenges for different people. Young people often aren't able to afford a deposit or rent in advance; older people may wish to move from their family home but be unable to find suitable alternatives; people with disabilities who are benefit dependent may find that social housing is their only option as benefits will not cover the cost of the private rented sector; and people with drug/alcohol issues or a history of offending may find it difficult to access social housing due to allocations policies limiting their access; and homeless people and families fleeing domestic abuse may have no way to fund to buy the essentials to set up home. What constitutes affordable and accessible is different for different people and reflects the relationship between an individual's particular circumstances and how well the housing system can meet them.

This Inquiry takes place within a context of economic difficulty, reduced public spending and growing human need. If the Welsh Government is to meet the housing, support and care needs of its most vulnerable citizens we need to break down the barriers between the different elements of the housing system and link it more effectively with the whole gamut of social policy areas - housing, health, social care, homelessness, community justice etc. Affordable housing for vulnerable people cannot be achieved by housing policy alone.

Responses to the Inquiry's specific questions

The effectiveness of public subsidy in delivering affordable housing, in particular Social Housing Grant

Social Housing Grant is a key component in meeting the housing, care and support needs of vulnerable people. In recent years, although we acknowledge the disparity between supply and demand of affordable social housing, the achievement of 6500 general needs (i.e. not supported accommodation) new homes during the coalition government represented a real achievement which is going to be difficult to replicate in coming years due to the public spending situation.

From the perspective of people who have housing and additional needs, the provision of affordable and appropriate housing has always faced particular challenges. For example:

- Local community opposition to the development of particular schemes;
- the additional costs and complications in development, for example where disability or security needs have to be taken into consideration; and
- the challenge in ensuring capital investment is backed up by long term revenue funding

Consequently it is more difficult to ensure that affordable housing for people with support/care needs is developed.

Unfortunately, at this point in time we have little information on the extent of the imbalance between supply and demand although we know that homelessness is increasing in Wales and that research from previous times of economic difficulty indicates that the human cost of financial hardship is more:

- mental ill health;
- drug and alcohol problems;
- domestic abuse;
- family breakdown;
- young people leaving home in an unplanned way;
- offending behaviour; and
- and as a result, homelessness

Added to the human cost of the current economic climate, Wales has an ageing population including people with disabilities and learning disabilities living longer.

Taking these factors together, we anticipate an increase in the demand for specialist affordable housing.

In response then, we need to overcome the current difficulties in providing supported accommodation if we are to enable people with support and care needs to live as independently as possible within the community. This is particularly important for people with disabilities who, due to housing and other benefit arrangements are largely unable to access appropriate and affordable housing of any other tenure.

During the move from SHG being paid to Housing Associations to it being paid to local authorities, Cymorth and colleagues working in homelessness suggested that SHG should be top-sliced to ensure that accommodation of this type would be developed. This wasn't taken forward but we still feel that it would be a positive move and would like to urge the Inquiry to consider this recommendation.

In addition, as intimated, there is insufficient data currently available on the level of need across Wales of particular types of supported accommodation. This is being taken forward as part of the implementation of the Aylward Review into Housing Related Support but in addition, we feel that WG should monitor closely the development of supported accommodation under the new arrangements for SHG. We would like to put forward this as a recommendation to the Inquiry also.

Whether alternatives to public subsidy are being fully exploited

The charitable or third sector has a strong tradition of funding its activities from non-governmental sources. As third sector organisations have increasingly provided products and services on behalf of the public sector, the balance has shifted and some are now wholly or partly dependent on public funds. Many third sector organisations however still supplement their income through activities from traditional fundraising through to establishing social enterprises or trading arms. Naturally due to the economic and public spending context, in recent months the amount of work being done on diversifying income streams has increased, as illustrated for

example by some housing associations working with their umbrella body to establish the Welsh Housing Partnership.

It is probably true that there is more that can be done to exploit non-governmental funding to ensure the housing with care/support we need is provided. However, this needs to be seen as supplementing income rather than replacing it. Public funding has benefits in that it can be targeted at those in most need who sometimes are not client groups that benefit from public support, e.g. people with drug and/or alcohol issues or a history of offending. It would also be unwise to assume that avenues such as fund raising or social enterprise are likely to be the answer to the limits on public spending when people have less disposable income to give or spend.

