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Executive summary

This paper looks at the social housing sector in Wales; in terms of its changing scale, ownership, governance, cost and quality. It does so in the context of evidence of unmet and emerging housing needs in Wales (and in particular the need for additional affordable, non-market housing) and in terms of recent trends in public investment in the sector. It also considers the delivery of additional social housing (primarily by housing associations and local authorities) and recent key policy developments (e.g. the ending of the Right-to-Buy in Wales). It concludes with some thoughts on possible policy priorities and the need to address current and evolving challenges in relation to social housing in Wales.

Introduction

The UK has witnessed a significant decline in social housing (in broad terms, housing owned and provided by public bodies and not-for-profit organisations) over more than 40 years. This has been in part because of the limited scale of new social housing provision over this period and partly as a result of the sale of social rented housing, primarily under the Right-to-Buy (RTB), as well as the impact that sales (which have tended to be concentrated in the better quality and more popular stock) have had upon the profile of the social housing stock (Jones and Murie, 2006). There has also been a restructuring of social housing, with a reduced dominance of publicly owned housing towards a more pluralist social housing sector, with the growth in the scale of housing association provision, in part underpinned by the wholesale transfer of council housing, often to new social landlords (Pawson and Mullins, 2010). In parts of the UK (though not in Wales) we have also seen the outsourcing of the management of local authority housing to different organisations.

In the context of a declining scale of social housing there has also been an increased focus on social rented housing being used to house those with the most pressing housing needs, although the reduced number of housing opportunities provided by social landlords, coupled with a growth in the private rented sector, has meant that increasing numbers of these households are being accommodated across the rented tenures, private as well as social. Nevertheless, the social housing sector in the UK has been transformed over recent decades from one which at its height provided homes for almost a third of all households to a more residualised tenure. Social housing in the UK can point to both successes and failures, and the social housing policy agenda also has to be seen in a wider context, in which policies to encourage home ownership, control public spending, and reform welfare policy have all shaped the evolution of the sector. However, despite a somewhat chequered history and mixed reputation, social housing remains a significant housing resource.

In the aftermath of the Grenfell Tower tragedy there has been a renewed appreciation of issues in the social housing sector in the UK; issues not just of safety and security but also ones of access, affordability, quality and “tenant voice”. The Chartered Institute of Housing’s recent report, “Rethinking Social Housing” has raised questions as to the purpose and potential of social housing and helped to stimulate debates as to the future of the sector (CIH, 2018). In its most recent UK Housing Review (Stephens, et. al., 2018) it has asked “where next for social rented housing”? In the housing association sector the Turnbull Commission (2018) has considered the role of associations in responding to the housing and social

challenges of the 2020s.The Labour Party's Green Paper, "Housing for the Many" (2018), has set out a framework to change the country's approach to affordable housing. Finally, in August this year the UK Government set out its proposals for social housing, arguing for a rebalancing of the relationship between residents and landlords (MHCLG, 2018a). Social housing remains an important tenure and one, which with adequate resources, appropriate subsidies and effective governance, management and accountability, could offer enhanced opportunities to address some of our most pressing housing challenges.

Social housing in the UK, as well as being an increasingly diverse tenure, is also subject to a wide array of policies, and since political devolution we have seen different policy approaches to social housing (and housing more generally) within the different nations which together constitute the UK. Wales has acknowledged the importance of housing, as one of the five policy priorities for the current Welsh Government's national strategy (Welsh Government, 2017a). Earlier this year it established an Independent Affordable Housing Review (due to report in April 2019), and within this review to examine the scope for social housing to increase its contribution to the future supply of affordable housing in Wales.

The purpose of this paper is to look at the social housing sector in Wales, its changing scale and quality, its organisation and governance, its price (for example, in terms of current rent levels), issues of value for money and the contribution which social housing is making to meeting housing needs in Wales. However, it is acknowledged at the outset that the paper is in some respects partial; it does not look at issues of design and construction, changes in the management of social housing (other than the broad shifts in ownership within the social rented sector), or at the relative performance of different social landlords. On this last issue it is now almost 30 years since a comprehensive study of the relative effectiveness of different forms of housing management in Wales (Clinton, et al., 1989). The organisation and delivery of social housing in Wales has changed significantly since then, but do we really know whether services for tenants and others are more efficient and effective or offer value for money? These aspects of the social housing sector in Wales (and more) are ones which are worthy of further consideration.

The broader Welsh context

Wales is a relatively small country in terms of population (around 3.1 million residents, living in around 1.35 million households), which is unevenly distributed, with the majority living in South Wales, between Swansea in the west and Monmouthshire in the east. There is a further concentration of population in three local authority areas (Denbighshire, Flintshire and

Wrexham) in the North East of Wales, with the remainder of the population spread throughout Mid and West Wales. Wales also has a relatively elderly population and is one of the poorest parts of the UK (and indeed of Europe), which has implications for housing access and affordability and thus for housing policy in Wales. It has long been argued that good quality, secure, affordable housing is at the heart of good health and well-being (as well as access to employment, education and training), but housing can also be a driver of poverty (for a recent analysis of the links between housing and poverty in the South Wales Valleys see Archer et.al., 2018). Where residents face low incomes, relatively high housing costs and poor housing conditions (allied to changes in their benefit entitlements), this can create challenging housing circumstances, which investment in the increased supply of good quality, affordable, secure social housing can help to alleviate.

In terms of its housing stock, at the end of March 2017 the number of dwellings in Wales was estimated to be 1.4 million; an increase of 6% over the previous 10 years and 11% since 2001. In 2017 owner-occupied dwellings accounted for 70% of the total housing stock, the private rented sector 14% and the social rented sector 16% (housing associations 10%, local authorities 6%). Within this broad private-social split there have been significant changes, including a fall in the overall level of owner-occupation, the growth of the private rented sector in Wales and a major shift in the balance of ownership in the social housing sector away from local authorities towards housing associations. This latter issue is considered in a little more detail below. Despite evidence of a modest increase in new house building over the last three years, the levels in Wales remain significantly below those seen in the years before 2008-09 (Welsh Government, 2018a)

The advent of the National Assembly for Wales (NAW) (and the Welsh Government as the executive arm) initiated a new era for government and policy making in Wales. The Government of Wales Act 1998 (and subsequent legislation increasing the powers devolved to Wales) has provided increased opportunities for the possibility of public policy variation, distinctiveness in processes of policy development and differences in outcomes, compared with other parts of the UK (Smith, et.al., 2000). However, there were initial concerns that the Assembly's lack of primary legislative powers was problematic for the development of effective public policy and that post-political devolution Wales would tend to follow an English-led agenda. In spite of aspirations to develop "Made in Wales" solutions and given the aim expressed by the late Rhodri Morgan (former First Minister) to put "clear red water" between Cardiff and London (during a period when both the Assembly and Westminster were Labour controlled) these concerns remained during the first two terms of the Assembly. However,

Wales gained limited additional law-making powers (Assembly Measures) under the Government of Wales Act 2006 and following a second referendum in March 2011, obtained primary legislative powers in relation to its areas of devolved responsibilities. In housing terms, this has resulted in the passage of the Housing (Wales) Act 2014, the Renting Homes (Wales) Act 2016, the Abolition of the Right to Buy and Associated Rights (Wales) Act 2018 and the Regulation of Registered Social Landlords (Wales) Act 2018. There has also been important cross cutting legislation with implications for housing in Wales, perhaps most particularly the Well-being of Future Generations (Wales) Act 2015, placing a duty of sustainability on public bodies across Wales to ensure that the needs of the present are met without compromising the ability of future generations to meet their own needs.

