

# Nowhere to call home: The shortage of social and community homes

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- Shelter Cymru, Wales' national homelessness charity. Shelter Cymru help thousands of people each year across the country who are affected by the housing emergency by offering free, confidential and independent advice. They also campaign to defend the right to a safe home and fight the devastating impact the housing emergency has on people and society.
- Cwmpas a development agency working for positive change in Wales and across the UK. It is a co-operative, and focuses on building a fairer, greener economy and a more equal society, where people and planet come first.
- Housing Justice Cymru, a charity who mobilises churches and other faith/ community groups to take action to address homelessness and housing need in the many forms it takes.

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## Contents

<b>Executive Summary</b> .....	<b>1</b>
<b>1. Introduction</b> .....	<b>4</b>
<b>2. Setting the context</b> .....	<b>5</b>
2.1 Social and community housing.....	5
2.2 The 20,000 homes target.....	10
2.3 The need for more social and community homes.....	12
2.4 Conclusion .....	13
<b>3. The challenges of delivering more .....</b>	<b>14</b>
3.1 The development process .....	14
3.2 Land supply.....	16
3.3 Gaining consent for development .....	19
3.4 Construction cost, capacity and other financial pressures.....	23
3.5 Conclusion .....	26
<b>4. Conclusions and next steps</b> .....	<b>27</b>
<b>Annex 1 – what we did</b> .....	<b>28</b>
<b>References</b> .....	<b>29</b>

## Executive Summary

Moving people out of temporary accommodation into suitable homes is key to reducing the pressure on services, as well as enabling lives to be rebuilt after the trauma of homelessness. Whilst this is the most pressing issue, in the longer term, more secure, decent and genuinely affordable housing would help to avoid people becoming homeless in the first place and enable us to develop a housing system that better meets the needs of the people of Wales.

In this report, we bring together government statistics, and views from across the housing sector to raise awareness of the shortage of social and community housing in Wales and the fact that homes are just not available for those who need them. Our intention is to explore the complexities of the development process and the surrounding policy context, demonstrating why the development of social homes is harder than ever and why solutions need to be found.

### The current supply of social and community homes

Social housing is the provision of homes at affordable, social rent levels set by Welsh Government. Housing can be provided by the local authority, housing associations (also known as registered social landlords) or other not for profit organisations such as community groups.

At the end of March 2024 there were 241,669 homes in Wales being let at a social rent. 84 per cent of these homes were general needs properties, 12 per cent were sheltered or extra care housing for older households and the rest were hostel bedspaces or other supported accommodation.

There is little data on the stock of community-led housing in Wales. It is known that the total is much smaller but locally community-led housing can have a significant impact, especially in rural areas.

Across Wales, the supply of homes at social rent equates to 18 homes for every 100 households. This compares to a rate of 31 homes for every 100 households in 1981, before the introduction of the right to buy. 150,000 homes have been lost from the social housing stock due to sales or demolition since 1981 (47 per cent) but only 74,000 have been replaced.

### Progress towards the 20,000 homes target

The Welsh Government have a delivery target for 20,000 new low carbon homes for rent within the social sector during this government term, i.e. 2021-2026. Whilst this primarily focused on homes let at a social rent, the definition includes other tenures – intermediate rent and shared ownership. Social homes developed by community groups also contribute towards the target.

By the end of 2023-24, fewer than half of the 20,000 homes will have been delivered - only 9,197. This is 2,803 homes short of the number needed to be on track, while annual delivery averaged 3,066 homes rather than the required 4,000. We've estimated that 7,634 homes to be let at a social rent are likely to have been delivered in the three years from 2021-23.

Whilst the focus is on adding to the stock of homes, and the right to buy has been abolished, disposals still have a significant effect on supply. One home was lost from the stock for every 20 added over the last three years. We understand that this is being driven the by cost of improvements.

## The need for more

The delivery of new social homes is lagging behind Welsh Government aspirations as well as the reality of growing demand. The 20,000 target was set pre-pandemic, before the cost of living crisis took hold and when the housing system was more stable and accessible to those on lower incomes. The number of new social homes estimated to have been delivered in 2023-24 would provide accommodation for less than one in three of the households living in temporary accommodation.

## The delivery challenges

### The availability of land in the right place at the right price

- Privately owned land is dependent upon landowners being willing to sell and the land identified in local development plans may be unsuitable or not in areas of high need. Legal action to gain ownership is limited, national land assembly powers are not being used and Wales does not have the policy framework in place for community level action.
- Public sector land supply has significant potential to support the delivery, but public sector bodies are under financial pressure to maximise income and best value takes priority.
- Socially owned land such as churches, chapels or other community facilities could support delivery as they come to the end of their working lives. However, realising that potential is dependent upon overcoming hurdles elsewhere in the process.

### The complexities and uncertainty of obtaining consent for development

- The planning system is complex and costly to negotiate with a lack of predictability. Public opposition to new development and stigma associated with social housing can threaten approval. Staff shortages are also causing significant delays.
- Other consents and the involvement of statutory consultees across the public sector can cause delays and drive-up costs.
- Delays and uncertainty in the planning and development consent process can result in opportunities to make use of community assets being lost.

### Financial and capacity hurdles involved with construction and meeting the required standards

- Economic impacts from the COVID-19 pandemic and the war in Ukraine have pushed up construction costs, as have higher standards for net-zero aspirations for new homes.
- Capacity issues in terms of materials and a skilled workforce are also concerns as social housing is utilised as a test bed for innovative construction methods.
- Social landlords face a difficult financial balancing act as face requirements to improve their existing stock at the same time as striving to contribute towards the supply of new homes.
- The acquisition of existing homes to assist with delivery is hindered by the need to improve these properties to the same standards.
- The increasing cost of servicing the private finance needed, its availability, and the cap on the rent levels which can be charged can also hinder development.

## Conclusion the next steps

Solving the problem of social housing supply has become very difficult, but it is not one which we can ignore. Overcoming the barriers of complex development process and conflicting policy demands is vital, as the scale of the housing emergency and effects of the cost of living crisis continues to drive up the numbers in need of an affordable, secure home.

There are innovative models of delivery such as community-led development and the use of socially owned land, but these are also dependent upon other elements such as planning consent and finance which are hindering their potential to support delivery.

Over the next two years we will be looking at how to increase the availability of move-on accommodation for the record number of households in temporary accommodation, including making recommendations overcoming barriers to delivery, making best use of available housing stock and allocations policies. Through this work we will develop a route map outlining the actions that must be taken to solve the homelessness crisis in Wales.

# 1. Introduction

Wales is in the midst of a housing crisis. The needs of individuals and families are not being met by the housing market. A lack of affordable homes and wider cost of living pressures mean that many people have nowhere to call home.

The Bevan Foundation has been working with Shelter Cymru to highlight that the number of households living in temporary accommodation is at an all-time high.<sup>1</sup> One in every 215 households across Wales is now living in this limbo, including over 3,000 children - nearly six in every 1,000 children in Wales.

Moving people out of temporary accommodation into suitable homes is key to reducing the pressure on services, as well as enabling lives to be rebuilt after the trauma of homelessness. Social and community-owned homes provide long-term security, affordable rents and peace of mind for the future. Making sure that everyone trapped in temporary accommodation can access them is crucial. Yet, as this report demonstrates, the homes just are not available for those who need them.

Wales' stock of social homes has not recovered from significant losses due to the Right to Buy. Delivery is slow compared to the hey-day of council house building and there are lots of challenges to overcome along the way.

The policy context around social housing supply and the delivery of new homes in terms of funding and standards is complex enough in itself, but delivery also relies on land availability, construction costs and planning systems. There are also tensions with other policy areas such as climate change and decarbonisation.

As well as hearing about the challenges, the Bevan Foundation has considered some innovative models of delivery. Working closely with Cwmpas and Housing Justice, we have explored and demonstrated the role of community-led housing development and the potential for socially owned land, such as that held by faith organisations, to boost the supply of social homes. Annex 1 sets out how this report was prepared.

The Welsh Government recognise the need for more social homes and have set a target to deliver 20,000 homes in the social rented sector during this term of the Senedd (2021-2026). But, 3 years in, it is now reported that this is unlikely to be achieved. This report analyses the data and listens to the views of organisations working across the housing sector on why it is harder than ever to deliver new homes.

This report considers:

- the current supply of social housing
- progress towards achieving the Welsh Government's target
- the growing demand for more social homes
- the barriers to delivery.

In publishing this report, we intend to raise awareness of the current situation – it is part of a wider research project which will provide recommendations at a later date.



## 2. Setting the context

This section looks at the current supply of social and community housing in Wales and progress towards the Welsh Government delivery target. We also explore the growing demand for more social and community homes.

### 2.1 Social and community housing

Social housing is the provision of homes at affordable, social rent levels. Housing can be provided by the local authority, housing associations (also known as registered social landlords) or other not for profit organisations.

It is one of a number of different tenures which fall under the umbrella term of affordable housing. Others include intermediate rent, where rents are set above social rents but below market rates, or various home ownership schemes such as Home Buy and shared ownership.