Whether the Welsh Government, local authorities and RSLs are effectively utilising their powers to increase both the supply of, and access to, affordable housing

We need to combine a number of approaches to make more affordable homes available and consider carefully where best to use the limited resources available to achieve this. For example, there is evidence to suggest that investing in bringing long term void properties within the social housing sector back into use is more cost effective than building new homes. Similarly, focusing more attention on or incentivising bringing empty homes in the private sector back into use could deliver more affordable homes and make better use of our housing stock.

From the perspective of meeting the needs of vulnerable people we welcome the Welsh Government's review of homelessness legislation as exploring with partners how we can better meet the needs of homeless people is vitally important when we are seeing homelessness increase. We would also urge the Inquiry to consider whether an Inquiry should be held into how well the housing needs of people with disabilities, and particularly learning disabilities are met now and in the future. Housing organisations working with this client group are particularly concerned that the current funding climate will lead to an increase in people being inappropriately housed in more institutional type settings.

Whether there is sufficient collaborative working between local authorities, RSLs, financial institutions and homebuilders

Cymorth welcomes the focus of the Welsh Government on collaboration rather than competition and there are many good examples of effective collaborative working at the local level. From the perspective of ensuring people with support/care needs are able to access affordable housing however, there are often concerns raised with Cymorth regarding:

- how well social services and housing departments work together
- how well social services understand that a person's home is not the same as a placement in an institution, i.e. the person has a tenancy and rights and responsibilities that come with that
- how inadequate understanding can result in inappropriate procurement of supported accommodation services

In addition then to making improvements in the collaborative practices between the stakeholders identified in the question, we would suggest that collaboration between different LA departments and between these stakeholders, the third sector and the tenants or prospective tenants would deliver better outcomes both for people in need of affordable housing and the public purse.

Suggestions that have been made to us to improve on the current situation are that:

- all social work courses include housing and homelessness modules and
- that levers such as the grant conditions for funding from WG explicitly require collaboration across public and third sectors

Whether innovative methods of delivering affordable housing such as Community Land Trusts or co-operatives could be promoted more effectively by the Welsh Government

As intimated in previous sections, we would suggest that we need to pursue an approach that brings together and maximises the contribution of all possible avenues and as part of this we would suggest that methods of delivery such as Community Land Trust and cooperatives should be explored and promoted where appropriate.

In relation to people with support/care needs, Cymorth hosted a master class with Mutual Advantage who have carried out a number of projects looking at how cooperative models of care can be used to provide better services and more control to older people and people with disabilities. There is much to learn from such initiatives and we would suggest that the principles and approach could be adapted to the Welsh context.

http://www.mutual-advantage.co.uk/CMS/uploads/CoopsUK_Care_Report.pdf

Summary of key points

In summary, reviews or inquiries into housing issues understandably tend to focus on the needs of the general population and we welcome the invitation to contribute to the Inquiry so that we can highlight the specific issues that our most vulnerable citizens experience in accessing affordable housing.

Based on demographic and economic factors, we anticipate greater need for housing with care/support but there is currently insufficient data to fully understand the nature of that demand across Wales. We would recommend to the Inquiry that WG should:

- improve the evidence base for the need for different kinds of supported accommodation across Wales
- monitor the effectiveness of the new arrangements for the SHG programme in delivering supported accommodation
- top slice SHG if insufficient levels of supported housing are developed

Alternatives to public funding sources can complement and support the delivery of affordable housing. However, although many organisations are exploring different approaches to this, in the current climate it is

likely that they will only ever be able to complement rather than become a sustainable alternative to public funding.

We are concerned about how people with disabilities and particularly learning disabilities are going to be housed and supported in the current economic climate and suggest that this particular issue warrants further and ongoing scrutiny at the national level.

Regarding collaboration, there is evidence of both good and poor practices. In relation to housing vulnerable people, the relationships across a number of policy areas but particularly housing and social services are sometimes lacking in understanding and engagement. We would recommend:

- all social work courses include housing and homelessness modules; and
- that levers such as the grant conditions for funding from WG explicitly require collaboration across public and third sectors.