In terms of governance the National Assembly for Wales was formed in 1999 following a referendum; a 60-member Assembly elected initially for a period of four years and now for terms of five years. We are currently in the fifth Assembly term (2016-2021). The Assembly has devolved control over key areas of public policy such as health, education and housing, although some areas of economic and social policy are not fully devolved from Westminster (e.g. many aspects of taxation, social security and welfare benefits – though Wales is now developing a land transaction tax to replace stamp duty). Wales' voice at Westminster is via the Secretary of State for Wales in the Wales Office. The Welsh Government (previously Welsh Assembly Government) is the devolved government for Wales with the civil service supporting Ministers. Much of the responsibility for developing and implementing housing policy in Wales rests with the Directorate of Housing and Regeneration and the current Minister for Housing and Regeneration, Rebecca Evans AM, who has held the post since November 2017. Throughout its relatively short history the Assembly has been led by Labour, though it has gone through periods of "partnership" government working in coalition with the Liberal Democrats (2000-2003) and then with Plaid Cymru (2007-2011). Currently Labour governs in Wales with the support of the one Liberal Democrat AM.

At a local authority level housing is the responsibility of each of the 22 unitary local authorities (all of whom exercise strategic housing functions, although only half have a landlord function). The housing association sector is made up of around 35-40 active/developing associations (including 11 created as a result of large-scale voluntary transfer), with a limited amount of stock owned and managed by a number of very small associations and by non-developing English associations. In terms of regulatory oversight, the housing association sector is regulated by Welsh Government and housing in local authorities is considered by the Wales

Audit Office (WAO) as part of its role in ensuring value for money and that public services are delivering continuous improvement.

Social housing in Wales

The origins of Welsh social housing date back to the late nineteenth century, with the first council housing development in Llandudno (North Wales) in 1897. Housing association development in Wales is more recent, seeming to date from the early 1950s (Fisk, 2000). However, as others have noted, there was little that was distinctly Welsh about either the nature or the administration of social housing in Wales up until the 1960s (Harmer and Runnett, 2000). In many respects Wales was in housing policy terms merely an adjunct to England. Nevertheless, Wales had a more distinctive history of administrative devolution post the mid-1960s, following the establishment of an independent Welsh Office (and a Secretary of State for Wales within the UK Government Cabinet). There is evidence of some housing policy innovations developed in Wales, either by the Welsh Office or Tai Cymru/Housing for Wales (the Welsh equivalent of the then Housing Corporation, which operated between 1988 and 1998). For example, the concept of mixed funding for housing association development was pioneered in Cardiff (at St Mellons) prior to the Housing Act 1988, whilst the idea of social rent benchmarking was introduced in Wales before its use in England. So, prior to political devolution in 1999, there was some limited evidence of policy innovation in relation to the social housing sector in Wales and of policy divergence from other parts of the UK (Williams, 1999).

At the end of March 2018 Wales had a stock of 230,044 social housing units (there were a further 15,296 properties managed by social landlords in Wales, but not considered to be social housing – including homes let at intermediate and market rent levels and shared ownership properties). Of the social housing stock some 62% was owned by housing associations and the remainder (38%) by local authorities. The vast majority of the Welsh social housing is for general needs (85%), with 11% self-contained sheltered housing units for those with specific needs due to age, disability or other vulnerability. Rates of social housing provision across Wales vary significantly, ranging from just over 10 units per 100 households in Ceredigion (West Wales) up to more than 25 units per 100 households in both Torfaen and Blaenau Gwent (South East Wales).In general, the prevalence of social housing tends to be higher in urban authorities in Wales rather than rural ones (Welsh Government, 2018b). By way of comparison, in April 1981 local authorities in Wales owned 296,000 properties (27% of the stock) and housing associations just 11,000 (1% of the stock) (DoE/SDD/WO, 1986). This

illustrates the overall decline of the social housing stock in Wales, both proportionately and in absolute terms, as well as the shift in ownership from local authorities to housing associations.

As noted earlier in the paper, only 11 of the 22 unitary authorities in Wales continue to own and manage council housing, though this includes three of the four major city authorities (Cardiff, Swansea and Wrexham, but not Newport). In March this year Welsh Government published its Green Paper, “Strengthening Local Government – Delivering for People”, aimed at invigorating the debate on the future of local government in Wales. It sets out a vision for the future of local government in Wales and options as to how this might be achieved through voluntary, phased or comprehensive mergers (Welsh Government, 2018c). This could have significant implications for the future organisation and deliver of council housing services in Wales. Recent research by the Chartered Institute of Housing Cymru (May and Kennedy, 2018) has highlighted some of the potential benefits (e.g. greater resources, closer collaboration) but also some of the challenges (potential loss of local accountability, cultural differences, difficulties of integrating services etc.) There are also issues of differences between those authorities which continue to own and manage council housing and those which do not, and these would need to be addressed post any re-organisation. The majority of the social housing stock in Wales is now owned and managed by approximately 35-40 active developing associations (including 11 created through large scale stock transfer, following positive tenant ballots), although there are also a number of small associations and a limited amount of housing which is managed by English associations. In addition to the creation of new social landlords through transfers from the council housing sector, Wales has seen a small number of mergers of more traditional associations, and it can be argued that within the sector there are opportunities for further organisational change, merger and collaborative working.

The profile of both parts of the social housing sector in Wales, and the prospects of further change in the way social housing is organised and managed, suggest that there are significant opportunities for rethinking the delivery of social housing in Wales over the next few years. Although social housing now only represents 16% of the total housing stock in Wales, there is little doubt that there is a continuing and growing need for social housing, which is affordable, of high quality and which is delivered by organisations which are cost effective, offer value for money services and are accountable. Recent research (Awan-Scully, 2018) has shown mixed attitudes towards social housing (and its residents) in Wales, but also a significant public recognition of its continued need.

