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A New Generation of Council Housing in Wales

85,000
HOMES IN THE 11 WELSH STOCK-OWNING COUNCILS

£0.9BN
HRA BUYOUT BY COUNCILS FROM THE UK TREASURY IN 2015

£100M
ESTIMATED HEADROOM FOR NEW BUILD

1,500
HOMES COULD BE BUILT

Housing policy in Wales has moved quickly in recent years. As a result the 11 stock-owning Welsh local authorities are operating in an environment that presents greater opportunities to address housing challenges than at any time in a generation.

Why is this and what can potentially be achieved?

Some key housing policy developments for Welsh councils include:

- The abolition of the old Housing Revenue Account (HRA) subsidy system in 2015. The £900m settlement buy-out delivered a share of borrowing headroom for each of the 11 stock-owning councils
- The availability of grant at significant levels from the Welsh Government to encourage the development of new affordable housing
- Rent levels now approaching those of housing associations
- Plans to end the Right to Buy to be implemented imminently.

From the outset of self-financing, the Welsh Government has encouraged local authorities to use their debt headroom to invest. This is a crucial difference to the more uncertain national policy position that has faced English HRA councils.

It has taken two years and a general election to bring the UK government to a position of actively promoting new council housing in England, reversing some of the policy uncertainties. Senior officials in Whitehall are now publicly saying that if the borrowing programme is taken up, this might be the first step to the abolition of the debt cap.

While the Welsh policy context is definitely more supportive than in England, there are other challenges to exploiting the opportunities presented.

For many markets in Wales, getting the development numbers to stack up is a challenge. Whether that is through low values, poor ground conditions left as an industrial legacy in many areas, or the lack of capacity as developers and contractors head for higher-value areas.

This would seem to make the delivery of new council housing an excellent solution: councils in partnership with the Welsh Government to build capacity for delivery. Removing the Right to Buy takes away one of the key barriers to investing in new homes. And with grant support for a range of programmes, and the potential to make schemes work in challenging areas, councils should be able to bring forward meaningful investment programmes for new build, for regeneration and for acquisition.

HRA headroom for new build may still be in the region of £100m – sufficient for maybe up to 1,500 new homes, with funding added from rental surpluses and reserves. But there is still likely to be greater appetite in some authorities than others.

A lower appetite could be driven by all sorts of factors: demand, value, lack of supply chain, lack of land, prioritising completing Welsh Housing Quality Standard works.

There has been some discussion among ministers and councils of moving HRA headroom between authorities. While bilateral discussions to "trade" headroom are possible, maybe a longer-term solution could be for the Welsh Government and authorities to think about differential measures. Borrowing headroom is valuable; but it should not necessarily be seen as a spending allocation.

Nevertheless, the stars look to be aligning: borrowing flexibility, grant support, ending policy uncertainty and ending the forced sale of assets at below market value. As England has begun to learn, switching to long-term, risk-based business plans is most likely to deliver the appetite to build across all local authorities.

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