

**Julie James AS/MS**  
**Y Gweinidog Newid Hinsawdd**  
**Minister for Climate Change**



**Llywodraeth Cymru**  
**Welsh Government**

John Griffiths MS  
Chair  
Local Government and Housing Committee

1 November 2022

Dear John,

Thank you for your letter of 7 October seeking further information following the general scrutiny session I attended on 29 September.

As promised, I attach a paper at annex A outlining the formula for how social rent is set in Wales.

In relation to mortgage rescue schemes, we are speaking with delivery partners and looking very carefully at all options to help people to stay in their homes.

With reference to your question about a future Housing Survey, I consider a sound evidence base and a full understanding of the nature of the housing market and households in Wales to be fundamental to our approach to policy development. The last Welsh Housing Conditions Survey undertaken in 2017, for example, has informed the development of proposals for updates to the standard for social homes, the Welsh Housing Quality Standard (WHQS2023), our Optimised Retrofit Programme and provided the basis for work to assess levels of fuel poverty in Wales. Understanding the Welsh housing stock is essential if we are to achieve our ambitions set out in the Net Zero Wales Action Plan and achieve a just transition to lower carbon heating in the coming years.

Given the significant budgetary pressures, I of course need to consider the costs of an annual housing survey which would be very significant. I have asked my officials to provide me with options for potential future Welsh Housing Surveys; as part of this they will provide me with advice on whether improved access to administrative data to build our Housing Stock Analytical Resource and other survey resources could provide some of the data needed, possibly in conjunction with periodic housing surveys.

You have asked about work around pension funds investing in Registered Social Landlords (RSLs) in Wales. In 2013, the Welsh Government in collaboration with RSLs brought a new source of finance to Wales, M&G Investments – a large pension fund provider. The Housing Finance Grant (HFG) scheme achieved its aim to provide an additional 1,000 new homes across Wales as well as attracting new investment, by working together with 17 RSLs on a collective private placement of around £100 million. Along with Welsh Government's Innovative Finance Events, the HFG scheme highlighted the investment potential in Wales

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We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

to the capital markets, including pension funds and since this time, much additional finance has been invested from this source in Wales. Nowadays, financing from the capital markets accounts for more than half of the sector's finance.

Yours sincerely



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## Note on the formula for setting social rents in Wales

Rents for social housing in Wales are set in accordance with the Welsh Government's social housing Rent Standard. This standard was agreed in 2019 following the Independent Affordable Housing Supply Review. To provide rent certainty to landlords and tenants, a 5-year agreement was introduced, with agreements that rents are only increased once annually. The 2022/23 rent year is the 3rd year of this 5-year agreement.

Under the standard, landlords can implement a maximum annual rent increase of CPI+1%, based on the previous September's CPI figure. This is the maximum overall increase any social landlord can set over their whole stock in any one year.

Under this threshold, landlords are responsible for setting their own rents and service charges. They have flexibility within their stock to freeze, reduce or increase individual rents, with the proviso that no single household will experience an individual rent increase of more than CPI+1% plus £2 per week. A landlord's overall rental income from their total housing stock cannot increase beyond CPI+1%. Affordability is at the heart of the 5-year rent standard and the cap of CPI+1% was intended to ensure that rents do not outpace wages or benefits.

The standard includes the provision that should CPI fall outside the range of 0% to 3%, Welsh Ministers can review and determine the maximum rent increase for the following year. For example, the published September 2021 CPI figure, used for the rent standard, was 3.1% so is outside of the permitted range.

The Minister for Climate Change determined the increase for social housing rents in the 2022/23 year should be CPI only. The rent increase notification letter, issued in December 2021 reminded all social landlords they are expected to carefully consider affordability for tenants in setting rents and the rate is a maximum not a requirement or a target.

To support the Minister in taking this decision, officials undertook "open book" financial modelling with a number of individual Local Authorities and Registered Social Landlords to better understand the potential impacts of a range of decisions on their plans. Officials are currently working through a similar process in order to provide advice to the Minister in the coming weeks.