The governance and regulation of social housing and tenant engagement in Wales

At a UK level, Marsh (2018) has argued that much of the recent research on the governance of social housing organisations has focused on the housing association sector (Mullins, 2006; McDermont, 2007; Mullins, 2014). In part, this has reflected the growing commercial pressures under which housing associations have operated (see, for example, Manzi and Morrison, 2017), the moves towards an increased focus on issues of value for money (VFM) and risk mitigation and the extent to which the sector has been regulated. However, the re-emergence of local authorities as providers of new council housing (using a range of mechanisms) and moves towards greater partnership working (between local authorities, housing associations, and private sector organisations), as well as regional collaborations, is broadening interests in governance and regulation across the different parts of the social housing sector. It also raises issues, as Marsh has noted, as to how the voice of tenants and residents is heard and listened to. The tragic events of Grenfell Tower have highlighted the risks of not taking full account of tenants' concerns and frustrations, but has also provided an opportunity for fresh thinking in relation to tenant engagement. Other parts of the UK are currently reviewing the regulation of social housing and arguing for greater tenant involvement and empowerment in the social housing sector (MHCLG, 2018a; MHCLG, 2018b; Scottish Housing Regulator, 2018).

The current regulatory framework for housing associations in Wales was developed following recommendations set out in the 2008 Ministerial Review of Affordable Housing in Wales, commonly referred to as the Essex Review (Welsh Assembly Government, 2008). The subsequent approach to regulation has been co-regulatory, seeking to establish confidence in regulation across the sector and with lenders, tenants and other stakeholders. It is based on principles that regulation is open, transparent, consistent and proportionate, that individual associations are responsible for their own actions and that service users should be at the heart of regulation. A Regulatory Board for Wales (RBW) was put in place to oversee housing association regulation, which was reconstituted in early 2016 as an entirely independent Board, with a dual role of overseeing the regulatory function and advising Ministers on the health of the sector in Wales. The regulatory framework was subject to review in 2012/2013 (Welsh Government, 2013a) and a revised framework published in 2017 (Welsh Government, 2017b). The current approach to regulation is based on expectations of robust housing association self-evaluation and an annual regulatory judgement (based on set performance

standards), focusing on financial viability and governance/service delivery. The 2017 framework was considered by the National Assembly's Public Accounts Committee (NAW, 2017) and has already been subject to a light touch review and subsequent revisions, in part in response to the Office of National Statistics' (ONS) decision to reclassify housing associations in England in 2015 (and in Wales the following year) as part of the public sector, meaning their borrowing would count as public spending. The Welsh Government passed the necessary legislation earlier this year to reverse this decision, which has involved a degree of further regulatory reform.

Over recent years housing association regulation in Wales has had a strong focus on issues of governance, and a number of Welsh associations have been given non-standard regulatory judgements primarily in relation to weaknesses in governance. Early this year the Regulatory Board for Wales published its own governance review for the housing association sector in Wales (RBW, 2018), which assessed developments since the previous review (Welsh Government, 2013b). Although it noted progress over the previous five years, it argued that overall this was less than might have been expected. The review set out a vision for good governance in the housing association sector in Wales, proposals for a joint RBW/Community Housing Cymru (CHC) "thought leadership group" (to promote good governance) and, alongside CHC's revised Code of Guidance (CHC, 2018) it argued for housing associations in Wales to critically assess their own governance models, behaviours, policies and practices (RBW, 2018). It also suggested there was a need for a better understanding of how customer insight and tenant involvement could both shape and inform governance. The National Assembly for Wales (NAW, 2017) Public Accounts Committee has also argued for housing associations giving greater prominence to the voice of tenants and residents.

The Regulatory Framework for Housing Associations in Wales (Welsh Government, 2017b) argues that tenants are at the heart of regulation and places clear expectations on housing associations in Wales to show how tenants are involved in shaping services and the decisions taken by associations. The RBW has recently commenced a strategic review (due to report in June 2019) to look at how tenants are involved and how housing association Boards assure themselves of service performance, including tenant satisfaction and continuous improvement. The approach is to seek to understand the current landscape for tenant engagement and to look at different approaches to tenant participation, to understand what works (and why) in different contexts and to support the further development of effective approaches to tenant involvement in social housing in Wales. However, there are concerns that tenant engagement in the Welsh social housing sector has stalled or even gone

backwards in recent years (Edwards, 2018). Following a review of support for tenant participation in Wales (Welsh Government, 2014a) at a national level funding has been withdrawn from Welsh Tenants (who are no longer active), from the Tenant Empowerment Grant (TEG) programme whilst the Tenant Advisory Panel (which supported RBW) has been scrapped. Earlier research in Wales (Welsh Assembly Government, 2004) also identified significant differences of opinion between social landlords and tenants as to what "successful participation" looked like, with outcomes much more important for tenants than processes. There are dangers that tenant engagement in Wales may be too landlord-led, that a lack of grass-roots activity may be seen as apathy (or unrepresentative of wider tenants' views) and that there are insufficient resources to support tenant engagement, either locally or at a national level (Edwards, 2018). There are positive examples of tenant engagement and empowerment in Wales (e.g. the Merthyr Valleys Homes tenant/staff mutual, examples of tenant/landlord co-production of strategies and services, and the emergence of Asset Based Community Development (ABCD) strategies to build on community strengths etc.), but much more needs to be done to address tenant concerns and to show that landlords (and government) are listening and responding.

Although there has been significant progress in the governance and regulation of social housing in Wales over the last decade, there are a number of current challenges. Housing regulation within the social housing sector remains separated, with only housing association regulation the responsibly of Welsh Government. In the local authority sector housing services are regulated by the Wales Audit Office, as part of their wider responsibilities for local government in Wales. These arrangements seem out of step with other parts of the UK and raise issues of independence, inconsistency and inequality across the social housing sector (not least between tenants of housing associations and local authorities in Wales, who do not benefit from a common approach to housing regulation). There is a case to be made for adequately funded social housing domain regulation in Wales, which would bring Wales in to closer alignment with other parts of the UK. There are also issues about the capacity of both housing regulation and governance in Wales (at the time of writing a number of Welsh housing associations are exploring the payment of Board Members, following a relaxation of the rules by Welsh Government, which had previously not permitted payment to Board members), as well as the need for greater support (nationally and locally) for tenant engagement in social housing in Wales and more collaborative working to ensure that governance and regulation across the sector are improved further and that the voice of tenants is heard (and listened to).

Evidence of housing need in Wales

Having considered the context for social housing in Wales and its changing scale and arrangements for its governance and regulation, the paper now turns to look at the evidence of housing need (and the potential need for additional social housing) in Wales. The late Alan Holmans' fourth assessment of housing requirements in Wales was published by the Public Policy Institute for Wales (PPIW, 2015) shortly after Dr Holmans' death. The report presented two estimates of the need and demand for additional housing in Wales; an official projection based upon data for the rate of household formation over the period 2001-2011 and an alternative projection based upon the assumption that there would be a return to the trend in household formation before 2001 (Holmans' hypothesis was that the lower rates of household formation in the decade after 2001 were the result of economic and housing factors which inhibited household growth in this period).

