

## Tracey Burke

Cyfarwyddwr Cyffredinol / Director General

Llywodraeth Leol, Tai & Newid Hinsawdd a Materion Gwledig  
Local Government, Housing & Climate Change and Rural Affairs



Llywodraeth Cymru  
Welsh Government

Mr Adrian Crompton  
Auditor General for Wales  
Audit Wales  
1 Capital Quarter  
Tyndall Street  
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12 September 2024

Dear Auditor General

Thank you for your recent report on **affordable housing in Wales**. I am pleased to enclose our detailed response to the recommendations made to the Welsh Government.

Welsh Ministers have been clear in their commitment to tackle homelessness and deliver much needed homes in Wales, underpinned by the Programme for Government commitment to deliver 20,000 additional homes for rent in the social sector.

They have supported this by investing record levels of funding in housing supply, with £1.4bn invested so far this Senedd term. This includes investing £361m in the Social Housing Grant in the last year alone.

However, there have been significant events that could not be foreseen, that have impacted the housebuilding sector, not just in Wales but the whole of the UK. Our increased budget has inevitably been impacted by the high levels of inflation and increases in building costs seen as a result.

Nevertheless, Welsh Ministers have not wavered in their ambition to deliver more homes. As current conditions make it more challenging than ever, they have launched a range of initiatives to deliver more genuinely affordable homes as quickly as possible including the Transitional Accommodation Capital Programme and Leasing Scheme Wales.

Investing in these schemes brings forward longer-term homes to move people on from temporary accommodation. We also know that costs of temporary accommodation have significant impacts on local authority resources. Capital investment in these schemes can help reduce this.



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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Giving people longer term accommodation where they can settle and start to rebuild their lives, reduces the indirect costs associated with homelessness. We know that good quality affordable homes have a positive impact on health, mental health and employment and education outcomes.

There are a number of recommendations for Welsh Government that are interlinked, namely recommendations 1, 3 and 5 in relation to long term planning. We will be taking these recommendations forward and strengthening our approach. However I should highlight that there is long-term planning already in place, particularly around housing need. This in turn feeds into Local Development Plans and the Prospectus for the Social Housing Grant which informs delivery.

Your report makes a valuable contribution to our ongoing work in this area, and we look forward to working with partners to take forward the recommendations.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Tracey Burke'.

Tracey Burke  
Director General  
Local Government, Housing & Climate Change and Rural Affairs

# Management response form

**Report title:** Affordable Housing

**Completion date:** September 2024

Ref	Recommendation	Management response Please set out here relevant commentary on the planned actions in response to the recommendations	Completion date Please set out by when the planned actions will be complete	Responsible officer (title)
R1	<p>The Welsh Government should conduct detailed scenario planning to provide a clear and early indication of funding for the key affordable housing schemes in 2025-26. Scenario planning should include:</p> <ul style="list-style-type: none"><li>the likely outcomes, in terms of homes delivered;</li><li>the costs and benefits of changing the balance between new build and acquisitions, particularly through the Social Housing Grant; and</li><li>an assessment of funding required in 2025-26 to progress schemes that will deliver outside the target period, if a cliff edge is to be avoided.</li></ul>	<p>Accept. A programme of work is already in progress that aligns with this recommendation. A range of actions to support our scenario planning include:</p> <ul style="list-style-type: none"><li>To further refine and improve delivery projections, we will improve data collected from the sector and integrate it within the Homes and Places portal. The portal has already been updated to allow the capture of a risk category and challenges to delivery along expected delivery dates and costs. Registered Social Landlords and Local Authorities are expected to maintain the quality and accuracy of this data.</li></ul>	December 2024	Deputy Director for More Homes / Head of Housing Supply / Head of Housing Funding