Taking a broad approach to this issue and exploiting all possible vehicles for meeting growing housing, support and care needs is, we believe, the best way forward in the current climate and as part of that we would suggest further exploration of what cooperative models of housing with support/care could deliver. We would be happy to assist the Welsh Government in taking this forward.
Once again, thank you for the opportunity to give evidence. In the current economic climate organisations working with people facing a range of challenges and conditions are worried that without a lead from and ongoing monitoring by Welsh Government, those with the most acute needs will be forgotten and face lives spent in institutions or on the streets when they could and should be able to achieve rewarding, independent lives within the community.

Joy Kent
Director

CELG(4)-07-11 : Paper 5

COMMUNITIES, EQUALITIES & LOCAL GOVERNMENT COMMITTEE REPORT INTO AFFORDABLE HOUSING

CONTEXT

Following the Review into Affordable Housing in 2008 I gave evidence to the Assembly Committee at that time and stressed the need for the Committee to monitor progress on the implementation of the Review and I therefore welcome this current investigation into affordable housing. From my perspective I think that considerable progress was made in taking forward the Review's recommendations. In particular the focus on delivering the Assembly Government's target for new affordable housing units actually resulted in the target not only being met but being exceeded. It is to the credit of all those involved that the commitment to delivery actually did deliver. We cannot overstate the social, economic and environmental value of the new, quality, affordable housing that has been built in communities across Wales as a result of this.

At the heart of this success was practical partnership, with the Welsh Assembly Government showing strategic leadership, Welsh local government showing commitment and the housing association movement in Wales showing it could rise to the challenge. I think these and all the other organisations and people engaged in the wider housing partnership can take enormous credit for what they have achieved in the last few years, particularly in the way that strategic aspirations were translated into practical delivery. In my view the housing model of partnership has much to commend to other areas, but we all know that we are now in more difficult economic times and it is time to move the housing model on to meet current and future housing challenges

CHALLENGES

There has been considerable learning from the last few years, which gives a good base to work from, but activity will need to be intensified and extended to meet the challenge of the coming years. The difficult economic climate, which is in my view likely to prevail for many years, will lead to an enormous increase in the demand for affordable housing and without strategic intervention, this need will not be matched by housing supply. Social housing grant from the Welsh Government is set to decrease, Sect 106 benefits will most likely also decrease as constrained private construction activity and viability arguments mean falling numbers of available affordable units. Lending for owner occupation is also likely to remain constrained. There are plans from some retained authorities to build again but these plans, although very welcome, are currently not expected to produce substantial numbers of new homes in the context of total Welsh need. Insufficient supply of affordable private rented housing will inevitably mean that price, as expressed in private rental levels, will go up alongside increases in waiting list numbers and homeless presentations.

The housing pattern in the UK characterised as one based largely on the market with high levels of new entry to owner occupation had been viewed as the norm in the years preceding the credit crunch of 2008. This pattern in my view will no longer be the norm, as we are reverting to a pattern more like the 1970s/ early 80s, with an increasing dependency on renting but without the supply of council housing that existed in these previous times. It is easy to become very gloomy and despondent in these circumstances, but despite the challenges we should not underestimate our ability in 2011 to do things

differently and better. In particular we need to take this opportunity to produce a housing pattern that avoids the downsides of the pre credit crunch years, creates less social polarity, and gives people more choice through the use of diversified housing products that are responsive to new financial realities and the way people live their lives.

THE WAY FORWARD

In my view it is crucial that there is a strong programme of intervention on the supply side to respond to the economic climate, building on what we have learned in recent years, with three key features: main-streaming what works well, supporting change and innovation, and sustaining effective leadership and partnership to secure delivery. We also need to recognise that spending on housing, supports employment, economic and physical regeneration, better health and community well-being and environmental objectives. Government at all levels must think how best to intervene and what they can do, both directly and indirectly, to respond to housing need.

Essential elements to be addressed are as follows:

Finance
This is the cornerstone of further delivery, particularly in terms of developing new affordable housing. Securing new finance and sustaining this finance to enable capital investment is an absolute priority. Potential ways could include:

- methods of turning rental streams into capital investment
- capturing new institutional investment into Wales
- trying to harness more Welsh savings
- looking at the scope for more borrowing by local authorities and also when it has the powers, by the Welsh Government
- looking at the Welsh Government/ local government use of other abilities and powers to attract and secure private investment

Land
There needs to be a strategic acceptance of the need for a sustained affordable housebuilding programme. Sufficient land availability located in areas of need and at affordable price levels will be fundamental to support this programme over many years. There has been a willingness to bring forward publicly owned land at below market rent but the scale and speed of this land release needs to increase, providing of course that the land is in the right place for housing. For those authorities that have undertaken stock transfer the new stock transfer associations will have land supply in their ownership and the working relationships and the compatibility of strategic priorities between the relevant local authorities and the new associations will be important in making best use of this land resource.