The official projection estimated that in the period 2011-2031 there would be a requirement for an additional 174,000 homes across Wales (8,700 additional homes per annum). Of these, 60% (5,200 per annum) were expected to be in the market sector and 40% (3,500 per annum) in the social (subsidised) sector (70,000 over the 20-year period). However, the alternative Holmans projection gave an estimated higher figure for future housing requirements; 240,000 additional dwellings over the period (12,000 homes a year), of which 58% (140,000) would be in the market sector and the balance (100,000 or 5,000 homes per annum) would need to be in the social sector. These figures represent future housing needs and demand and do not take account of existing unmet need, although there are of course other measures of pressing current housing needs, not least evidence of homelessness. In 2017-18 more than 11,200 households across Wales were assessed as homeless (and owed a duty of care to help secure accommodation – though not necessarily in social housing). At the end of March 2001 just over 2,000 households in Wales were in temporary accommodation (Welsh Government, 2018d). Whilst the Housing Act (Wales) 2014 has introduced major changes in homelessness policy, with an increased emphasis on prevention and changes to the categorisation of priority need, intentionality and local connection (as well as new frameworks for local authorities to work collaboratively with housing associations and private landlords), there is still much to be done to address the needs of homeless people in Wales (Welsh Government, 2018e)

In considering future housing needs Holmans' research provided local authority level estimates of housing requirements which illustrate the geographical unevenness of the distribution of housing needs and demand across Wales. Whilst there is evidence of unmet

housing requirements across the whole of Wales, Holmans' analysis suggests this is particularly concentrated in the cities; Cardiff (over 26% of the total requirement), Swansea (over 10%), Wrexham (7.4%) and Newport (6.1). There is also evidence that there is significant difference in the balance of future housing requirements between market provision and social housing provision, with authorities such as Caerphilly, Neath Port Talbot and Torfaen each requiring more than 60% of their estimated future housing to be provided in the social sector.

These figures should be viewed in the context of recent rates of house building in Wales. Since 1991 rates of new house building in Wales have been declining. The annual average rate of new housing provision between 1991-92 and 1995-96 was 9,500 homes per annum (across all sectors). This fell to 8,660 per annum between 1996-97 and 2000-01 and then to 7,360 per annum for the period 2006-07 to 2010-11 (the period immediately following the Great Financial Crisis). The Welsh Government's official projection of future housing requirements for the period 2011-2031 (8,700 additional homes per annum) suggests a need to return to house building rates of the 1990s. However, if the alternative projection figures are considered (12,000 additional homes per annum) then this suggests rates of new house building in Wales need to return to levels not seen since the late 1970s. Later in the paper, there is a consideration of levels of new affordable housing provision (including the provision of new social housing) since 2011-12.

Of course the Holmans' projections are already somewhat dated, and there is a need for more contemporary assessments of future housing requirements to inform Wales' first National Development Framework (NDF), due to be published in September 2020, as well as local planning (and land requirements) for housing and housing policy more generally. A locally-based planning and housing delivery system, such as the Welsh model, means projections are open to interpretation, local variation and political and other pressures. Alternative projections of housing numbers also mean that figures are likely to be contested (Harris, et.al. 2018). Research by RTPI Cymru (2015) has identified that the skills and expertise to interpret and adapt household projection data varies considerably between local planning authorities (LPAs) in Wales and that capacity has declined over time. These limitations also mean that LPAs cannot always defend a plan's housing requirements, or the need for an appropriate level of affordable (non-market) housing on sites being brought forward for development. This skills and expertise deficit suggests a need for greater resources (and/or more effective use of limited resources) across LPAs in Wales, not only to defend the need for additional housing but also to develop and update the evidence base to inform the picture of local housing needs.

Estimates of future housing requirements also have to be seen alongside evidence of housing need produced through local housing market assessments (LHMAs), which are used to underpin LDPs and local housing strategies in Wales. Recent research suggests only 12 out of 22 Welsh local authorities produce their LHMAs "in-house" (the remainder using consultants or other external means), which seems to support the view that there are skills and expertise shortages in this area (Reynolds, 2018). This study also suggests that whilst LHMAs are generally seen to provide a comprehensive if time limited assessment of the need for market and non-market (affordable) housing, they are less successful in providing a picture of the housing needs of particular groups (e.g. older people, those with a disability etc.).It concluded that LHMAs which extended beyond local authority boundaries were feasible, though support for a more regional approach to LHMA production (which might better reflect local and sub-regional markets) was more limited. It is now more than ten years since the South East Wales Regional Housing Market Study (SEWRHF, 2005). Nevertheless, the recent Welsh Government research (Reynolds, 2018) did recommend exploring the feasibility of further co-production of LHMAs, as well as improving the understanding of the housing needs of specific groups. There is significant work to be done to develop more up-to-date and dynamic assessments of housing need, nationally, regionally and locally in Wales. Welsh Government is currently reviewing approaches to assessing needs and demand, potentially looking to adapt the Scottish Housing Need Assessment Tool to suit Welsh circumstances, with a view to providing revised estimates of future housing needs by tenure at national and regional levels in Wales by the Spring of 2019. The current independent Affordable Housing Supply Review is also looking to better understand housing need in Wales, in order to inform future housing policy and housing programme delivery.

The delivery of additional social and affordable housing in Wales

The current Welsh Government's programme, Taking Wales Forward 2016-2021, (Welsh Government, 2016) includes a commitment to deliver an additional 20,000 affordable homes over the period 2016-2021. Whilst this includes a target of 6,000 additional homes under the Help to Buy Wales scheme and a further 1,000 units under a new Wales initiative (Rent to Own Wales), as well as homes that will be let at above social rent levels, a significant part of the programme will still be funded through Social Housing Grant (SHG) and revenue funding (Housing Finance Grant 2), via housing associations. The 20,000 target also includes an anticipated 500 new council-built homes over the five year period.

This 20,000 target represents a significant step-up from the previous Administration's target of 10,000 additional homes (which was exceeded), but there are risks which potentially threaten achievement. The programme includes a number of new initiatives (including an extra 1,000 homes under a new innovative design programme) and new ventures may take time to develop and implement. Welfare reforms introduced by the Westminster Government continue to pose challenges for the business plans of social landlords in Wales and the ability of these same landlords to plan for new development will also be influenced by the Welsh Government's decisions on future social rent levels. These have continued to rise in Wales (unlike in England); an issue considered in more detail below. The housing sector in Wales is also vulnerable to changes in the wider economy, which are often beyond the control of policy makers.