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	Government should publicly report how many of the homes counted towards the target are new build and low carbon.	<p>of the Affordable Housing Provision in Wales Statistical Release. This breakdown will be added to Stats Wales.</p> <p>All homes that count toward the target are required to meet specific standards including energy efficiency. A breakdown of these homes and the standards they meet will be provided within the Programme for Government Annual Report.</p> <p>We will explore the feasibility of reporting low carbon data for the current or any future target.</p>	<p>July 2025</p> <p>June 2025</p>	Supply / Knowledge and Analytical Services Housing
R3	The Welsh Government should assess and set out the options for continuing to meet the need for affordable housing over the longer-term. This should include consideration of the merits of continuing to have a target that is not consistent with the	<p>Accept – There is a relationship between this recommendation and recommendations 1 and 5.</p> <p>Long term planning is already a crucial part of housing development. National estimates of housing need are set over a 20-year period. Local</p>	March 2025	Deputy Director for More Homes / Head of Planning / Head of Housing Supply / Knowledge and

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	definition of affordable housing for national statistics.	<p>authorities are required to assess housing need over a 15 year period through the Local Housing Market Assessment process. This then feeds into their local development plans which sets out an authority's proposals and land-use policies for the future development of land in its area also over a fifteen year period. The LHMA also feeds into the SHG prospectus to inform delivery. The SHG is a rolling 4-year programme and exploration will be given to a longer commitment through Recommendation 6.</p> <p>We will also assess options for delivery over the longer term considering the range of options including investing in acquisitions compared to new build and exploring all delivery options including tenure mix, utilising market housing and alternative funding methods.</p> <p>The Affordable Housing Provision in Wales Statistics allow for the effective analysis of trends</p>		Analytical Services Housing

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		and comparison of delivery across different time periods. Reporting against the target is reflected in a subsection of those statistics. Consideration of the merits of full alignment with the affordable housing definition for national statistics will inform any future target.		
R4	The Welsh Government should review the approach to housing needs assessment, including: <ul style="list-style-type: none"> <li>• assessing why national estimates appear to have significantly underestimated the scale of existing need and how that can be rectified;</li> <li>• developing its understanding of underlying demand, as well as need, as part of its assessment methods;</li> <li>• identifying and acting on lessons from the rollout of the updated approach to</li> </ul>	Accept in principle - Work is ongoing to improve current housing need estimates. However, this work has been delayed due to availability of data from the Office of National Statistics. <p>- The national estimates assessed the housing need at a point time (published in August 2020, based on 2019 data). The need, in large part, has increased significantly since then due to unforeseen global events that have taken place.</p> <p>The Covid-19 pandemic and our 'no-one left out' policy response, uncovered the true scale of</p>	December 2025	Deputy Director for More Homes / Head of Housing Supply / KAS Housing

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	<p>Local Housing Market Assessments; and</p> <ul style="list-style-type: none"> <li>• how to align its funding for affordable housing to identified need.</li> </ul>	<p>homelessness in Wales. This previously hidden homelessness would not therefore have been identified in earlier housing need assessments. Since the pandemic, homelessness data on presentations to services now provides a far more accurate reflection of need. As well as better understanding levels of hidden homelessness, it is also important to note demand in the system has also been exacerbated by wider global and economic factors, particularly the cost of living crisis, humanitarian crisis arising from the war in Ukraine and Afghanistan, and the ongoing impact of asylum dispersal. Such external factors have a significant impact on housing need, are difficult to predict, and are outside the control of Welsh Government.</p> <p>- There is recognition that there are areas of hidden housing need or demand, particularly in rural areas where supply of affordable housing is limited. Individuals often do not join waiting lists</p>	<p>June 2025</p>	

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		<p>because of this. The new approach to undertaking Local Housing Market Assessments (LHMAs) guides local authorities to include those who are unsuitably housed and on a waiting list in their existing unmet need calculation for social housing. We will explore the feasibility of collecting this data nationally to inform national demand and future targets.</p> <p>- The first cycle of undertaking LHMAs using the new approach has recently been completed. Welsh Government are in the process of undertaking a lessons learned review, and are consulting with Local Authorities on what worked well or areas for improvement.</p> <p>- LHMAs are a key source of data for Local Development Plans and the Prospectus for the Social Housing Grant. SHG is designed to fund the strategic housing priorities of Local Authorities. The SHG formula has been developed in</p>	<p>January 2025</p> <p>December 2025</p>	