The planning system has been crucial for ensuring land and building supply and delivering affordable housing through planning gain, however in times of market difficulties in the house building industry the planning system is far less able to deliver on affordable housing. Although the Welsh Assembly Government looked at the relationship between planning and housing a few years ago, in view of the changed economic circumstances and the anticipated growth in housing need, it is perhaps time to make a reassessment as to how far the planning system as it currently operates can deliver on affordable housing and also whether planning policy and guidance is sufficiently supportive of residential use.

Costs of construction

It has been right to emphasise environmental standards in new build, particularly in meeting energy efficiency targets and we have seen good pilots in Wales but there is a need for a greater emphasis on innovative construction and processes to meet not just climate change targets but at reducing overall building costs. Procurement approaches, supply chains and construction techniques are vital components to achieving lower unit housing costs and best use of available finance. As an urgent priority we need to collectively understand the learning outcomes from pilots and experience and good practice main-streamed to give best value.

Better use of existing buildings
The Review highlighted the need for empty buildings to be tackled and best practice on empty homes along with the use of social lettings agencies needs to be transferred. It is worth highlighting social letting agencies as a significant and effective local innovation in recent years responding to housing need. Councils working with the private sector in a constructive way are often at the heart of making progress and there may be a need for local authorities to work together to secure desired outcomes where individually they may not have the capacity to act.

There is a need across Wales to bring forward a comprehensive approach to older peoples housing both to better fit the needs of older people but also to help voluntarily release under-occupied affordable housing. Many local authorities are preparing their older peoples housing strategies but there will need to be considerable focus as to how these can be taken forward if change is to be achieved.

There is also an opportunity to assess whether town centres and other retail areas that are underused could be converted and adapted for residential use particularly with the involvement of local housing associations

Diversity of housing product
It is clear that we have been producing housing products that are too narrow and stereotyped, often poor at meeting peoples changing physical, financial, tenure and locational requirements. Recent research (due to be published) commissioned by the Joseph Rowntree Foundation shows that future housing characteristics of young people will be complex and varied. It is time to put more variation and flexibility into housing supply using models that deliver more responsive options particularly around tenure.

Recognising space and place
It is important to stress that we are about creating homes and communities not just counting unit numbers and location and place matter to people. Good design and community planning is needed to make sure that new housing is of the right type, of the right quality and is in the right place.

In addition we will need to accept that some locations in Wales will come under greater housing pressure than others in difficult economic circumstances. These locations are likely to be our larger urban areas where jobs and private rented sector housing appear to be more available. Getting the right regional and local spatial distribution of new housing development is fundamental.

Sustaining the relationships
One of the significant features of the last few years in the field of housing is the development of networks of interest and the level of practical collaboration that underpins progress. Local government is often the lynch pin of much of this collaboration and it has

made great strides in Wales in developing collaboration, for instance through the use of local housing forums, to support development and delivery. The collaborative approach should be welcomed and given more recognition. The delivery of affordable housing in Wales depends upon organisations working together within their own sector but also working together across the public, private and third sectors. In some cases these working arrangements are informal and their importance can be underestimated and at times overlooked, but their existence is often crucial to delivery and best practice. It is vital that valuable joint working and support systems are given the recognition they deserve and the time and resources to make sure they are sustainable.

CONCLUSION

The key lessons from the last few years are that leadership and vision, partnership and commitment, innovation and focus are essentials of tackling the challenge. This approach has been proven to work. It needs to be reaffirmed and mechanisms put in place and sustained to drive this through this Assembly term and beyond.

One of the most encouraging aspects of the last few years for is to see the talent and enthusiasm that exists in people involved in the wide field of housing. They have shown that endeavour does deliver tangible results that can dramatically change lives for the better. There can be no better incentive.