During the five-year period 2011-2016 (the previous Welsh Government Administration) an additional 11,508 affordable homes were delivered in Wales (against a target of 10,000 extra affordable homes). The vast majority of these were provided by housing associations. Over this five-year period over 65% of the additional affordable housing provided by housing associations were social rented homes, as against a quarter provided to let at intermediate rents and just under 9% on a shared equity basis. During the first two years of the current Administration (2016-17 and 2017-18) 4,863 additional affordable housing units have been provided (this figure does not include homes provided under the Wales Help to Buy programme, so should be viewed against an agreed contribution from social landlords of 13,500 additional affordable homes over the period 2016-2021). This represents an increase in output compared with the previous five-year period (although output decreased 9% in 2017-18, compared with the previous year). Housing associations continue to make the major contribution to the supply of additional affordable housing, although their contribution is falling not only in proportionate terms, accounting for 93% of additional affordable housing provision in 2016-17 but only 84% in 2017-18, but also in total number of homes. Housing associations in Wales delivered 1,946 additional affordable homes in 2017-18, compared with 2,377 homes in the previous year; a drop of 18%. However, the proportion of the additional affordable housing provided in the form of social rented housing increased to almost 77%.The share of additional affordable housing programme delivered by housing associations in the form of social housing has grown from 64.5% in 2011-12 to 79.4% in 2017-18 (Welsh Government, 2018f).

It is also worth noting that within the housing association sector in Wales significant reliance is placed upon a relatively small number of individual, mainly traditional housing associations,

although there are signs that some of the stock transfer associations are now beginning to gear up to increase their contributions to new affordable housing supply. In the past there have been attempts in Wales to separate out the development and subsequent management of additional social housing (and to restrict development to particular associations). There were also moves by the Welsh Government in the mid-2000s to require developing associations to collaborate to build capacity, encourage economies of scale and promote joint procurement, more efficient local supply chain management and more effective programme delivery (Welsh Assembly Government, 2005). This led to the creation of six housing association consortia across Wales. Whilst some appear to have worked more effectively than others, and tangible benefits were achieved, some of the consortia seemed "forced" (rather than emerging from the choice of individual associations), some did not appear to make sense in terms of geographical collaboration and the sharing of resources and experiences was not always easy to achieve (although no doubt some lessons were learned around collaboration and sharing practice). There was also a lack of external scrutiny and review of consortia arrangements, and changes in the management and allocation of the social housing grant programme led to the withering of consortia arrangements. However, there may be a case for revisiting consortia working within the broader social housing sector in Wales (perhaps on a regional or sub-regional basis) to allow specialist expertise and technical skills to be built up (rather than competed for) and to gain cost benefits through more efficient procurement, at the same time putting in place the mechanisms to evaluate the benefits and limitations.

Across the UK there is evidence that many local authorities are engaging once more in the significant provision of housing through a number of mechanisms and using different sources of finance (Morphet and Clifford, 2017). This has included the use of Housing Revenue Account (HRA) resources to build or acquire housing (including the purchase of former right-to-buy (RTB) properties), making use of sales receipts by those with retained stock, the setting up of partnerships and joint ventures and establishing local housing companies (Hackett, 2017). In Wales Carmarthenshire and Flintshire (the two authorities which last year contributed 70% of the additional council housing) have established their own local housing companies. Whilst there are encouraging signs of direct provision of council housing by local authorities, there are also identifiable barriers. There are competing challenges (e.g. tackling homelessness, improving the existing housing stock, bringing unnecessarily empty homes back into use, ensuring design quality, regenerating neighbourhoods etc.), as well as different housing needs to address, skills shortages, a lack of appropriate land, and the capacity of supply chain businesses. It also takes both political will and the commitment of resources (not just aspirations) as well as time to deliver. It has been argued that the policy context in Wales

for future council housing development is more favourable than in England and that collective HRA headroom may be of the order of £100m; perhaps sufficient to develop over time an additional 1,500 homes (Partridge, 2018). However, in some localities there will be significant constraints on new council developments, in terms of low valuations, poor site conditions and a lack of skills and capacity within the housing, construction and development industries and inadequacies in the supply chain. There is also likely to be differential appetites for new development across the different authorities, in part reflecting their own capacities and priorities (not least the continued delivery of Welsh Housing Quality Standard – see section below on the quality of social housing in Wales). Early opportunities are likely to focus on developing small pockets of local authority owned land, the acquisition of properties through section 106 agreements, the buyback of former council homes and other small-scale, local initiatives. There are also concerns about the practical and organisational capabilities of some councils in returning to housing development activity and the viability in the long-term of directly developing new council housing.

Although the published statistics provide limited information on the delivery of additional council housing in Wales in recent years, the raw data provided by Stats Wales indicates that local authorities in Wales provided 274 additional homes (mainly for general needs) in the period 2011-12 to 2015-16, an average of just over fifty homes per annum. In the first year of the current Administration, six Welsh authorities completed 121 new council homes (almost half of them in one authority; Carmarthenshire). The most recent data (Welsh Government, 2018f) shows 266 local authority owned social homes provided across Wales, the majority (70%) by just two authorities (Flintshire and Carmarthenshire). The new era of "self-financing" for the 11 Welsh local authorities, which retain council housing, provides the first opportunity for a generation for local authorities in Wales to contribute to new housing supply. The abolition of the old HRA subsidy system in 2015 has delivered a share of borrowing headroom for each of the 11 council stock retaining local authorities, although borrowing through the HRA has been limited by the debt cap imposed by the Government as part of the self-financing deal. However, there have been indications from Welsh Minsters of a willingness to consider trading borrowing headroom between individual councils (Barker, 2018) and at the Conservative Party Conference in October 2018 the Prime Minister announced the scrapping of this cap, although the detail is still to emerge (for further analysis see Gibb and Cain, 2018).

The potential for increased borrowing (by both local authorities and housing associations), current grant rates (for housing associations), support from Welsh Government and the removal of the RTB – see next section – all suggest increased opportunities to address the

shortfalls in supply of social and affordable housing in Wales. However, the published statistics also show very considerable differences across Wales in terms of the rate of delivery of additional affordable housing (there is no specific breakdown for social housing delivery). Across Wales the rate of additional affordable housing provision in 2017-18 was 17.2 units per 10,000 population, and it exceeded this figure in seven local authorities (Welsh Government, 2018f). However, it was below the Wales average in 15 local authorities, and below 10 units per 10,000 households in six (not all of which could be considered localities with a limited need for addition social/affordable housing). There are no doubt many complex reasons for this spatial variation in the delivery of additional affordable housing (much of which is social rented), but it does suggest that constraints on delivery need to be considered carefully at a local level.

Social housing and the Right-to-Buy in Wales

The UK Government introduced the RTB in 1980 enabling sitting council tenants to purchase their homes at discounted prices. Although the sale of council housing had occurred before this time the 1980 Housing Act removed the discretionary power of local councils and introduced a national scheme based upon a “right” for qualifying tenants. The original legislation excluded charitable housing associations but over time, there have been changes to the legislation and associated policy developments such as the preserved RTB for council tenants transferring to a housing association (for example, under large scale voluntary transfer) and the Right to Acquire (RTA) scheme under the Housing Act 1996 which have extended the rights of social sector tenants. The RTB has now been in existence for more than 35 years. However, the housing situation today is very different from what it was in 1980. Some commentators have argued that it was a policy for its time but it is now beyond its sell-by date (Jones and Murie, 2006). Others have suggested that we are now in a post-RTB world (King, 2010).

