

**Senedd Finance Committee: A call for information – Welsh Government Draft Budget proposals for
2024-25
Response from Propertymark
November 2023**

Background

1. Propertymark is the UK's leading professional body for estate and letting agents, inventory providers, commercial agents, auctioneers and valuers, comprising over 17,500 members representing over 12,800 branches. We are member-led with a Board which is made up of practicing agents and we work closely with our members to set professional standards through regulation, accredited and recognised qualifications, an industry-leading training programme and mandatory Continuing Professional Development.

Overview

2. The Welsh Government has announced it is planning to publish the outline and detailed draft budgets together on 19 December 2023, and the final Budget on 27 February 2024. The Welsh Parliament's Finance Committee looks at the Welsh Government's Draft Budget from a strategic, overarching perspective. We are focussing our attention for this budget consultation on areas pertinent to the housing sector.

Call for information

What, in your opinion, has been the impact of the Welsh Government's 2023-2024 Budget, including funding related to the recovery of the pandemic? Have Welsh Government business support policies been effective, given the economic outlook for 2024-25?

3. Propertymark supports fair funding for the Housing Support Grant (HSG.) The HSG is allocated from the Welsh Government to local authorities for them to prevent homelessness and support people to access and/or maintain a stable and suitable home. However, we also believe that local authorities should use HSG funding more radically including engaging with private landlords and agents to tackle and avoid homelessness.
4. Nevertheless, over the budget 2022/23, Welsh government's Housing Support Grant stood at £167million, more than 12% (£24million) less in real terms than it was a decade ago. There is unprecedented pressure on the housing sector in Wales since Covid and the cost-of-living crisis. According to the latest statistics from the Welsh Government, 12,537 households were

assessed as homeless last year by local authorities, which is an increase of 7% from the previous year.¹ With real terms cuts to the HSG, and homelessness service providers who provide emergency accommodation and anti-homelessness prevention measures facing increased costs from wage increases of staff and increased costs to resources, there is a real danger of more pressure being put on the PRS amidst dwindling supply due to rent controls and taxation costs.

5. Accordingly, Propertymark recommends that the Welsh Government should provide a three-year indicative funding settlement for the HSG, which increases by at least inflation each year, from a baseline of £166 million. Some of this HSG should be ringfenced by local authorities to be used to engage with the PRS to tackle and avoid homelessness. Furthermore, Propertymark thinks that all parts of the housing sector including the PRS has a role in tackling homelessness. However, in our 2021 Senedd Manifesto, we supported an increase in social housing in Wales.² The Welsh Government must increase the provision of social housing and we would support £1.5b in investment on social housing delivery spread over the next five years.

How should/could the Welsh Government support the economy and business following the pandemic, Brexit and inflationary and other economic pressures?

6. While we have concerns over the unintended consequences of implementing rent controls on private rented housing, our experience on the Welsh Government’s Adequate Housing and Fair Rents Stakeholder Group has reaffirmed our concern that data and evidence used for PRS housing policy, is insufficient and based on anecdotal evidence. Subsequently, we believe the Welsh Government should support the sector by implementing a Welsh Housing Survey based on the English model (English Housing Survey³) to compare the two nations. Such a resource could improve value to policy implementation and could allow policy makers a greater understanding of the number of tenants who end a PRS contract to satisfaction levels in social housing. The cost of the most up to date English Housing Survey is over £25.5 million and was awarded to the National Centre for Social Justice.⁴ However, this cost is split over several years and we suspect that given the population of Wales is considerably smaller than England, the cost would be lower.

¹ <https://www.gov.wales/homelessness-april-2022-march-2023>

² <https://www.propertymark.co.uk/resource/propertymark-releases-action-plan-for-next-welsh-government.html>

³ <https://www.gov.uk/government/collections/english-housing-survey>

⁴ <https://bidstats.uk/tenders/2022/W34/781320367#:~:text=The%20Contract%20will%20initially%20cover,in%20the%20Call%20Off%20Contract.>

With inflation and costs of living issues continuing to escalate, what action should the Welsh Government take to help households cope with this latest crisis?