Key characteristics of social homes are:

- the regulation of rent levels by Welsh Government ensures that they stay affordable;
- quality requirements for the management of tenancies, the standards for accommodation and its maintenance;
- secure long-term tenancies which can only be ended due to a breach of tenancy condition;
- allocation are generally prioritised to those found to be in the greatest housing need via the local authority's social housing register.

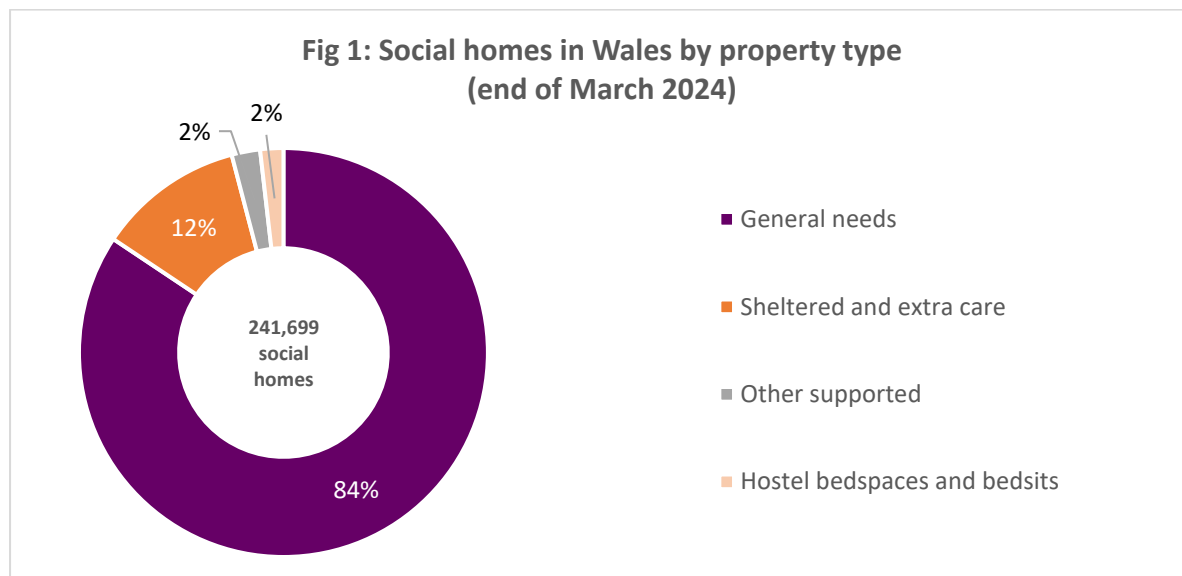
The development of new social homes is generally funded through a combination of subsidy - a capital grant from Welsh Government - and private finance, raised by the landlord and paid back through the rent.

Some social homes are also provided as part of a market housing developers' obligations through the planning system.

Community-led housing also provides homes that meet housing needs, some of which will be provided at a social rent and is developed on a non-profit basis. However, it is led by groups of ordinary local people, who have an interest in supporting and meeting needs in their community. It is generally the case that the affordability of the homes and their role in meeting local housing need is protected legally in perpetuity. The community group which is formed will own and, in some cases, manage the homes, although they may also engage a registered social landlord to manage the homes on their behalf.

### 2.1.1 Current supply

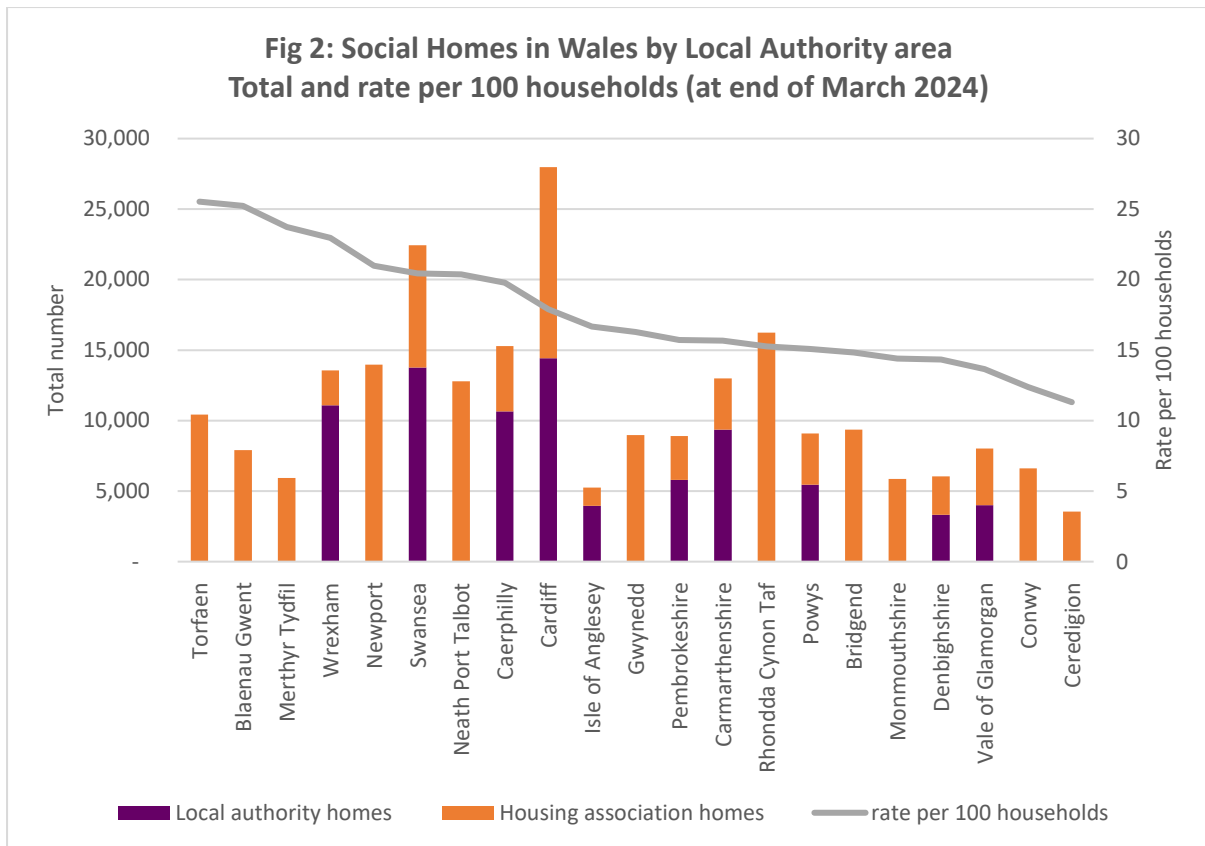
At the end of March 2024 there were 241,669 homes in the social housing stock in Wales being let at a social rent. The majority, 84 per cent, of social homes (203,879) were general needs properties, 12 per cent (27,939) were sheltered or extra care housing for older households and the remaining 4 per cent (9,851) were hostel bedspaces, bedsits or other supported accommodation.



Source: StatsWales, Total stock at social rent by local authority area and accommodation type  
Available at - [Total stock at social rent by local authority area and accommodation type \(gov.wales\)](https://gov.wales)

Across Wales, there is the equivalent of 18 social homes for every 100 households (end of March 2024). There are significant variations in current supply at a local authority area level, notably:

- Cardiff had the highest number of social homes (27,979) followed by Swansea (22,426) while Torfaen had the highest rate at 26 homes per 100 households.
- Ceredigion had the lowest number of social homes (3,552) and also the lowest rate per 100 households at 11 homes. The next lowest in terms of number of homes was the Isle of Anglesey (5,257), while in terms of the rate per 100 households the next lowest was Conwy with 12 homes.



Source: StatsWales, Total stock at social rent by local authority area and accommodation type  
Available at - [Total stock at social rent by local authority area and accommodation type \(gov.wales\)](https://gov.wales)

Household calculations are based on 2020 estimates

There is little data on the stock of community-led housing in Wales. It is known that the total is much smaller when compared with other tenures, but locally community-led housing can be significant especially in rural areas.

