

# Effective housing for people on low incomes in the Welsh Valleys

This summary looks at policy and practice recommendations to address the housing challenges facing people on low incomes in the South Wales Valleys.

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## The challenges

Three broad challenges affect housing for people on low incomes in the Valleys:

- Residents face **low incomes and high housing costs**. Average social rents for two-bed properties are unaffordable for 46% of social tenants (as assessed by rent-to-household-income ratios).
- There is an **under-supply of appropriate housing** in many areas. Across the Valleys there are projected to be 5,076 fewer social housing units than required by 2026.
- There is an **over-supply of certain housing types** in certain locations. Blaenau Gwent had levels of long-term vacant social housing dwellings that were approximately five times the national average in 2015/16.

## Recommendations

- A more effective and targeted use of existing grants and other finance.
- Advocating changes to Local Housing Allowance (LHA), alongside developing measures to improve the supply of quality properties at LHA rates.
- Support people to reduce whole housing costs and access employment.
- Adjust and vary social rents locally so they reflect local incomes and demand to address affordability issues.
- Develop ways to deliver locally-tailored responses and strategic action at a wider scale.

### The research

Dr Tom Archer, Professor Tina Beatty, Dr Stephen Green, David Leather and Ian Wilson (all Sheffield Hallam University)

# Background

The continuing effects of economic restructuring, combined with successive governments' Welfare Reform programmes, have prompted serious debate and concerns about the future housing offer for people on low incomes in the South Wales Valleys. In response, JRF commissioned Sheffield Hallam University in 2017 to develop evidence and recommendations for addressing the housing challenges faced.

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## Introduction

The baseline analysis identified three broad challenges facing the provision of housing for those on low incomes in the South Wales Valleys:

### 1 Residents face low incomes and high housing costs

For example it is estimated that average social rents for two-bed properties are unaffordable for 46% of social tenants. Social and private sector rents have become unaffordable for many on low incomes due to a combination of: successive governments' welfare reforms, rent setting at levels above inflation, low and slow income growth and rising rents in the private rented sector.

### 2 There is an under-supply of appropriate housing in many areas

For example analysis projected that there will be 5,076 fewer social housing units in the Valleys than required by 2026. It also identified that the growth in one-bed social housing has not kept up with the growth in one-person households. This has been caused by a combination of; shortages in certain housing types (such as one- and two-bed social housing), demographic changes, reducing household sizes and welfare reform limiting payments for some households.

### 3 There is an over-supply of certain housing types in certain locations

Certain areas have seen reducing demand for certain housing types. For example, Blaenau Gwent had 268 vacant social housing dwellings for 6+ months per 10,000 units (2015/16). This has been caused by excess supply of, and low demand for, certain housing types (such as four-bed social housing and sheltered housing), changes in population demographics and household size and welfare reform limiting payments for some households.

There is also a distinct polarisation across the Valleys in terms of low and high demand areas. Broadly speaking three housing markets operate, each running horizontally from west to east across the Valleys. These markets appear to relate to each area's relative access to employment and services. The highest demand area – which we have termed the Valleys' mouths – runs across the bottom of the Valleys. It includes many settlements within easy access to the employment centres in Cardiff, Newport and along the M4. The lowest demand areas are in a band across the middle of the Valleys – which we have called the Valleys' hearts. These areas have the worst connectivity. Finally the Heads of the Valleys, covering an area running both sides of the Heads of the Valleys road has a middling level of demand.