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		conjunction with the sector. We will explore reviewing the current SHG formula once new housing need estimates data is available alongside LHMA's.		
R5	<p>The Welsh Government should develop a full business case for continued investment in affordable housing. This should include key components of good practice in programme appraisal, such as:</p> <ul style="list-style-type: none"> <li>options appraisal, including the relative merits of new build and acquisitions, including the long-term costs and short-term savings from reducing the use of temporary accommodation;</li> <li>sensitivity analysis, to include the impacts on costs and delivery should there be changes in design specifications or further inflationary cost pressures;</li> </ul>	<p>Accept – We will develop a full business case for continued investment in affordable housing.</p> <p>- This is aligned to recommendation 1.</p> <p>- Current financial modelling includes sensitivity analysis for inflationary costs. We will work closely to ensure any options for changes in standards are built into the model as appropriate.</p> <p>- The current target is supported by strong governance including a Programme Board, Steering Group and a suite of governance documents including a benefits realisation plan and an Integrated Impact Assessment. These documents are live and will continue to be</p>	<p>July 2025</p> <p>March 2025</p> <p>December 2024</p>	<p>Deputy Director for More Homes / Head of Housing Supply / Senior Affordable Housing Manager</p>

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	<ul style="list-style-type: none"> <li>benefits realisation planning, including aligning the investment objectives with the well-being goals, identifying methods to embed benefits into grant and contract payments, and a system of reporting and monitoring the full range of benefits from the investment; and</li> <li>a full integrated impact assessment, including equality impact assessment.</li> </ul>	reviewed through the remainder of the target term. The governance required to support a future target will be determined at outset of the target.		
R6	The Welsh Government should develop a long-term approach to funding affordable housing, learning lessons from the programme for school and further education buildings, with a view to smoothing out peaks and troughs in delivery.	Accept in Principle – The Social Housing Grant programme already has a longer term timeframe, providing support over four years. Officials will explore the longer-term funding approach used by Education colleagues and whether it can be applied to funding for affordable housing.	March 2025	Deputy Director of More Homes / Head of Housing Funding

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R7	In line with its commitments in response to previous Auditor General and Public Accounts Committee recommendations, the Welsh Government should work with local government partners to develop sustainable solutions to the capacity and delivery constraints in local government planning services, including options for developing the planning profession and greater regional working.	Accept – Work is ongoing to strengthen the capacity within local planning departments. We will be issuing a consultation to seek views on proposals to improving the resilience and performance of planning authorities. Proposals include: <ul style="list-style-type: none"> <li>• Increasing planning application fees (including proposing a pathway to full cost recovery)</li> <li>• Measuring and monitoring the performance of planning authorities by re-invigorating and reintroducing the Performance Framework</li> <li>• Supporting the resilience, capacity and capability of Local Planning Authorities through skills retention, bursaries and apprenticeships</li> <li>• Improving resilience and resources by Corporate Joint Committees through shared service delivery, planning skills hubs and extending the Local Development Plan Review period.</li> </ul>		Head of Planning / Deputy Director of More Homes

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		<p>The first phase of targeted support will be through Updated Fee Regulations coming into force and then increases to planning fees by Dec 2025. This will put Local Planning Authorities on a more sustainable financial footing and will help improve resilience and capacity in planning services.</p> <p>The comments received as part of the consultation will assist us in in the next phase of targeted support, where, depending on the responses received we will be exploring other measures such as bursaries and how to promote and embed better regional working in LPAs and CJs which we consider will improve capacity and resilience.</p>	<p>December 2025</p> <p>Spring 2025</p>	