### 2.1.2 Who are the providers?

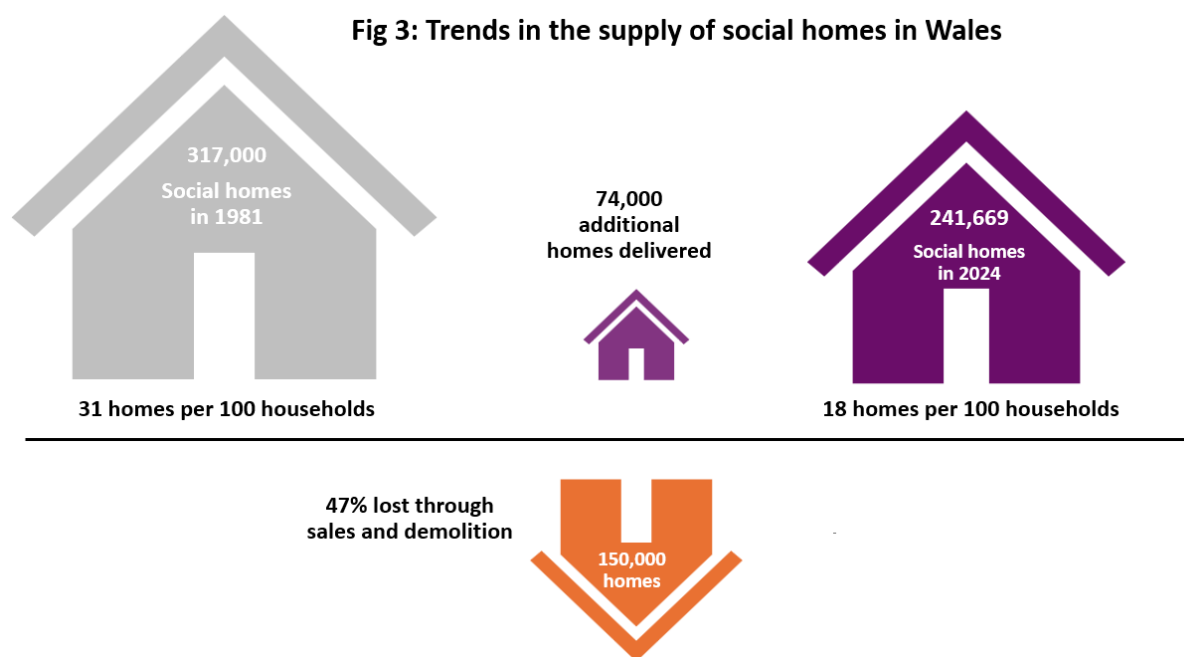
From the early 2000s, a series of voluntary stock transfers from local authorities to new housing associations took place, as a means of securing investment for property improvements to social housing. Eleven of the 22 authorities remain as social landlords, owning 37 per cent (89,156 units) of Wales’ total social housing stock at March 2024. Housing associations now own 63 per cent of social homes in Wales (152,513 at March 2024). There are currently 31 active housing associations<sup>2</sup> which are registered with Welsh Government.

There are several different types of community-led housing groups, such as community land trusts and housing co-operatives.

### 2.1.3 Change over time

The right to buy policy, which enabled tenants to buy their home at a discounted price, has had a major impact on the stock of social homes. At the time of its introduction in 1981, there were 317,000 social homes in Wales<sup>3</sup>. Since that time, an estimated 150,000 homes have been lost through sales, nearly half (47 per cent) of the 1981 stock. These homes will now be lived in by owner occupiers or be rented privately, although a handful will have been demolished.

The number of new social homes created since then has not made up for these losses, with only 74,000 homes added to the stock over the same period (1981 to 2024). The stock of social homes has therefore reduced by 31 per cent over the last four decades, which, together with the increase in the number of households, means that the number of social homes per 100 households has almost halved, from 31 to 18 homes.

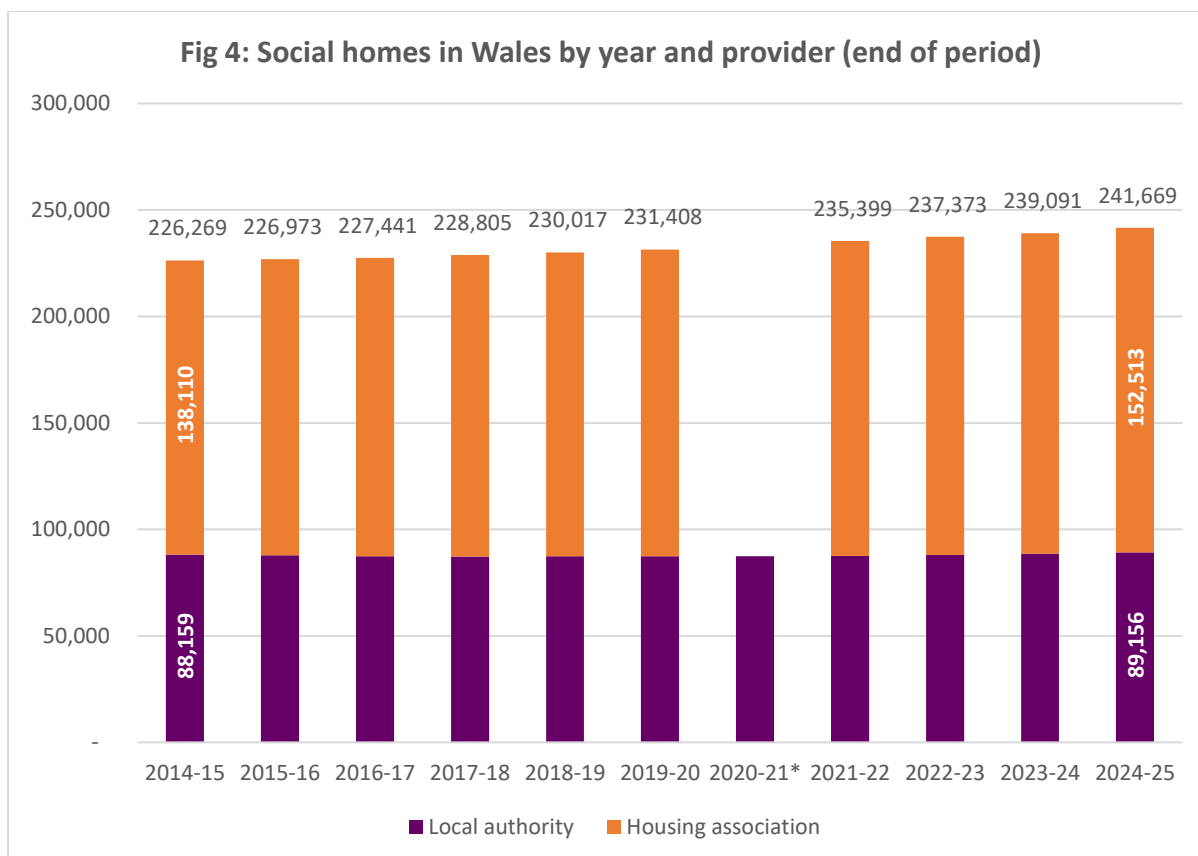


Sources: [060901-social-housing-cycle-en\\_1.pdf \(gov.wales\)](#), Stats Wales, [Total social housing stock by year, provider type and accommodation type \(gov.wales\)](#), Stats Wales, [Total social landlord housing sales by period and sale type \(gov.wales\)](#), Stats Wales, [Additional affordable housing provision by registered social landlords only, by location, tenure and funding \(gov.wales\)](#)

Even over the shorter term, in the last 10 years the number of social homes only increased by 15,400 from the end of March 2014 to March 2024, an average of only 1,500 additional homes per year.

Other key observations include:

- The number of local authority social homes has remained fairly constant over this time with only 997 additional homes.
- Housing association social homes have increased annually over the 10 years by 14,403 homes in total, up from 138,110 to 152,513.



Source: StatsWales, Total social housing stock by year, provider type and accommodation type  
 Available at - [Total social housing stock by year, provider type and accommodation type \(gov.wales\)](https://gov.wales)

\*Due to COVID-19, data for RSLs were not collected in 2019-20.

The total number of social homes is only part of the picture – homes have to be available to prospective tenants in order to meet housing needs. Although the number of social homes has been steadily rising, albeit slowly, the number of lettings to new tenants fell by 22 per cent, from 16,567 in 2014-15 to 13,626 in 2022-23 (the most recent data available). These numbers do not include transfers and exchanges for existing tenants. The reasons for this decline are unclear but may reflect the demographics of social housing tenants as well as fewer opportunities for social tenants to find affordable housing options elsewhere in the housing market.

The number of households rehoused on a priority basis due to homelessness has increased since 2013-14 both in numbers and the proportion of all new lettings. In 2022-23, more than four out of ten (43 per cent) of new lettings (5,917) were to homeless applicants compared to only two out of ten (18 per cent) in 2014-15. The result is that even fewer homes are available for applicants on the waiting list who are not homeless 7,709 in 2022-23.

## 2.2 The 20,000 homes target

The Welsh Government's Programme for Government<sup>4</sup>, first published in June 2021, included the commitment to deliver 20,000 new low carbon homes for rent within the social sector during this government term, i.e. 2021-2026. Whilst the target primarily focused on homes let at a social rent, the definition used also includes intermediate rents, shared ownership and private sector properties leased to local authorities to provide accommodation for homeless households. It also includes existing properties which have been acquired and added to the stock. The previous target for 2016 - 2021 had been broader and included affordable homes delivered through the Help to Buy-Wales and the Rent to Own schemes.

### 2.2.1 Progress to date

As Audit Wales has reported<sup>5</sup>, *"by the end of 2023-24, three years into a five-year programme, the Welsh Government estimates that it had secured fewer than half of the 20,000 social homes"*. It should be remembered that they are referring to the broader target definition here which includes other tenures.