In Wales cumulative RTB sales totalled almost 138,000 between 1980 and 2009 (Pawson and Wilcox, 2011) and whilst the level of sales has slowed considerably since 2009 the previous Welsh Cabinet Secretary with responsibility for Housing (Carl Sargeant) announced last year that sales under the RTB represented a loss of 45% of the 1981 social housing stock. The RTB has been both a popular and controversial policy. It has delivered a range of benefits to individual purchasers and (perhaps to a lesser extent) to local communities, in terms of the potential for individual wealth creation and tenure mix, but at the same time has contributed

to the decline of the social rented sector (and in particular the council housing sector), undermining the ability of social landlords to meet housing need and in some localities increased the concentration of poverty and disadvantage.

Since political devolution in 1999, Wales has made several changes to the RTB. Using powers under Part 3 of the Government of Wales Act 2006 Welsh local authorities were given the power to apply to Welsh Ministers under the Housing (Wales) Measure 2011 for a direction to suspend the RTB (and related rights) in areas of housing pressure for a period of up to five years. This took forward a commitment made in the Labour/Plaid Cymru "One Wales" coalition document, which formed the basis for Welsh Government policy in the period 2007-2011. However, once the Welsh Government gained primary legislative powers moves were made to abolish the RTB in Wales. In March 2017, the Welsh Government announced it was introducing the Abolition of the Right to Buy and Associated Rights (Wales) Bill and in the months that followed a degree of consensus emerged in broad support for the general principles of the Bill. The legislation to abolish all variations of the RTB (including the preserved RTB and RTA) received Royal Assent in January 2018. The rights ended for all stock new to the social housing sector with effect from March 2018 and for all existing homes in January 2019 (and where the RTB has already been suspended existing tenants will not benefit from the one-year notice).

Given the pressure on the supply of social housing in Wales, the intention is that the new legislation will limit the loss of further stock and encourage further investment in new social housing. Of course, in many ways, it may now be too late to have any significant impact. Nevertheless, It will be interesting to see what impact the scrapping of the RTB might have in 2018 (sales have been at a very low level for a number of years) prior to final abolition.

Social housing investment in Wales

The UK Housing Review (Wilcox,et. al., 2017) notes that the Welsh Government budget provides for £1.5bn of housing investment during the current Assembly term, of which around £337m is in the form of social housing grant (SHG). In addition, monies are also allocated to the Housing Finance Grant 2 programme, with a budget increase for 2018/19 (the second year of the programme) by £3.7m and a further £1.7m in 2019/20. This ongoing initiative, designed to provide revenue subsidy to reduce the costs of private finance, is unique within the UK in establishing a collective borrowing product and in providing a long-term revenue stream to social landlords as an alternative to capital grant (Wilcox, et. al., 2017, p89).

Wilcox et al (2017, table 75) also note the long-term year on year increase in capital spending on housing in Wales, increasing from around £250m in 2000/2001 to almost £400m in 2015/2016 (though this only takes housing investment back broadly to the position in 2009/10). The contribution of local authorities in Wales to this spending was significant (£316m in 2015/16), and has risen substantially from the recent low point of 2010/2011, although much of this investment in recent years has gone towards achieving/sustaining the Welsh Housing Quality Standard (considered later in the paper). However, as noted above the prospects in the coming years are of a switch in the balance of spending away from the improvement of the existing council housing stock to investing in new provision.

Continued public investment is vital to the delivery and sustainability of social housing in Wales, and there are issue as to whether the current rate for Social Housing Grant (SHG) in Wales (58%) is sustainable, or whether there needs to be a more flexible grant regime which better reflects the local circumstances for development as well as evidence of the need for additional social housing. There are balances to be achieved between maximising new output (and it has been noted above that the output of additional social housing by Welsh housing associations fell in 2017-18), achieving value for money and ensuring the affordability of rents. It should also be noted that a significant proportion of the affordable housing programme (which of course is more than just social rented housing) is delivered without capital grant funding. Non capital grant funding represented 46% of the additional affordable housing programme in 2017-18 (and 37% of the additional homes delivered by housing associations) (Welsh Government, 2018f). It can also be argued that public spending generates significant additional investment in the local economy (CHC/Beaufort Research, 2017).

Housing associations in Wales held around £2.7bn of private borrowing in 2017, with a further £565 million of potential drawdown (CHC/Welsh Government, 2017) and the sector has been working in partnership with Welsh Government to develop new opportunities for financing, exploring longer-term options for funding new housing development. Elsewhere, CaCHE has considered different funding models for social housing (Gibb, 2018).

Nevertheless, there are issues around the appetite of some social landlords in Wales for new development (in the housing association sector development has tended to rely on a relatively small number of traditional associations), skills and capacity (not just in the social housing sector, but in the development and contracting industries more generally) the availability of land for housing (and for the planning system to bring this forward for development) as well as greater uncertainties in the wider economy and the potential impact of Brexit. The re-emergence of local authorities as providers of additional social housing in Wales, together

with the potential of the stock transfer associations to play more significant roles in the provision of new housing, both give a prospect for increasing the investment capacity across the social housing sector, although individually many of these organisations are in different financial positions in terms of their capacity to deliver on investment ambitions. Individually, they may also be at different stages in delivering on Welsh Housing Quality Standard (WHQS) for their existing stock, and whilst all are expected to achieve compliance by 2020, local performance varies significantly, and may detract from their ability to increase investment and resources in the provision of additional social rented housing. This issue is considered further later in the paper.

Rent levels and value for money in social housing in Wales

Social housing rents in Wales have continued to rise in recent years, rather than being cut by 1% per annum as in England. The Welsh Government's Policy for Social Housing Rents provides a framework within which each social landlord is responsible for setting the rents for their own housing. The policy applies to all social landlords who own 100 or more units of self-contained general needs and/or sheltered housing and reflects variations in the type, size, quality and location of each landlord's housing stock. Rent policy sets a target rent band for each landlord and they are required to operate within average weekly rent levels that fall within the scope of these bands. The policy was implemented from April 2014 by housing associations and from April 2015 by the 11 Welsh local authorities, which retain ownership of council housing.

As at April 2017 the average weekly social rent in the local authority sector in Wales was £84.64, slightly lower than the average in the housing association sector (£87.08 per week). Average weekly rents in the housing association sector in Wales have, for a number of years, been a little higher than in the local authority sector, in the main due to historic differences in rent setting policies. These averages also mask differences in the types of services provided (for example, supported and extra care social housing, particularly in the housing association sector, often having higher weekly rents).