7. We have already addressed the challenges for landlords and property agents from increased inflation and the costs of living issues. However, we also recognise these are challenging times for tenants and some homeowners. We support a series of welfare reforms and respect the fact that these welfare measures are reserved for the UK Government but believe the Welsh Government should use its influence to communicate the importance of reforms to the UK Government to protect the most vulnerable tenants:

- Local Housing Allowance rates (LHA) should be set at the 50th percentile if not the 30th and these rates should be topped up annually to keep pace with increases in market rents. We also believe that Broad Rental Market Areas (BRMAs) should be reformed to a smaller geography to reflect local trends.
- Reform to welfare should also extend to the provision of Universal Credit. The end of the five-week waiting time should be ended, and loans for advance payments should be converted to grants to prevent further debt to vulnerable people.
- Another source vital to supporting vulnerable tenants is access to Discretionary Housing Payments, and while DHP is again allocated by the UK Government, given the challenges we would welcome a commitment from the Welsh Government to top up allocations to local authorities and ensure that they use their allocations fully.

Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

8 Propertymark supports the Welsh Government's drive to be Net Zero by 2050 and recognises the contribution existing and future housing provision in all tenures contributes towards carbon emissions. However, the Welsh Government must support landlords and homeowners decarbonise their properties. Decarbonisation is especially challenging for Welsh properties given the generally lower property value and lower levels of energy efficiency.

9 In September, the Prime Minister also announced that private landlords in Wales and England will not be subject to the proposed Minimum Energy Efficiency Standards, where it was originally proposed that all new tenancies on the PRS must meet EPC C by 2025 and existing tenancies by 2028 subject to exemption rules.⁵ However, both the UK and Welsh Government's remain committed to meeting Net Zero by 2050. As an example of good practice that should be replicated, we welcome a scheme operated in Torfaen County

⁵ <https://www.gov.uk/government/speeches/pm-speech-on-net-zero-20-september-2023>

Borough Council, where homeowners and landlords can access an interest free loan up to the value of £25,000 to ensure the property is safe, warm and secure.⁶ Homeowners can pay the loan back in ten years and landlords can pay the loan back in five years. We think that despite the Prime Ministers announcement, landlords and homeowners should still consider improving the energy efficiency of their properties and we would welcome a pan-Wales scheme based on the Torfaen model.

Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation?

- 10 The biggest challenges to landlords, and subsequently property agents, is the increase in costs from property taxes. Using survey data from our members, and other private and public sector organisations, we developed a position paper which highlighted the detrimental impact that UK government decisions since 2015 have had on the tax and financial situation for landlords in the PRS.⁷ While most of these taxation measures are reserved to the UK Government, including measures from Section 24 of the Finance Act⁸ and Capital Gains Tax, we are calling for the Welsh Government to do a review of all property taxes to assess the impact on the sector. We are also calling for the Welsh Government to exempt new long-term rental properties from the four per cent Land Transaction Tax (LTT) levy on additional homes. The Welsh Government should also consider wider access to grants and interest free loans available for private landlords to bring empty properties back into use.

The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

- 11 In addition to the points we have raised, we think the Welsh Government should focus on improving levels of home ownership to reduce inequality amongst society in Wales. We welcome the Welsh Governments efforts to support first time buyers with a Help to Buy scheme. However, this should be extended to the second-hand home market. This includes both older properties and new builds put up for resale. Doing so will boost house sales and allow more first-time buyers to get onto the property ladder in Wales.
- 12 Furthermore, Wales has an increasingly aged population. As with the rest of the UK, the Welsh Government's budget must put in place plans for an ageing population. The number of people aged over 64 is projected to increase by 232,000 by 2041, which will impact the housing supply. By incentivising rightsizing, this will ensure more housing is available for younger generations and there is movement in the housing market. This could be done by offering an LTT exemption for 'last-time' buyers looking to downsize.

⁶ <https://www.torfaen.gov.uk/en/Housing/ImprovementsandRepairs/Homeimprovements-Loans/HomeImprovementLoans.aspx>

⁷ [Impact of tax changes on the private rented sector | Propertymark](#)

⁸ <https://www.legislation.gov.uk/ukpga/2015/11/contents/enacted/data.htm>