Over the three years only 9,197 homes had been delivered towards the target, 2,803 homes short of the number needed to be on track. The 2023-24 data for this is still estimated.

Annual delivery averaged 3,066 homes rather than the required 4,000.

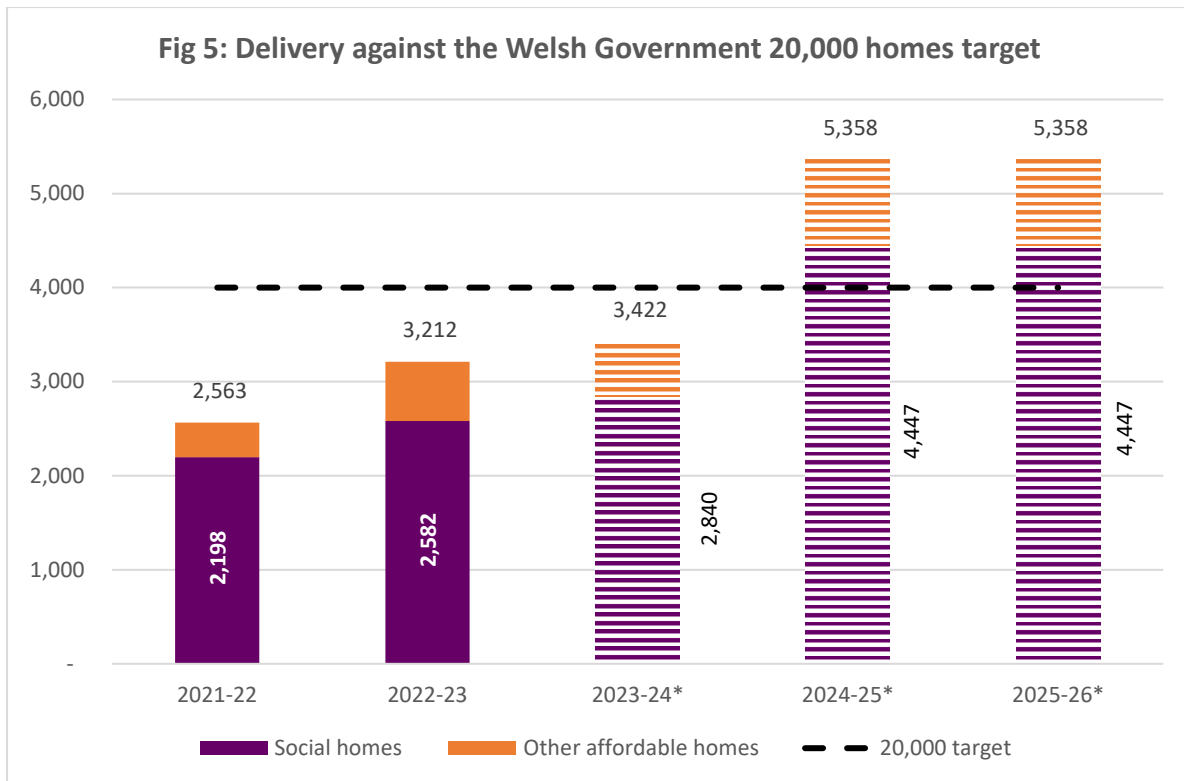
The Bevan Foundation has estimated that 83 per cent (4,780) of the homes known to have been delivered in the two years from 2021-23 were homes to be let at a social rent. Adding in Welsh Government estimated figures for 2023-24, and using this proportion, we estimate that the number of new homes delivered to be let at social rent over the last 3 years is 7,634.

The Welsh Government is projecting that it is, nevertheless, broadly on track, and that 19,913 homes could be delivered towards the 20,000 homes target by 2026. As the Audit Wales recognise,<sup>6</sup> these numbers have a significant degree of uncertainty.

*"The Welsh Government does not have quite enough pipeline schemes to meet the target and getting close depends on faster delivery in the final two years including completion of a significant number of riskier schemes"*.

Again, we estimate that out of the total forecast, 16,528 units are likely to be delivered for social rent. Figure 5 provides an overview of progress.

There is much less information about potential contribution of community housing towards the target. We understand that there are currently up to 313 affordable homes in the pipeline for delivery through community-led activity across Wales<sup>7</sup> - a small but important part of the bigger picture. Any community-led homes provided for social rent will contribute towards the 20,000 homes target.



Sources: StatsWales, [Additional affordable housing provision by registered social landlords only, by location, tenure and funding \(gov.wales\)](#), [Affordable housing provision: April 2021 to March 2022 \[HTML\] | GOV.WALES](#), [Affordable housing provision: April 2022 to March 2023 | GOV.WALES](#)

\* 2023-24 onwards data is based on the highest estimates and pipeline supply provided by the Welsh Government to Audit Wales - [Affordable housing \(audit.wales\)](#)

### 2.2.2 The impact of disposals

The 4,780 social homes reported to have been delivered during 2021-22 (Fig 5.) is greater than the overall increase of 3,065 in the social housing stock over the same period (Fig 3.). This discrepancy of nearly 1,500 units may be due to reporting differences. Factors may include demolition or the remodelling of housing schemes which may result in fewer properties overall. There is no data available on these.

One factor we can quantify is the disposal/sale of homes by social landlords. Welsh Government statistics<sup>8</sup> show that 387 social homes were removed from the stock due to voluntary and other sales during the three years 2021-24. Comparing disposals with the delivery of additional social homes over the period indicates that one home was lost from the stock for every 20 added over the last three years.

It is important to note that disposal figures do not include right to buy sales as the policy was abolished across Wales from 2019. Social landlords have reported to us that they are having to make the difficult decision to dispose of some individual homes due to the cost of improving them and meeting the quality and energy efficiency standards required by Welsh Government (explored further in section 3.4.2).

## 2.3 The need for more social and community homes

The delivery of additional social and community homes is not only lagging behind the Welsh Government's own target, but also falling short of growing demand.

The 20,000 homes target was based on pre-pandemic housing need data, before the cost of living crisis took hold and when the housing system was more stable and accessible to those on lower incomes. During evidence given at the recent Senedd Committee inquiry into social housing supply, it was widely accepted that the demand for social homes has significantly grown since this time.

*Even a basic assessment of need based on waiting list data and on statutory homelessness figures shows that demand exceeds 20,000. If we also account for people who do not appear in statistics, such as those living in overcrowded conditions, hidden homeless households, and those in inadequate homes but who have not registered for a social home then the true figure of need would be even higher.*

Shelter Cymru responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>9</sup>

*... the need for social housing is growing – not least because increasing numbers of people are presenting to their local authority as homeless. This not only points to the importance of meeting this target, but also to consider how social housing supply must continue to grow at pace beyond meeting this target*

Crisis responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>10</sup>

The Bevan Foundation's recent report, *Nowhere to call home: Living in temporary accommodation*,<sup>11</sup> highlights that record numbers of households in temporary accommodation: the latest figures show that one in every 215 households in Wales now live in temporary accommodation. This includes over 3,000 children - nearly six in every 1,000 children in Wales.

The number of new social homes estimated to have been delivered in 2023-24 (2,480) would provide accommodation for less than one in three of households living in temporary accommodation in March 2024 (6,447), even if every new social home was allocated to a homeless household.

Our analysis of Shelter Cymru casework confirmed that a lack of social homes is reported to be the most significant barrier faced by those living in temporary accommodation. Single person households, larger families and those in need of accessible or adapted homes faced the greatest challenge in finding something suitable and affordable to live.

New data gathered by YouGov on behalf of the Bevan Foundation has also found that almost one in ten (9 per cent) of the Welsh population are now likely to need to move home in the next six months. Over a third of them would be moving due to issues with their current accommodation, being unable to remain in it or afford it. Reasons included the cost of bills, rent and mortgage payments, the home being in a poor state of repair, or being asked to leave by their landlord<sup>12</sup>.

Despite recent work by Welsh Government to improve estimates of housing need made by local authorities in their local housing market assessments, Audit Wales<sup>13</sup>, have suggested that more needs to be done to provide a longer-term assessment. They acknowledge that national estimates potentially understate need and demand and that the pattern of delivery of affordable housing does not match the estimates of need.



## 2.4 Conclusion

Social housing has been very hard hit by multiple factors. Nearly 40 years of sales under right to buy legislation have seen the total stock fall by 150,000. Barely half of the number of homes lost have since been replaced. Add to this the reduction in the number of social homes that become available for letting, and it is clear that the supply of social housing has decreased just as demand is at an all-time high.

The Welsh Government has set a target of providing 20,000 new affordable homes by 2026 but, while some progress has been made, it seems unlikely that the target will be met. Even this modest target is being countered by the disposal of some social homes.

Community-led housing has an important role to play in the drive for new, affordable homes but to date its contribution has been relatively small scale and has, similarly, not grown at the pace required.

Meanwhile, the number of people on housing waiting lists and in temporary accommodation has soared, with the huge scale of demand far outstripping the modest scale of delivery.