## Developing recommendations

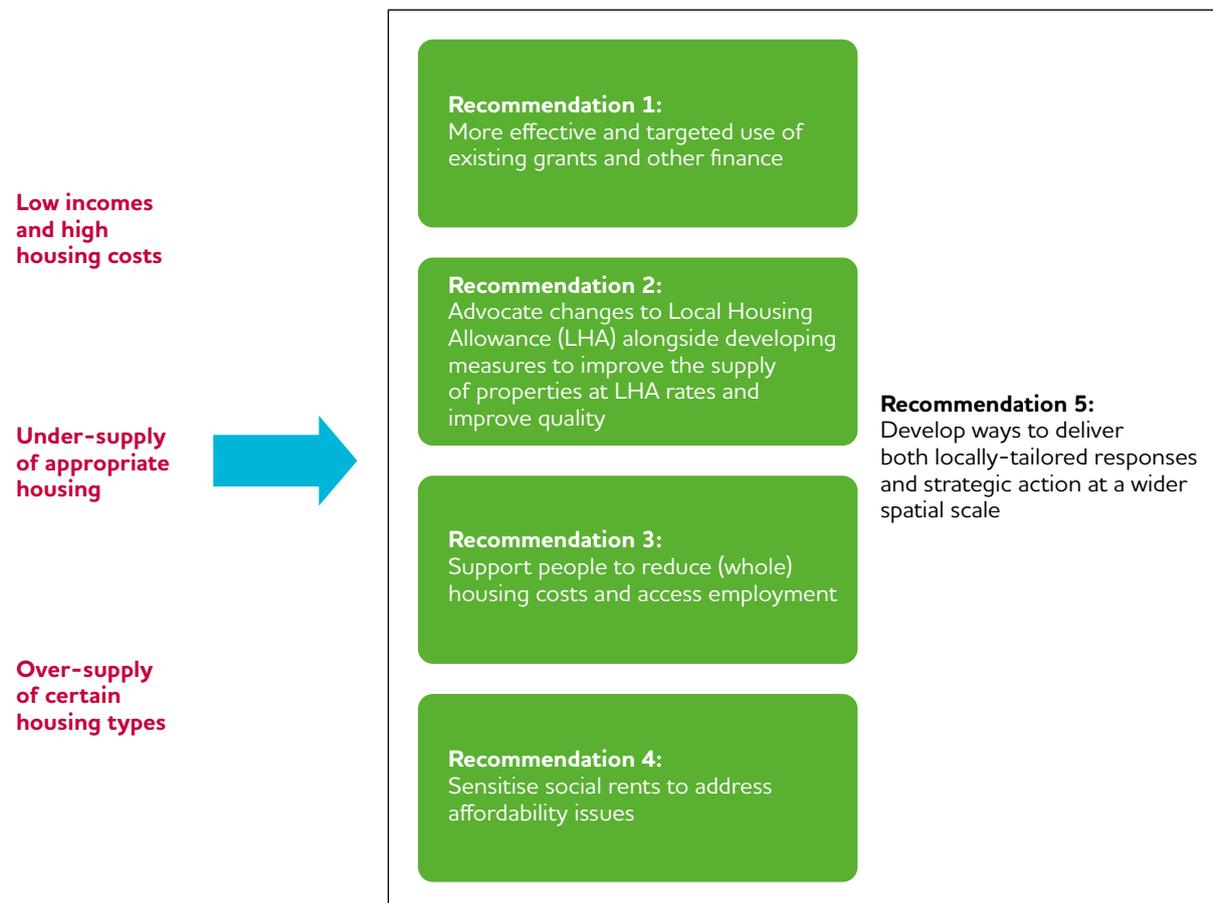
Responding to these challenges and the complicated juxtaposition of different housing market pressures at the local level in the Valleys is an urgent matter. To develop suitable responses to these challenges we facilitated various workshops, focus groups and roundtable discussions with local and national stakeholders, as well as residents of the Valleys. These focused attention on interventions which would be capable of:

- ensuring housing is affordable to residents and financially viable for providers;
- improving and reconfiguring existing stock to meet current needs and demand; and
- building the housing required by developing new housing products targeting specific needs and demands.

## The recommendations

Figure 1 summarises the five recommendations to address the key housing challenges facing the South Wales Valleys. It is important to note these recommendations have been designed to impact across the varied challenges identified:

**Figure 1: A summary of the policy and practice recommendations**



### **Recommendation 1: More effective and targeted use of existing grants and other finance.**

This involves:

- strategic targeting of grant allocations based on priority demand-side factors;
- allowing greater adjustment of grant levels between lower and higher demand areas;
- allowing different grants to be portable or transferrable as local schemes require; and
- providing longer-term settlements on grant programmes to create greater certainty and strategic planning.

This recommendation responds to the markedly different demand pressures facing different areas of the Valleys. An implication of this is an undersupply of appropriate housing in some areas, whereas other areas face an oversupply of certain housing types.