Average social housing rents in Wales for 2017/18 varied significantly depending upon the provider, the housing type and the location (Welsh Government, 2017c). Across the entire social housing stock, these tend to be lowest in some of the South Wales valleys (e.g. £76.59 per week in Blaenau Gwent) and highest in Cardiff (£97.55 per week). The gap between

housing association and local authority rents was greatest in Pembrokeshire (over £15 per week higher on average in the housing association sector) and lowest in Swansea (average £2.71 per week difference) (Welsh Government, 2018b). For 2018-19 the Minister for Housing and Regeneration agreed to continue the existing social housing rents policy with an uplift of rents of 4.5% (CPI plus 1.5%) – though the actual maximum which a social landlord may increase an individual social tenant's weekly rent is 4.5% plus £2. Social landlords have the freedom to apply either the maximum rent uplift or a lower one without any penalty or reduction in grant. However, there were concerns earlier this year that the maximum uplift was particularly high and that individual social landlords needed to give due consideration to affordability for all of their tenants.

This is the final year of the existing (five-year) agreement between Welsh Government and social landlords in Wales. Social housing rents policy is currently being reviewed, with an independent piece of research being undertaken by Heriot Watt University. This review will specifically look at issues of affordability and compare social housing rents in Wales with different regions in England. The indications are that the majority of social landlords in Wales have chosen to maximise the uplift in rents for 2018-19 in order to support their business plans and the continuing development of new social housing and the delivery of the 20,000 additional affordable homes target. However, in the longer term the current policy is unsustainable and the Affordable Housing Review provides an opportunity to consider social housing rents in the light of welfare policy (the Prime Minister's announcement that the Local Housing Allowance cap will not be applied to the social sector from April 2019 was warmly welcomed, but other changes to welfare benefits pose threats to affordability and the revenue streams of social landlords), as well as the need to increase investment in the social housing sector. However, given the review will not report until April 2019, the assumption is that there will be an interim social rent policy for 2019-20, with the potential for a more fundamental review in time for 2020-21. This should be designed to achieve affordability (in the broadest sense, seeing rents as part of wider costs of living), transparency, equity, a degree of local flexibility and a policy which is sustainable in the longer term, allowing social landlords in Wales to continue to deliver high quality rented housing for the 21st century.

The issue of rent levels not only raises questions about affordability but also questions of value for money (VFM), although of course VFM is much broader than just rents (or even the relationship between revenues and costs). VFM is a key issue for social housing in Wales. In the housing association sector collaborative work (between the sector and the regulator) has been undertaken to develop a more robust approach to considering VFM (Welsh Government,

2017c). An agreed suite of headline measures linked to the annual Housing Association Global Accounts has been established in collaboration with the CHC Finance Forum, building on earlier work by the former Tenant Advisory Panel (TAP, 2016), around evidence of tenants' views of value for money. At the time of writing the VFM measures, together with a limited set of data around tenant satisfaction and evidence of performance around the delivery of the Welsh Housing Quality Standard by housing associations in Wales (see next section) are being drawn together in a data project due to go "live" before the end of 2018. This will enable housing associations (and critically Boards) as well as tenants, the regulator and other stakeholders to begin to compare the performance of individual associations across Wales, in terms of a limited number of indicators of efficiency, effectiveness, economy and satisfaction. The intention is not to produce league tables of performance as such or to draw potentially false conclusions from limited information or to compare organisations operating in very different environments, but to encourage debate and thinking around VFM. The intention is to use the data to ask questions about relative efficiency and effectiveness, making the best use of resources and broadening an understanding within the sector of what VFM looks like, how it might be improved and what difference it can make, in terms of generating additional revenues to support housing service improvements and delivery. Of course, in some ways, the development of the indicators is the (relatively) easy part, though they will need to be tested and refined. There remain major challenges for the sector in Wales to go much further to develop approaches which are more customer and outcome-focused and also to look at issues around social value.

The quality of social housing in Wales

Wales has long had a concern with issues related to the quality of its housing stock, across all tenures. Historically, the condition of Wales' housing stock has compared relatively poorly in relation to other parts of the UK, and in the private sector low incomes and (in some localities) relatively low market values have often deterred housing improvements. Nonetheless, in recent decades significant resources have been targeted at renovation, first in the private sector and over the last 15-20 years in the social housing sector. The Welsh Government first introduced the Welsh Housing Quality Standard (WHQS) in 2002 as a standard to be achieved by all social landlords in Wales by 2012. Political devolution after 1999 gave the impetus to develop a common standard for all social housing in Wales and was prefaced in the Assembly's first National Housing Strategy, "Better Homes for People in Wales" (NAW, 2001).

WHQS sets out a basic set of requirements aiming to ensure that all social rented homes in Wales are in a good state of repair; safe and secure, adequately heated (and fuel efficient and well insulated), provided with up-to-date kitchens and bathrooms, well managed, located (as far as possible) in attractive and safe environments and suited to the needs of the household. Similar (though less exacting) standards had already been introduced in England in 2000 (Decent Homes Standard) and subsequently in Scotland (Scottish Housing Quality Standard, February 2004) and Northern Ireland (June 2004). However, there are differences between the individual housing quality standards and it is generally accepted that the individual elements of the WHQS are more challenging than those set elsewhere in the UK.

Social landlords in Wales have adopted different approaches to the delivery of WHQS and different timescales have emerged for achieving the standard. The housing stock options considered by Welsh local authorities (essentially whether to retain their council-owned housing or to pursue stock transfer, where supported by tenants) and uncertainties over the availability of sufficient financial resources have delayed progress towards the achievement of WHQS. Ultimately, the original 10-year target of attaining the standard for all social housing in Wales was probably overly ambitious, given these uncertainties. While some local authorities and housing associations made good progress, other social landlords have not been able to demonstrate adequate progress and both the Wales Audit Office (WAO, 2012) and the Assembly's Public Accounts Committee (NAW, 2012) have criticised inherent failings in the programme. These have included weaknesses in the Welsh Government's leadership and monitoring of WHQS, the timescales for local authority stock transfer and slower than anticipated development of landlords' work plans.

At the outset, there was no consistent baseline against which to measure progress towards WHQS (or interim targets to be achieved) and until 2010 no consistent monitoring of landlord compliance. In October each year Welsh Government now publish official statistics in respect of progress with WHQS. The most recent data shows that at the end of March 2018 91% of social housing in Wales was considered WHQS compliant. However, this includes what are termed "acceptable fails" (mainly due to resident choice, physical constraint or the timing or cost of remedy) and if these properties are excluded compliance falls to 63%.

There are also significant differences in performance across the social housing sector in Wales. Whilst overall WHQS compliance (including "acceptable fails") has risen from just over 60% in 2013 to 91% in 2018, in the local authority sector the level of compliance is only 77% (up from under 38% in 2013). In comparison, 99% of housing association stock in Wales is now WHQS compliant; up from 74.5% in 2013 (Welsh Government, 2018g). The published

statistics do not indicate non-compliance by individual landlord, although it might reasonably be assumed that in those local authorities where the option of stock transfer was considered and rejected that there is still some way to go to attain WHQS. A recent report from the Wales Audit Office (WAO, 2017) has criticised one Welsh council, noting that a majority of tenants' homes remain below WHQS due to "longstanding inefficient and ineffective programme management" (WAO, 2017). Although the overall level of compliance in the housing association sector is impressive, again the headline figure includes "acceptable fails", the levels of which appear to vary significantly between individual associations.