## 3. The challenges of delivering more

Between the mid-1940s and the mid-1970s, around 8,000 new social homes were being built every year in Wales<sup>14</sup>. So why are so many fewer homes being built now, despite the urgent need? This section explores the delivery challenges being faced by the sector, beginning with a brief overview of complex development process.

### 3.1 The development process

The process of developing a social home follows the same principles of any house building but is made more complicated by the need to secure grant funding, ensure viability at affordable rent levels and meet Welsh Government standards. Community-led homes will also follow a similar process. The visible start of construction is the culmination of a complex inception process.

*In many ways, construction is the easy bit. We could be working up a scheme for a good number of years before we're even able to put a spade in the ground. Someone waiting for a house today would be waiting 3 or 4 years to get a key if we were just starting to work on a scheme.*

Local authority development officer in conversation with the Bevan Foundation

#### 3.1.1 Key stages

The development process is broadly similar whether it starts with a piece of land or the acquisition of an existing dwelling or building for redevelopment. It will typically follow these key stages although the order of may vary:

- **Need/site identification** - the process could start with a specific housing need being identified and looking for a site to fulfil it or taking the opportunity of an available site and exploring the need for housing in the area.
- **Feasibility study** - looking at any constraints that might hinder or influence the development, and the potential number and type of homes which could be delivered.
- **Viability appraisal** – a broad assessment of whether the scheme could potentially be viable, based upon land/site cost, likely construction cost, the number and type of homes, the grant which could be received, the likely rental income when set at a social rent and the requirement for private finance.
- **Detailed scheme design** – taking account of Welsh Development Quality Requirements<sup>15</sup> and the Welsh Housing Quality Standard.<sup>16</sup>
- **Gaining consent** – applying for relevant planning and other statutory consents, both for new dwellings and the conversion or change of use of existing ones.
- **Funding approval** – applying to Welsh Government for capital grant support which will be subject to a further viability assessment and technical scrutiny.
- **Purchase and procurement** – of the site and construction works.
- **Construction** – building out the site to the specified design, establishing service connections and fulfilling planning conditions.

### 3.1.2 Who takes the lead

While in a lot of cases, the process will be led by the development team of a social landlord, supported by various consultants, there are also other starting points:

- **Developer-led package deal** – a developer, normally a SME builder, may approach a social landlord with a site which they are bringing forward and look to agree a deal for the completed homes to be purchased for social housing.
- **Homes provided through a S106 planning agreement** – market housing developments will be required to provide a proportion of affordable homes by a planning obligation. This can currently range from 30 to 50 per cent of the homes being developed and there can typically be a requirement for 70 per cent of these to be social homes. The homes are then offered to a social housing provider at a guideline, below market price, which enables them to be let at a social rent. Planning obligations have accounted for 23-30 per cent of new affordable housing delivered over the last five years<sup>17</sup>
- **Community-led schemes**– in some cases a development may be initiated and led by a local community which has recognised a particular need for affordable housing locally. A community land trust may be formed to deliver the homes themselves. They may also decide to work with a housing provider to provide development and management services.

#### **Spotlight – The Communities Creating Homes - Cwmpas**

The Communities Creating Homes project run by Cwmpas offers support and advice to new and existing organisations looking to develop community-led housing schemes in Wales. There are currently 47 active groups/communities.

*Co-operative and community-led housing means bringing people together to decide what kind of homes and communities they want to live in. People with a shared vision can come together and have an influential voice. They play an essential role alongside councils, developers and investors to create affordable homes which meet local community needs.*

*It comes in many shapes and sizes. Small groups of friends buying a house to share, leaseholders setting up a tenant management committee, community members buying local land on which to develop new housing, and people who want to develop sustainable homes.*

Cwmpas Creating Homes Programme Manager in conversation with the Bevan Foundation

Some groups delivering affordable homes for themselves, like Gwyr Community Land Trust<sup>1</sup> who are working towards building a cohousing site for 14 households. Others, like Nolton and Roch Community Land Trust<sup>1</sup>, are working in partnership with housing providers to deliver housing for local people in need.

Cardiff Community Land Trust first came together as a group in 2022. Five households are working together to create a new intergenerational community with 15 to 20 homes based on environmentally friendly principles. Members currently live in a range of different housing situations and openly talk about how they have had experiences of anti-social behaviour and discrimination.

*We're looking to establish that sense of community which we don't have where we're living at the moment. Everyone lives behind their own front door and that's it. We know it's going to take some time to get there, but it will be worth all the hard work.*

Cardiff CLT founding member in conversation with the Bevan Foundation

## 3.2 Land supply

The availability of the right land, in the right location, at a price which enables social rent levels to be set, is the first crucial step in the development of social homes, whoever is taking the lead on developing them.

The ideal site will vary on a scheme-by-scheme basis. We've heard from housing association development teams that there is an optimum size of site, big enough for around 20 to 30 homes, which support viability but is not too big to them to take forward financially. Specialist schemes or those being led by a community group may require a smaller site.

### 3.2.1 Privately owned land

The Competition and Markets Authority report into housebuilding across all tenures in Wales<sup>18</sup> concluded that while there is *"land that is potentially available for development in most areas"* its availability on the market at any time will *"depend on landowners' assessment as to when and if it makes sense to try to sell."*

Audit Wales agree<sup>19</sup> that existing local authority Local Development Plans suggest sufficient land is available, although many of these plans are being updated, which may show a different picture. They also report receiving feedback that *"a lot of that land is unsuitable, is not in areas of high need, and that landowners are not releasing the land for development."*

*The ultimate implication of Wales' knotty plan-led system is a drop in housing supply. because of an increasing number of out-of-date LDPs, there is a shortage of 'deliverable' allocated sites, resulting in less homes (overall) being delivered. The growing trend in LDPs to allocate a small number of larger sites makes it even harder for SME builders to operate in the plan-led system.*

Home Builders Federation<sup>20</sup>

*Currently there is little incentive for landowners to participate in the development process, by either means of providing sites or developing sites where planning permission has been granted. Owners /developers can landbank schemes with the only proviso that they keep to the planning permission requirements. This serves no benefit in increasing the supply of housing.*

Isle of Anglesey Council responding to the Local Government and Housing Committee Social Housing Supply Inquiry <sup>21</sup>

Cwmpas have shared with us that 11 of the 44 active community land trusts that they work with are having difficulty finding or acquiring land.

Legal action, such as the use of local authority compulsory purchase powers (Compulsory Purchase Orders or CPOs), can be used to bring land into public ownership to enable housing development but their use is not commonplace. A review of the Register for Compulsory Purchase<sup>22</sup> reveals that only 26 CPOs were made for housing purposes between 2011 and 2021. Of these, 14 were to purchase individual empty properties.

The Affordable Housing Supply Review<sup>23</sup> recommended that CPO processes should be streamlined to improve the acquisition of land for housing purposes. New CPO powers under the Levelling Up and Regeneration Act 2023<sup>24</sup> also aim for hope value to be removed from the CPO process, with the value of land instead being based on the development being proposed.

The Senedd inquiry into the supply of social homes held this year also heard observations that more could be done to assemble land at a national level and prepare it for development. This is a role that was historically fulfilled by the Land Authority for Wales (1976–1999), whose powers were transferred to the Welsh Development Agency after the organisations were merged, and then to the Welsh Government after the Welsh Development Agency was abolished

Community ownership is a further option for releasing land assets. But, as Cwmpas highlights in their report, *Community ownership of local assets*,<sup>25</sup> “the conversation about land ownership and community access to and ownership of land is relatively underdeveloped” in Wales, with no formal policies such as the Community Right to Buy (Scotland) and Community Right to Bid (England). The Building Communities Trust adds<sup>26</sup> to this by saying that Welsh community groups had lower levels of awareness of community ownership options than elsewhere in the UK where models are in place.

### 3.2.2 Public sector land

Welsh Government statistics<sup>27</sup> report that land owned by the public sector, local authorities, Welsh Government, health boards etc. is making a significant and growing contribution to new affordable housing as a proportion of overall additional affordable housing supply, rising from 22 per cent in 2021-22 to 40 per cent in 2022-23.

**Fig 6. Number of affordable homes delivered on public sector land**

Year	2016-17	2017-18	2018-19	2019-20	2021-21	2021-22	2022-21	2023-24*
<b>No. of homes</b>	689	531	650	716	781	723	1,362	1,190

Source: StatsWales, Provision of affordable housing on land made available in last 5 years by location and period \* planned not delivered

Available at - [Provision of affordable housing on land made available in last 5 years by location and period \(gov.wales\)](https://gov.wales/provision-of-affordable-housing-on-land-made-available-in-last-5-years-by-location-and-period)

While the use of public sector land may be growing, there is still a view that there is more untapped potential. As Community Housing Cymru have reported,<sup>28</sup> “our members have relayed the infrequency in which local authority public land comes to the market and with no preferential treatment for affordable homes.”

Looking specifically at local authority assets, the Local Government Act 1972 enables local authorities to dispose of assets at less than best value where the disposal is likely to contribute to economic, social or environmental wellbeing. However, with all public sector bodies in Wales under pressure to maximise their income, best value often takes priority.