SUE ESSEX
OCT 2011

CELG(4)-07-11 : Paper 6

WLGA • CLILC

Ms Ann Jones AM
Chair
Communities, Equality and Local Government Committee
National Assembly for Wales
Cardiff Bay
Cf99 1NA

Dear Ms Jones

Committee Inquiry into Community Safety in Wales

Thank you for the opportunity to present evidence to members of the Communities, Equality and Local Government Committee as part of their Inquiry into Community Safety in Wales. I apologise for the lateness of the paper submitted as written evidence from the WLGA which subsequently resulted in minimal time for members to consider the issues highlighted in the paper before the evidence session.

If I recall correctly, I have been asked to provide a note for the Committee on the duty on Police and Crime Commissioners to consult and engage with others in ensuring the voice of others are heard, for example, in preparing a Police and Crime Plan. I attach to this letter a short note that addresses this issue however if you require any further information or detail please do not hesitate to contact me.

Yours sincerely

Naomi Alleyne

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Supplementary Note
Communities, Equality and Local Government Committee
Police and Crime Commissioner's and their duty to consult

The main functions of a Police and Crime Commissioner will be to:

- Secure an efficient and effective police force for their area
- Appoint the chief constable, hold them to account for the running of the force and if dismiss them
- Set the police and crime objectives for area by producing a five year Police and Crime Plan (in consultation with the chief constable)
- Set the annual force budget and police precept, and produce an annual report setting out their progress against the objectives in the Police and Crime Plan
- Contribute to the national and international policing capabilities set out by the Home Secretary in the Strategic Policing Requirement
- Co-operate with the criminal justice system in their area
- Work with partners and fund community safety activity to tackle crime and disorder.

Duty to co-operate

PCCs will not be 'responsible authorities' under the Crime and Disorder Act 1998 and as such will not be members of the CSP. However, there is provision in the Police Reform and Social Responsibility Act 2011 that places a mutual duty on PCCs and he responsible authorities on a CSP to co-operate to reduce crime and disorder and re-offending.

Section 10(1) of the Act states that in exercising their functions, the elected local policing body and a responsible authority "*must act in co-operation with each other*".

Section 10(2) of the Act states that in exercising their functions, the elected local policing body and the criminal justice bodies "*must make arrangements (so far as it is appropriate to do so) for the exercise of functions so as to provide an efficient and effective criminal justice system*".

The aim is that the reciprocal duty to co-operate will ensure that decisions that PCCs and their partners take on local priorities and investment take account of their wider implications.

The UK Government's intention is that the introduction of PCCs offers an opportunity to:

- Help join up the criminal justice system and to ensure its focus on local community safety outcomes
- Increase public engagement on the criminal justice system and community safety outcomes; and
- Work collaboratively on criminal justice and community safety issues.

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Carl Sargeant AC / AM
Y Gweinidog Llywodraeth Leol a Chymunedau
Minister for Local Government and Communities

Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref

Chair of Communities, Equality and
Local Government
Committee

31 October 2011

Dear Ann,

Scrutiny of the Local Government and Communities 2012-13 Draft Budget

Thank you for inviting me to the Scrutiny Committee on the 18th October 2011 to discuss the Local Government and Communities draft budget for 2012-13 to 2014-15.

At that meeting I agreed to provide the Committee with further details on the following four issues:

Local Government Equal Pay Settlement

As I highlighted during the meeting, the Welsh Government included £50 million funding into the Revenue Support Grant over the period 2005-6 to 2007-08 to assist in implementation of single status. This was built into local authority baselines for them to use as they saw fit. Progress is being made across the board and there appears to be no local authority who has not committed to the process. Each individual authority is coming at this from different starting positions and has different difficulties and approaches to arriving at a settlement. Nine authorities have reached a settlement so far, of which seven applied for capitalisation directions. Details are provided below:

Local Authority	Estimated total value of Back Pay	Actual Amount of direction issued
2006-07		
Torfaen	£6.0m	£5.9m
Neath Port Talbot	£8.8m	£8.2m
		£14.1m
2007-08		
Blaenau Gwent	£2.2m	£2.2m
Merthyr Tydfil	£3.8m	£1.0m

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Swansea	£13.2m	£7.2m
Cardiff	£11.5m	£9.1m
		£19.5m
2008-09		
Blaenau Gwent	£4.0m	£0.4m
Swansea	£13.2m	£2.3m
Neath Port Talbot	£10.2m	£2.5m
Rhondda-Cynon-Taf	£14.1m	£13.4m
		£18.6m
Total		**£52.2m**

Two authorities (Gwynedd and Caerphilly) settled without the need for a capitalisation direction. Rhondda Cynon Taff and Cardiff have recently submitted second generation applications for capitalisation directions (£3.9m and £8.8m respectively) - these are presently under consideration. The position for the remainder will depend on their individual circumstances and legal advice. This will be kept under continual review as the legal landscape shifts, as it does intermittently. The consideration of equal pay compensation is now generally more likely to be made as part of overall Single Status implementation, rather than as a separate exercise in advance of Single Status completion.