### **Recommendation 2: Advocating changes to Local Housing Allowance (LHA) alongside developing measures to improve the supply of properties at LHA rates and their quality.**

This includes action to:

- ensure a better match between localised LHA payments and the rents charged. For example: exploring implications of redefining the Broad Rental Market Areas in the Valleys; ensuring LHA rates genuinely reflect 30th percentile rents; and action to ensure that the LHA freeze does not further compound unaffordability for low-income households.
- provide better access to, and better conditions in, the PRS. For example: launching Help to Rent initiatives across the Valleys and an expansion of Social Letting Agency approaches.

This recommendation acknowledges the importance of the PRS for low-income households. However it seeks to address key issues in the market's availability and affordability, as well as concerns around housing quality and management standards.

### **Recommendation 3: Support people to reduce whole housing costs and access employment.**

This involves developing collaborative and systematic approaches to financial advice and support for households with a focus on reducing housing-related costs and improving access to employment.

This recommendation seeks to address the unaffordability of housing costs. It acknowledges that efforts have been made, and good practice exists. However these have tended to be short-term initiatives provided inconsistently across the Valleys – often reacting to symptoms such as rent arrears – with limited sharing of good practice.

#### **Recommendation 4: Sensitise social rents to address affordability issues.**

This involves:

- setting out a measure of affordability for the sector;
- defining if and how the regulatory framework for housing associations can identify affordability issues; and
- strengthening the role of tenants in developing rent policies.

This recommendation responds to the current unaffordability of rents in the social housing sector and the increased exposure to unaffordable rent for tenants on the lowest incomes following their transition onto Universal Credit. The recommendation seeks to depart from the above-inflation increases that are part of the current rent setting policy.

#### **Recommendation 5: Develop vehicles to deliver both locally-tailored responses and strategic action at a wider scale.**

This includes the:

- formation of a sub-regional housing partnership to assess and agree cross-boundary priorities and housing-related activity, and set these down in a formal memorandum of understanding;
- creation of a strategic development plan and delivery plan for housing across the Valleys authorities;
- integration of the sub-regional partnerships into the governance arrangements of the Cardiff Capital Region; and
- development of consortia capable of delivering economies of scale.

This recommendation responds to the need for strategic planning and action at a Valleys-wide level to address the scale and complexity of the challenges facing the provision of housing for those on low incomes. The geographic size and budgets of individual local authorities in the Valleys means there is a natural constraint on their capacity to deal with the challenges facing them. Local authorities are unable to take advantage of the economies of scale that are available when operating at a larger scale. Their capacity to deal with housing market dynamics is challenged by their boundaries, which run vertically up and down Valleys, cutting across natural housing markets – that run horizontally across the Valleys.

## Conclusion

The five recommendations that emerge advocate taking a more nuanced approach to respond to the broad issues concerning the affordability and appropriate provision of housing in the Valleys.

This includes responses to:

- act strategically at the right spatial scale (Recommendations 1 and 5);
- maximise investments and economies of scale (Recommendation 1);
- support regeneration efforts (Recommendation 1);
- provide appropriate, quality accommodation to meet the changing demographics in the Valleys (Recommendations 1, 2 and 3); and
- improve the affordability of housing (Recommendations 2, 3 and 4).

The time is right to advocate for these changes. As Welsh Government considers its range of housing-related policies there is a window of opportunity to act on these recommendations.

Taking forward the recommendations will require further thought, analysis and action. However, the recommendations outlined in this report provide a basis for collaborative and more precise interventions that increase value for money and effective intervention in new development, renewal and place-making. If implemented, these would directly tackle the underlying challenges facing the provision of housing for those on low incomes in the South Wales Valleys.

However, housing-related responses alone will merely mitigate some of the worst potential outcomes from the challenges facing the provision of housing for those on low incomes. To maximise their impact the recommendations need to be implemented alongside wider structural efforts to improve economic and social conditions in the Valleys. This includes improvements in job creation, improving connectivity and inward investment, as well direct intervention in the housing market.

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## About the project

The baseline study involved analysis of secondary and administrative data, document reviews and interviews with key stakeholders to establish the housing challenges facing the Valleys. This was followed by 10 local workshops, focus groups and policy development roundtables to develop the recommendation in this report. The study was carried out by a team from Sheffield Hallam University between June 2017 and March 2018.

## For further information

The full report, **Effective housing for people on low incomes in the Welsh Valleys**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at [www.jrf.org.uk](http://www.jrf.org.uk)

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