*We were hoping to take on a school site, but the local authority needed too much for it. They'd already factored in the money for the new school. We need the land price to be low enough to make the scheme stack up. They need as much money as possible to deliver their own priorities. The need for housing is overshadowed.*

Housing association development officer in conversation with the Bevan Foundation

*When public sector land becomes available, prices are extremely high due to open market competition. Any publicly owned land in Wales which is potentially available for development should be made available at competitive values to deal with the current housing crisis.*

Housing association director in conversation with the Bevan Foundation

Where local authorities have begun to build again to add to their stock of social homes, they have also reported the availability of suitable land as the main challenge. Whilst they may have their own land holdings to utilise, these are not always the easiest sites for development.

*Swansea's approach has been to focus development on existing housing land holdings. There are a number of reasons for this including our aim to provide regeneration opportunities on existing estates by utilising these plots which would be unattractive or unviable for private developers and RSLs. However, these sites have high levels of abnormal costs associated with them, which is driving up development costs.*

Swansea Council responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>29</sup>

### 3.2.3 Socially owned land

From our discussion with Housing Justice Cymru, we have heard their thoughts on potential for community or socially owned assets to be used for social housing. The Faith in Affordable Housing project is beginning with churches and chapels, but also recognises the opportunities for redevelopment which other community land and buildings represent. Community assets such as banks, post offices, libraries, and community halls which are coming to the end of their working lives, could all contribute to the delivery of social and community homes. From a regeneration perspective, they also allow for the transformation of centrally located sites for housing where it is most needed, with access to transport links, schools, and amenities.

#### **Spotlight – Faith in Affordable Housing - Housing Justice Cymru**

Faith in Affordable Housing began in Wales in 2016 through a partnership between Housing Justice Cymru and the Church in Wales. This union recognised that some unused buildings and land owned by the Church could serve a Christian purpose by providing genuinely affordable housing for those most in need. Today, FIAH works with multiple denominational and faith-based groups, across all Local Authority areas.

*There can come a time, a sad time, when a place of worship that has been much loved over the years, comes to the end of its viable life. The least attractive option for that building is that it closes and becomes a ruin. There are occasions when the clearance of the site and the construction of new facilities is a feasible option.*

Former Archbishop of Wales, The Most Reverend John Davies

New affordable housing, many provided as social homes, has been built on 11 former church/chapel sites in Wales through FIAH since the start of the project, resulting in 117 new homes. There are currently 46 more new homes under construction.

*The opportunities for social housebuilding on church and chapel land are many, across the spectrum of scale from village and town centre sites to edge of settlements. We act with the denominational landowner to identify the potential of a site and then with an RSL partner to build the scheme.*

*At any given time we have around 40 to 50 potential sites in the pipeline, but the challenges of bringing them forward mirror those of any housing development. If anything, they are amplified because we are working with brownfield sites, often with an existing building on it, and sometimes that building itself is listed or considered part of the local built heritage in an area. There's so much potential here if we can find our way through the consents and costs.*

Faith in Affordable Housing Project Manager in conversation with the Bevan Foundation

A site currently under construction is the former church hall of the Albany Road Baptist Church in Roath, Cardiff<sup>1</sup>. Here, it is not a case of using a site which a faith-group no longer needs but of supporting the viability of the main place for worship by developing adjacent buildings. The church hall, which had started life as the actual church building, was becoming difficult to maintain due to its age and did not have adequate accessibility for members of the congregation. Despite being much-used, it was realised that condensing the community space and worship space together into the church would free up the community hall building, that could be better used for affordable homes.

Working with Cadwyn Housing Association construction is underway to create 12 one-bedroom social homes. Recognising an opportunity to support the community, the scheme will also provide the church with a community café and space which can be hired out to provide ongoing revenue.

### 3.3 Gaining consent for development

With land secured and a viable housing scheme drawn up, the next stage in the process is to get permission to be able to start construction. This involves negotiation of the planning system and other statutory consenting mechanisms.

#### 3.3.1 The planning system

The planning system in Wales is an integral and important part of any development programme. It provides clear transparency, accountability, and key stakeholder engagement within any development process. Planning authorities (local authorities and national parks) prepare local development plans to provide a strategic approach to land use and the allocation of sites for housing. Development control teams assess planning applications for individual schemes against local policies.

A recent report by the Competition and Markets Authority into housebuilding<sup>30</sup> confirmed that uncertainty in the planning system is a barrier to delivery. The report talks about a lack of predictability, the complexity of the planning process and insufficient clarity about targets and incentives to meet housing need.

*There is a host of 'grey areas' which can make a planning application seem more like a guessing game rather than being able to feel confident when a planning application is*

*submitted. A significant number of costly surveys and reports are required to progress with a planning application. The system has become increasingly complex with different departments within Local Authority having their own aims and objectives which do not necessarily correlate to the delivery of planning permissions which in turn would deliver social housing.*

Castell Group responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>31</sup>

*The planning system in Wales in its current format causes significant delays to social housing development programmes. A range of surveys are required with each development ranging from ecological; environmental; archaeological; biodiversity. These combined surveys cause significant delays and costs within any development process.*

Adra responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>32</sup>

The timescales of gaining planning permission are also becoming an increasing challenge as local authorities report that they are having difficulty recruiting planning officers.

*Several respondents to our call for evidence identified concerns about the planning process, particularly the impact of delays to applications. Respondents highlighted overall workforce shortages, with specific concerns about a lack of experienced planning officers.*

Audit Wales<sup>33</sup>

*The timescales in obtaining planning consent are also prohibiting the delivery of social housing, ...on average taking our company 21 months from submitting a pre-app to being able to start on site following the discharge of planning conditions.*

Castell Group responding to the Local Government and Housing Committee Social Housing Supply Inquiry

*Feedback from local authorities suggests that there continues to be a struggle to recruit and retain staff within this area. There aren't enough graduates to fill posts, so this problem is not going to get better anytime soon.*

Housing association director in conversation with the Bevan Foundation

Worryingly, Savills' latest Welsh housing market and supply update<sup>34</sup> reports that while starts on site across the residential sector are improving, planning consents continue their decline. They comment that *"this shrinking pipeline of new housing in Wales threatens the future delivery of homes."*

Data from the House Builders' Federation helps to illustrate the extent to which planning consents are in decline across Wales. During 2023 for example, consents were down 40 per cent on the previous year.

**Fig 7. Number of homes approved by planning authorities in Wales**

Year	2020	2021	2022	2023	2024 H1
<b>No. of homes approved</b>	7,271	11,806	8,399	7,062	4,036
<b>Change on a year earlier</b>	-39%	+62%	-29%	-40%	-1%

Source: House Builders Federation

Available at - [Housing Pipeline Report Q2 2024 - Published Sept 2024 \(hbf.co.uk\)](https://www.hbf.co.uk/publications/housing-pipeline-report-q2-2024)



We have been unable to find any data specific to social housing consents in Wales. The House Builders Federation do however report that across Great Britain, social housing projects of three or more units fell by 37 per cent during the second quarter of 2024 and was 15 per cent lower than the previous year.

Public opposition to the building of new homes and the stigma expressed about social housing specifically can also cause significant delays and threaten the likelihood of planning application being approved.

*Community consultation is a key element of the planning process, and we make every effort to meet with the community, explain our plans and why social homes are needed. These homes will make such a difference to the households who need them, and it's so hard to hear the negative perceptions of people worrying about who their future neighbours will be.*

Local authority development officer in conversation with the Bevan Foundation.

### 3.3.2 Other statutory consents

It is not just the planning process itself which is causing delays. Statutory consultees across the public sector can cause delays and drive-up costs, whilst other approval processes add further requirements and confusion.

*The pace of change has never been so great with so many competing interests. We know that we need more homes now, but the convergence of different policies - improved energy performance, sustainable drainage systems, net gain biodiversity and reducing greenhouse gas emissions - and the pressures they place on a potential scheme mean that it can often take years between inception and a start on site.*

Housing association director in conversation with the Bevan Foundation

*Highways and drainage agreements/adoption are also a major factor that exacerbates delay. Inflexibility of statutory providers often adds unnecessary costs to development.*

Tirion Homes responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>35</sup>

Statutory consents highlighted in the Senedd Inquiry and the recent Audit Wales report<sup>36</sup> include:

- **Sustainable drainage** - The Welsh Government introduced new Sustainable Urban Drainage Systems (SuDS) standards<sup>37</sup> which came into force in 2019. In Autumn 2023, the Welsh Government reviewed pipeline schemes rated amber or red risk where social landlords cited planning as the cause of delays. The review found that half had problems related to SuDS. A lack of specialist capacity within local authorities is another cause for delays.
- **River phosphates** - Phosphates are nutrients that enter rivers primarily from wastewater and agriculture. In early 2021, Natural Resources Wales issued advice to local planning authorities to adopt a policy of 'nutrient neutrality' in Special Areas of Conservation (SAC) rivers. As a result, some authorities, notably those around the Wye and Dee river catchment areas, abruptly paused new housing developments. Welsh Government have developed an action plan<sup>38</sup> specific to affordable housing development which includes measures to improve the situation.