Welsh Government agreed extensions to the original 2012 deadline with a number of individual Welsh local authorities and housing associations and subsequently set a revised deadline of 2020 for all social landlords in Wales to achieve WHQS. However, in the local authority sector there may be small number of Welsh councils that will fail to meet this revised deadline. Independent research for Welsh Government undertaken in 2014 also made a number of recommendations in relation to the need for greater independent verification of compliance (Welsh Government, 2014b). The Welsh Housing Conditions Survey 2017-18, headline results for which are due in November 2018, will provide more information on the quality of Welsh housing (across all tenures), as well as linking data on stock condition to issues of energy efficiency, fuel poverty and other housing and environmental concerns in Wales. The Welsh Government's Housing Stock Analytical Resource for Wales (HSAR) is also being developed to link various administrative data sets to build a better picture of the characteristics and condition of the Welsh housing stock (across all tenures) at a more micro level (Welsh Government, 2018h).

Considerable progress has been made towards the overall WHQS target, and significant investment made in the Welsh social housing stock over the last 15 years or so. However, for some local authorities there is still a way to go and in the housing association sector there may be questions about different levels of "acceptable fails". In Wales since the introduction of the policy, it has also been argued that the delivery of WHQS should be about more than just improving the quality of the social housing stock. Considerable emphasis has been placed upon ensuring that investment in housing improvement should also achieve wider regeneration and local economic benefits (e.g. jobs, training opportunities, local procurement, reducing fuel poverty etc.), enhanced environmental quality, and greater resident participation. It has also been argued that investment in housing through the delivery of WHQS has individual health and well-being benefits and offers savings on hospital admissions and the costs of health services, which recent research has illustrated (Rodgers et. al., 2018).

In the first decade of the 21st century it has been argued that Wales built a UK-wide reputation for a radical and effective approach to delivering local jobs and training – and that housing led this process through initiatives such as i2i (inform to involve – led through the Chartered Institute of Housing Cymru) and the Can Do toolkits (Edwards and Morris. 2017), both linked to issues of improving the quality of the social housing stock. However, despite significant local evidence of the successes, there is a lack of a robust evidence base to quantify the long-term benefits. In some ways, the momentum has been lost, although research continues to highlight the role that social landlords can play in the local economy, helping to create more resilient and cohesive communities (Earle et. al, 2017).

Conclusion

This paper has attempted to illustrate the changing nature of the social rented sector in Wales over recent decades. Although the scale of social renting in Wales has declined since the late 1970s as a proportion of the total Welsh housing stock (and within the sector there has been a significant shift in ownership, management and new provision away from local authorities towards housing associations) there are some encouraging signs for the future development of the sector in Wales. This includes the potential re-emergence of significant council housing provision and the further growth of housing associations, building upon the capacity of both traditional and stock transfer housing associations. However, whilst the decline of the social housing sector in Wales may have been halted, and issues around the overall quality of the social housing stock are being addressed, there are still debates to be had about the future of the social housing sector in Wales; what constitutes social housing, how is it best organised, governed, managed and delivered, how do we ensure it is affordable for those on moderate incomes and provides VFM, and how can we ensure that the views of service users are heard and listened to? The overall climate and policy environment in relation to social housing may be generally more positive than in England, and there are often positive attitudes towards collaboration between central and local government and the housing association and private sectors, but there are still considerable challenges.

The social housing sector in Wales only represents 16% of all Welsh housing and the numbers of new social and affordable homes currently being provided are insufficient to meet current and projected housing requirements. The funding regimes for social housing provision in Wales are generally more supportive for the provision of additional affordable housing with social housing grant rate continuing at higher levels than those seen in England. However, rent levels across the social housing sector in Wales have continued to increase in real terms

(unlike in England) and there are concerns that in some parts of Wales and for particular types of households these may be becoming unaffordable. There is an expected review of funding arrangements for social housing in the medium term in Wales and it will be necessary to strike a balance between affordable rents/housing costs, appropriate (and perhaps more flexible) levels of subsidy, which reflect variations in costs and the viability of development as well as the continued delivery of high quality, secure homes to meet increasing needs. There is also much more to be done to embed a better appreciation of value for money (in the broadest terms) in the social housing sector, in ways that it informs strategic thinking, option appraisal and service delivery in Wales.

Wales has also seen considerable progress in the improvement of the quality of the social housing sector in Wales, with the introduction of WHQS (which has also brought wider economic and social benefits, beyond simply an improvement in the quality of the existing housing stock). Initiatives such as the current innovative housing programme also offer the prospect of increasing housing supply and the use of more modern methods of construction, at the same time addressing broader environmental concerns.

However, whilst the scale of the social housing sector in Wales (and the often close working between a limited set of organisations) makes for experimentation and sometimes successful innovation, it also places considerable reliance upon a relatively small number of organisations to deliver. The available evidence suggests that there are significant unmet needs for social housing in Wales, but often the information as to where need is greatest (at a local level) is much less reliable. There are indications of increasing numbers of additional social homes being provided by housing associations (and increasingly local authorities as well), but again at a localised level much less clarity as to where these homes are being built and whose housing needs are being met (and whose are not). The broad picture is not dissimilar in relation to the existing social housing stock. The evidence is of significant progress towards achieving (and sustaining) WHQS within the social housing sector, but there are still gaps in our knowledge about those which do not meet the standard (e.g. “acceptable fails”) and why. In relation to both improving the social housing stock and delivering additional social housing there are also gaps in our knowledge regarding the procurement of housing. Whilst there are some areas where the links between social housing and wider social and economic policies (and benefits) have been illustrated, for example linking social housing and regeneration and social housing and health, there are still many aspects of the wider societal value of social housing in Wales which are poorly understood.

Wales is a relatively small country, at least in terms of population, and with a relatively small social housing sector (not just in its share of the Welsh housing system but in terms of the number of organisations working in the sector). It is also a varied country, in terms of differing housing needs and circumstances; North, Mid and South Wales, cities, valleys and rural areas and areas of relative prosperity and ones of serious socio-economic disadvantage. The scale and culture encourages collaboration, and the social housing sector can evidence many positive examples of effective partnership working. However, throughout the paper issues of gaps (in skills, expertise, knowledge and information etc.) have been highlighted and it should be a matter of urgent consideration to identify, prioritise and address many of these deficiencies. Given limitations on resources for social housing more needs to be done to encourage the best use of available resources, investment to fill gaps in skills shortages (so as to avoid unnecessary competition and bidding-up costs) and to explore innovative solutions to secure the investment needed to develop the full potential of the social housing sector. Attention also needs to be given to improving the governance and regulatory frameworks for the whole of the sector (to ensure a greater degree of equity) and to engage more fully with tenants and residents. There are encouraging prospects, and foundations to build upon, but much still to be done.

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