It must also be recognised that the granting of capitalisation directions only facilitates the accounting treatment of one off revenue costs to capital. Such capitalised costs need to be repaid by local authorities over the period of the Direction, and there is also an annual revenue cost in terms of servicing the debt. Capitalisation is therefore not a panacea as it costs more in the long term. Concerns with regard to 'mortgaging the council' and placing 'the costs of current staff on local council taxpayers for many years in the future' are examples of reasons cited by councils for avoiding capitalisation of equal pay compensation payments if at all possible. Councils understandably have a clear preference for using their limited capital resources on investment in their assets.

Management of Grants to the Third Sector

We also briefly discussed the funding of the Third Sector. The Welsh Government has been reviewing the way we manage grants. Grants are and will continue to be an important part of how we fund the Third Sector to deliver services and achieve better outcomes for people in Wales. Ministers have agreed a system whereby organisations which are funded from different areas within the Welsh Government are identified, and intelligence shared. This will enable sponsor divisions to be more mindful of the potential effect of any changes in funding arrangements or policy recommendations on work sponsored elsewhere within the Welsh Government, where funding is provided to the Third Sector.

There will also be occasions where procurement may be the right choice for obtaining service delivery. This is fair to the different organisations that could provide a service that the Welsh Government requires. It also obliges people to look afresh at what they are offering and how they will demonstrate the benefits. Welsh Government officials consider carefully what funding route is appropriate in each new case, bringing together relevant policy, legal, financial and procurement expertise to bear in framing advice to Ministers.

Value Wales has worked over the past five years to improve procurement across the public sector in Wales. This has involved building collaboration and making procurement opportunities more accessible to smaller and more local suppliers.

The WCVA has been asked to assist and advise the smaller Welsh third sector organisations with procurement opportunities emanating from the public sector and will launch a loan scheme "invest to serve" shortly. WCVA has also been working with officials to understand opportunities that might

present themselves as a result of the Simpson review and to start work to identify which organisations are best placed to deliver which services.

Community Support Officers (CSOs)

The Government's "five for a fairer future" pledges include a commitment to fund an additional 500 CSOs. This will represent a significant expansion in numbers which will make a real difference to our communities. CSOs are not a replacement for warranted police officers, they are there to complement and support existing police resources. These new officers will build upon the links between police and communities, providing visibility and reassurance and engaging with local people. They will be able to tackle the anti-social behaviour that still blights some of our communities. And they will develop the relationships that already exist between policing and other flagship Welsh Government priorities, such as Communities First.

The budget for training and deploying the CSOs is included within the 'Funding Support for Local Government Action' and is as follows:

£000

	2011-12	2012-13	2013-14	2014-15
Community Support Officers	2,787	11,787	16,787	16,787

I have been working hard with the Association of Chief Police Officers Cymru. Some limited internal recruitment has already been agreed for Gwent and Dyfed Powys in advance of formal recruitment, with a view to some CSOs being in training early November 2011. We are projecting full deployment in three out of four forces plus British Transport Police by September 2012.

Substance Misuse Capital Funding

The Committee were also interested to know about the reduction to substance misuse capital funding. Along with other Welsh Government capital funding streams, substance misuse has had to make its contribution to reducing the overall budget deficit. However, the draft substance misuse capital budget in 2012-13 is £5.690m and whilst this is a reduction of £427k it is still over £1.5m more than the 2009-10 allocation, while substance misuse revenue budgets have been maintained in cash terms. The Welsh Government believes that this will enable Community Safety Partnerships and Area Planning Boards to continue to improve the quality, access and capacity of substance misuse facilities in Wales whilst securing best value for money, through increased collaboration and the evaluation and application of best practice.

Yours sincerely

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Y Gweinidog Llywodraeth Leol a Chymunedau
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