*At present, Welsh government strategies to address the climate emergency are working at cross purposes with strategies to end homelessness and tackle the housing crisis. Current environmental strategies and policies are causing significant delays in developing homes in*

*Wales. A prominent example is the approach to ensuring phosphate levels for all river Special Areas of Conservation (SACs) across Wales area at appropriate levels. This has had a direct impact and has delayed certain development programmes*

Adra responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>39</sup>

In their response to the Senedd Inquiry, Housing Justice Cymru were keen to discuss the difficulties of buildings with potential for redevelopment being listed – either by CADW or via local listings by the local authority conservation team. This can also have an impact on the surrounding land or buildings as any new development must be in keeping with, and not have a detrimental impact on the historic structure.

*Listed churches in Wales add to our sense of community, cultural identity, and shared history. In Wales 30,000 buildings and structures are listed. 2,000 are places of worship, with more than a third of these listed Grade I and II\*. The balance between building conservation and viable re-use of churches is becoming increasingly important. The alternative to not repurposing these buildings for a use such as affordable housing, is to lose these important heritage buildings to disrepair.*

Housing Justice Cymru responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>40</sup>

Even when not listed or locally listed, some FIAH projects have faced rejection at the pre-app stage as the idea of the demolition of a community building such as a church is opposed at planning. This is often when the church or chapel is in a state of unaffordable disrepair, and too dangerous for re-purpose without demolition. This leaves the owner of the building with a costly problem, and any future owners undoubtedly will face the same as the building continues to worsen in state with no clear solution.

### 3.3.3 The impact on using community assets

Delays and uncertainty in the planning and development consent process can result in opportunities to make use of community assets being lost.

Whilst an agreement in principle to purchase a site for housing development may be agreed prior to planning approval, the actual purchase will often not take place until approval has been granted. From the point of view of the developing social landlord, they cannot risk the financial burden of acquiring a site and not being able to develop it.

This can cause difficulties, where the owner of the asset has made the decision to make the asset available for social housing but requires any receipt from the sale for other purposes or will incur ongoing costs until the asset is sold.

*Taking the example of a church building where the congregation have been through the painful decision of closure but also decided to turn it into some good by working with a social landlord ..... Delays in planning can lead to huge, very costly delays and cause congregations and church elders to have to consider other options such as a private sale. The money from the sale may be needed elsewhere to help with the upkeep of other buildings, there will also be ongoing mothballing costs such as insurance and essential maintenance. Not to mention that those managing these transactions are often voluntary church elders, who may not possess the legal expertise or resources to maintain lengthy sales processes with RSLs.*

Faith in Affordable Housing Project Manager in conversation with the Bevan Foundation

## 3.4 Construction cost, capacity and other financial pressures

Audit Wales have reported that the cost of development has had a clear impact on the delivery of homes against the 20,000 target. From our discussions across the sector, it is evident that there are other financial pressures being faced by social housing providers which are also affecting delivery.

### 3.4.1 The cost of construction to meet required standards

Economic impacts from the COVID-19 pandemic and the war in Ukraine have pushed up construction costs and have affected the delivery of social homes. As the former Cabinet Secretary for Housing, Local Government and Planning commented in the Senedd Committee herself, “we could get somewhere between five and seven houses for £1 million; now we get four if we’re lucky”<sup>41</sup>.

In 2021, the Welsh Government estimated that £1.6 billion of Social Housing Grant funding would be needed over five years to deliver 17,500 of the 20,000 homes target<sup>42</sup>. It expected the costs of the remaining 2,500 homes to be met by social landlords’ own funds or through section 106 agreements. In total, £1.10 billion was spent on capital grants between 2021-22 and 2023-24.

*The cost pressures ... combined with the new building standards, have caused the grant required for each new general needs property to rise. It increased by 75% between 2020-21 and 2023-24, from around £93,000 to around £163,000.*

Audit Wales<sup>43</sup>

Not only has the cost of building itself increased, but so have the expected standards that new homes have meet, including the aspiration for net-zero homes. One housing association shared with us that the average cost of achieving an energy performance rating (EPC) of A on a new build home is on average £15,000 more than an EPC B-rated home, depending on the scale of the development and construction method. They had estimated that if the EPC target was lowered to a B rating for the 20,000 homes target, an additional 1,000 homes could have been supported with the same funding

*The aspirational standards to be met in terms of new social housing in Wales today including the decarbonisation elements significantly increases the cost per unit of building new social homes. Every social housing organisation has limited borrowing powers; and to meet current housing standards; the cost of building each unit is higher, and this limits the number of homes the sector is able to deliver*

Housing association director in conversation with the Bevan Foundation

Audit Wales<sup>44</sup> have concluded that, given the additional costs of development, Welsh Government could need as much as £580 million to £740 million extra capital on top of existing budget assumptions to deliver all projects in its pipeline to March 2026. From our discussions across the sector, while further funding is welcomed, delivery challenges elsewhere are making it harder to spend current budget allocations. Without a strategic approach to addressing the barriers, any additional funding made available could go unspent.

### 3.4.2 The capacity for construction

It is important to highlight that it’s not just the cost of the actual materials used for development that is providing to be a barrier to delivery, but all capacity in terms of the supply of materials and also the skilled workforce work with them.

*The construction industry is facing significant pressures in the operational environment, with cost increases for materials, components and parts having risen significantly in recent times. Pressures of this kind can undermine the ability of employers to invest in their workforce, attract new skilled employees and invest in existing workers ...*

CITB Cymru Homes responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>45</sup>

CITB also highlight in their inquiry response that social housing in Wales is being utilised as a testbed for more innovative methods of construction, but that scalable solutions are needed to provide the economies of scale required to meet those requirements.

### 3.4.3 The need to improve the existing stock

Social landlords are facing increasing pressure to invest in the condition of their existing homes. Events such as the Grenfell Tower tragedy and the death of a toddler in Rochdale caused by exposure to mould in his home have increased focus on the quality and upkeep of social homes.

All social homes in Wales are required to meet the Welsh Housing Quality Standard 2023<sup>46</sup> (WHQS) which aims to improve the quality of the accommodation provided, including the state of repair, safety and security, affordable heat and minimal environmental impact. All homes must be installed with measures to achieve EPC C, with a future works programme to achieve EPC A. The new 2023 standard also requires new elements such as flooring, water collection systems and sheds for storage. Although seemingly small items, it has been reported to us that the total additional cost can be significant.

The financial challenge of bringing existing social homes up to the required standard will also vary across different types of landlords. Local authorities and large-scale voluntary transfer associations will have significantly older housing stock in need of greater investment.

Social landlords have reported to us that they face a difficult financial balancing act. Do they improve their existing stock or add to their stock through new development? Do they have the financial capacity to do both?

*There is a potential trade-off between the quantity of social housing and the quality. Increasing standards can improve quality but can also add to costs and thereby reduce the quantity that can be built from a set amount of funding. However, this is not necessarily always the case. Ensuring low carbon heating is installed from the outset as part of a new build design may not involve a significant increase in cost and potentially avoids expensive retrofit at some point in the future*

WLGA responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>47</sup>

*Whilst Swansea Council strongly supports the aim to decarbonise homes in order to achieve carbon reduction targets, the HRA Business Plan does not have sufficient financial resource to meet the Government's twin policy objectives of increased supply and decarbonisation of existing stock whilst maintaining WHQS compliance.*

Swansea Council responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>48</sup>

*It must be acknowledged that there will be trade-off decision that need to be made, prioritising new builds or investment in current stock. There is a balance of ensuring financial viability with new builds, maintaining current tenant safety and delivering landlord services.*

### 3.4.4 The impact on acquisitions

Welsh Government has put an increased focus over recent years on the acquisition of existing homes to assist with achieving the delivery target. Generally, an existing dwelling acquired by a social landlord can be ready for letting as a social home far quicker than a new build one. It is also estimated that the grant required to buy existing properties is considerably lower than new build. Grants averaged around £120,000 per property in 2023-24, up from £99,000 in 2022-2023<sup>50</sup>.

The Joseph Rowntree Foundation report *Making a house a home*<sup>51</sup> advocates for the socialisation of the existing housing stock to meet unmet need for social homes. The report argues that a far greater number of owner-occupied homes change hands through market transactions than through additions from new supply in any one year. JRF argue that these transactions present a potential opportunity to intervene in the housing market and redistribute ownership from the private to the social sector.

From our discussions across the sector, development teams are understandably wary of the risks of purchase and conversions, the costs to meet WHQS and decarbonisation standards, or even whether the property is capable of reaching those standards.

This is not just been for older properties, but also for new builds offered for sale by developers. One association told us that they had been unable to purchase new properties due to them having gas boilers installed. The cost of replacing the boilers with air-source heat pumps to achieve EPC A was prohibitive.

*The Welsh Housing Quality Standard has also made buying properties currently being developed more difficult. In our experience the specifications of those that the Council could purchase for rent, were higher than those of the properties for sale. Whilst this is in itself laudable, it did rely upon the good will of the developer involved. This is not often as forthcoming. As a result, properties purchased off plan are for Low Cost Homeownership, rather than for social rent.*

Wrexham County Borough Council responding to the Local Government and Housing Committee Social Housing Supply Inquiry<sup>52</sup>

A new funding stream, the Transitional Accommodation Capital programme (TACP), was primarily aimed at working with existing properties in response to pressures on temporary accommodation. Referred to as “meanwhile use” homes, some flexibility has been provided on standards, enabling dwellings to be brought into the stock at if they were at lower, fit for habitation standard. Providers are then given 10 years to meet WHQS or choose to sell the property.

We understand that, to date, TACP has mainly supported housing associations to fast-track into use properties that were already in their ownership but were long-term voids. Purchase with the option of future sale does not appear to have been an attractive option to date for housing providers as they look to minimise risk.

### 3.4.5 The availability and cost of finance and rent settlements

Two further financial hurdles which can affect development are the need to find and service private finance and the cap on the rent levels which can be charged to repay it, whilst also remaining affordable.

Bank of England base rate increases have fed through to higher interest rates from commercial lenders for RSLs and from the Public Works Loan Board for local authorities.

*The Welsh Government's funding model uses an assumed interest rate based on average rates achieved by RSLs acquiring new debt. This rate has risen significantly from 3.75% in April 2022 to 5.50% from June 2023. The loan rate for local authorities has risen from 2.50% to 3.87% over the same period*

Audit Wales<sup>53</sup>

In terms of the availability of finance, Tirion Homes<sup>54</sup> have highlighted that “*all but the largest housing association “struggle to raise enough capital for major projects due to balance sheet restrictions and a significant tightening in the credit markets.”* They argue that there is a place for greater institutional investment.

The Welsh Government introduced a social rent policy in 2019 to ensure that social rents remain at affordable levels. The policy capped the overall increase in social rents for each social landlord at inflation, as measured by the Consumer Prices Index (CPI), plus 1 per cent for five years from 2020-21. However, if inflation exceeds 3 per cent the Minister responsible for housing would decide the cap. For 2022-23, the Welsh Government capped the maximum overall increase at CPI inflation of 3.1 per cent.

*Considering cost-of-living pressures, the Welsh Government capped the maximum overall increase below inflation at 6.5% for 2023-24 (CPI inflation was 10.1%) and at inflation of 6.7% for 2024-25<sup>16</sup>. These lower increases impact the revenue that social landlords use to match-fund the cost of new development. That in turn reduces the viability of each scheme, increasing the level of grant required from the Welsh Government.*

Audit Wales<sup>55</sup>

### 3.5 Conclusion

The process of delivering new social and community housing, whether through new build or acquisition, is lengthy and complex, with multiple competing interests at play. The supply of land is critical, as without it there can be no new developments of any kind. However, it is by no means the only step in the development process - the gaining of planning and other statutory consents, meeting minimum standards, the availability and cost of finance as well as other pressures on social and community housing providers are, together, creating significant hurdles to the delivery of social and community housing. Smaller providers, who may lack the resources and skills to navigate a complex and lengthy process, are particularly hard-hit.

While resolving any one of these issues may help delivery, action in one area alone is not enough to achieve delivery – instead there needs to be a whole system reform. This requires a much more strategic approach, that ensures that every single stage of the development process works to deliver the social and community housing that is so urgently needed.

## 4. Conclusions and next steps

There is an urgent need to provide more homes that people on low incomes can afford. While creating permanent homes for people currently living in temporary accommodation is the most pressing issue, in the longer term, more secure, decent and genuinely affordable housing would help to avoid people becoming homeless in the first place.

There is a clear crisis in the supply of social and community homes. The Welsh social housing stock has not recovered from significant losses due to the pre-devolution right to buy policy. Although there is a commitment to expanding supply, the delivery is slow compared to the hey-day of council house building. The legislative and policy environment for community housing in Wales does not compare well with other parts of the UK.

Welsh Government have set targets for delivery, but these are not focused solely on the provision of social homes. The target is also not sufficient when set against growing housing need.

It's an extremely difficult environment for delivery of new social and community homes. Progress to date suggests that it will be very difficult to meet the 20,000 homes target, with multiple factors coming together in a lengthy and complex development process. Just at the time when more social and community homes are needed the most, acutely, delivery of them is at its most challenging.

There are three key areas of challenge:

- the availability of land in the right place at the right price
- the complexities and uncertainty of obtaining consent for development
- financial and capacity hurdles involved with construction and meeting the required standards

One of the key conclusions is that there is a lack of coherent buy-in and prioritisation across the public sector regarding the delivery of social and community homes. Processes for consent can confuse and delay delivery, and the need to maximise returns from sales of land can lead to development opportunities being missed.

There can often seem to be little sense of urgency, despite the record numbers of people in temporary accommodation. The need to deliver more homes now is obstructed by conflicting policy agendas focused on longer term outcomes.

There are innovative models of delivery such as community-led development and the use of socially owned land, but these too are dependent upon other elements such as planning consent and finance which are hindering their potential to support delivery.

Solving the problem of social housing supply has become very difficult, but it is not one which we can ignore. Overcoming the barriers of complex development process and conflicting policy demands is vital, as the scale of the housing emergency and effects of the cost of living crisis continue to drive the numbers in need of an affordable, secure home.

Over the next two years we will be looking at how to increase the availability of move-on accommodation for the record number of households in temporary accommodation, including making recommendations, overcoming barriers to delivery, making best use of available housing stock and allocations policies. Through this work we will develop a route map outlining the actions that must be taken to solve the homelessness crisis in Wales.

## Annex 1 – what we did

We have used a number of different methods to inform our research.

### Data analysis

Our analysis uses statutory data set provided to the Welsh Government by social housing providers. These are collated and presented on the Stats Wales website<sup>56</sup>.

### Insight from the work of others

The report also draws upon the work recently undertaken by others in Wales, informed by our review of relevant research, Welsh Gov documents and consultations, Senedd Committee evidence and local authority plans and strategies.

### Conversations with local authorities and wider stakeholders

We also reflect on conversation which we have had with local authorities and a wide range of stakeholders including the organisations which support the wider research through an advisory group.



## References

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- <sup>2</sup> [Affordable housing \(audit.wales\)](#)
- <sup>3</sup> [060901-social-housing-cycle-en\\_1.pdf \(gov.wales\)](#)
- <sup>4</sup> [Programme for government: update | GOV.WALES](#)
- <sup>5</sup> [Affordable housing \(audit.wales\)](#)
- <sup>6</sup> [Affordable housing \(audit.wales\)](#)
- <sup>7</sup> [Data provided by Cwmpas](#)
- <sup>8</sup> [Total social landlord housing sales by period and sale type \(gov.wales\)](#)
- <sup>9</sup> [SHS 22 Shelter Cymru.pdf \(senedd.wales\)](#)
- <sup>10</sup> [SHS 16 Crisis.pdf \(senedd.wales\)](#)
- <sup>11</sup> [Nowhere to call home: Understanding our housing crisis - Living in temporary accommodation - Bevan Foundation](#)
- <sup>12</sup> Figures are from YouGov Plc. The total sample size was 1,207 adults. Fieldwork was undertaken between the 2nd and 3rd of September 2024. The survey was carried out online. The figures have been weighted (unless specified otherwise) and are representative of all Welsh adults (aged 16+).
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- <sup>15</sup> [Welsh Development Quality Requirements 2021 \(gov.wales\)](#)
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- <sup>17</sup> [Provision of affordable housing through planning obligations and on exception sites by authority, measure and planning type \(gov.wales\)](#)
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- <sup>21</sup> [SHS 25 Isle of Anglesey County Council.pdf \(senedd.wales\)](#)
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- <sup>23</sup> [Independent Review of Affordable Housing Supply launches | GOV.WALES](#)
- <sup>24</sup> [Levelling-up and Regeneration Act 2023 \(legislation.gov.uk\)](#)
- <sup>25</sup> [Community ownership of local assets - Cwmpas](#)
- <sup>26</sup> [Community ownership of local assets - Cwmpas](#)
- <sup>27</sup> [Provision of affordable housing on land made available in last 5 years by location and period \(gov.wales\)](#)
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- <sup>29</sup> [SHS 26 Swansea Council.pdf \(senedd.wales\)](#)
- <sup>30</sup> [Wales summary \(publishing.service.gov.uk\)](#)
- <sup>31</sup> [SHS 07 Castell Group.pdf \(senedd.wales\)](#)
- <sup>32</sup> [Dear \(senedd.wales\)](#)
- <sup>33</sup> [Affordable housing \(audit.wales\)](#)
- <sup>34</sup> [Savills UK | Welsh Housing Market and Supply Update – April 2024](#)
- <sup>35</sup> [SHS 08 Tirion Homes.pdf \(senedd.wales\)](#)
- <sup>36</sup> [Affordable housing \(audit.wales\)](#)
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