



Llywodraeth Cymru
Welsh Government

GUIDANCE, DOCUMENT

Land for Housing Loan scheme

Subsidy reference SC11191 - a scheme to increase the delivery of housing by securing land supply.

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Contents

Point to note

Region

Title

Legal basis

Objectives

Public authorities

Eligibility

Sectors

Duration

Budget

Form of support

Terms and conditions

Calculating subsidies

Maximum subsidy

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Point to note

If you are using this scheme to provide awards of subsidy, you must inform the Subsidy Control Unit – email: scu@gov.wales

1. Region

This is an All-Wales scheme that all registered social landlords (RSLs) are eligible to apply to.

2. Title of subsidy scheme

Land for Housing Scheme

3. UK legal basis

Section 79(1) of the Housing Associations Act 1985 (powers with respect to grants and loans) gives the Welsh Ministers the power to lend to a RSL for the purpose of enabling the RSL to meet the whole or part of expenditure incurred or to be incurred by it in carrying out its objects. A loan may be by way of temporary loan or otherwise, and the terms of a loan may include terms for preventing repayment of the loan or part of it before a specified date without the consent of the Welsh Ministers (section 79(3)). Subject to that, the terms of a loan shall be such as the Welsh Ministers determine either generally or in a particular case (section 79(4)).

Section 126 of the Housing Grants, Construction and Regeneration Act 1996 (financial assistance for regeneration and development) provides that the Welsh Ministers may give financial assistance to any person in respect of expenditure incurred in connection with activities which contribute to the regeneration or development of an area. Activities which contribute to the regeneration or development of an area include, in particular; securing that land and buildings are brought into effective use (section 126(2)(a)), and providing or improving housing or social and recreational facilities, for the purpose of encouraging people to live or work in the area or of benefiting people who live there (section 126(2)(e)).

Section 127 provides that financial assistance under section 126 may be given in any form, in particular assistance may be given by way of grants, loans, guarantees, or incurring expenditure for the benefit of the person assisted. But the Welsh Ministers must not, in giving financial assistance under section 126, purchase loan or share capital in a company.

Section 128 provides that financial assistance under section 126 may be given on such terms as the Welsh Ministers consider appropriate. The terms may, in particular, include provision as to circumstances in which the assistance is to be repaid and the manner in which that is to be done; or circumstances in which the Welsh Ministers are entitled to recover the proceeds or any part of the proceeds of any disposal of land or buildings in respect of which assistance was provided. The person receiving assistance must comply with the terms on which it is given, and compliance may be enforced by the Welsh Ministers.

Section 60 of the Government of Wales Act 2006 provides that Welsh Ministers to do anything which they consider appropriate to achieve the promotion or improvement of the economic, social and environmental well-being of Wales.

4. Objectives of the scheme

The core aim of the scheme is to increase the delivery of housing by securing land supply. The scheme will help tackle the challenges around the supply of housing by increasing the funding options available to RSLs in respect of land sites for housing development.

The scheme provides funding support for affordable (sub-market) and/or market housing via a loan for land acquisition only. In-keeping with the SPEI sub-market social housing exemption; the affordable housing reference throughout this document refers to Wales' **TAN 2 affordable housing** definition of: housing provided to those whose needs are not met by the open market under 2 sub categories of social rented housing and intermediate housing.

Any loan provided for market housing as part of the scheme is on a commercial basis with an appropriate interest rate and penalty clauses attached, removing the potential for advantage. However, the scheme predominantly supports and enables the on-going provision of a social housing service in Wales, in order to support the increase of supply and contribute to the ending of homelessness, as well as move on from temporary accommodation.

The funding vitally helps to secure land supply and ensure that opportunities are not lost, often in advance of Social Housing construction support becoming available, at which point the loan funding is repaid and reinvested.

There is therefore an emphasis on supporting schemes that are not scheduled to receive alternative Welsh Government funding in the same financial year. In addition, there is a focus on low carbon strategy and proposed design and quality standards being applied to the scheme.

The total Financial Transaction Capital (FTC) invested in the scheme is £89,930,000, which consists of over 300 individual loan awards to RSLs for the

acquisition of land for affordable and/or market housing. As loan funding is repaid it is reinvested in-year. The FTC is recycled as many times as possible to other eligible schemes which go through a competitive bidding process. This has resulted in over £287m of loans having been made as at FYE 23/24. This figure will increase each year as loans are repaid and re-awarded.

The loans are consistent with the specific policy objectives associated with the provision of affordable housing, as outlined in Programme for Government (PfG) 2021-2026 programme commitment to make our cities, towns, and villages even better. This intervention also plays a fundamental part in contributing to the target of providing 20,000 low carbon social rented homes in this term of government and any future targets set by subsequent governments.

5. Public authority(ies) authorised to implement the scheme

Welsh Government

6. Category(ies) of eligible enterprise

All RSLs in Wales.

7. Sector(s) to be supported

Affordable Housing.

8. Duration of the scheme

The scheme duration is 14 September 2024 to 31 March 2026.

9. Budget for aid under the scheme

£300,000,000 (three hundred million pounds).

10. Form of support

Subsidy awarded under the Scheme will be by way of loan funding for affordable housing.

11. Eligibility terms and conditions

Applications are assessed by a panel of Welsh Government officials against agreed and published criteria, which formed part of the guidance provided with the scheme application pack.

RSLs are required to submit a support position proforma from the relevant Local Authority (LA) with their application. This confirms whether the housing, to be developed on the land, which is the subject of the application, meets the strategic housing need, as identified through the LA's Local Housing Market Assessment (LHMA), and its associated priority.

Loan funding is available in respect of land for housing development only. The scheme does not fund any non-housing element or any additional costs relating

to land acquisition. Where a land site is to be used for mixed use development, only the housing element will be eligible for a loan under this scheme. The land value must therefore be apportioned to provide the housing / commercial or other non-housing split.

Housing to be developed on the land supported by this scheme can be just affordable housing, just market housing or a mixture of both.

Any affordable housing that is delivered on land supported by this scheme and is seeking to be funded by a relevant Welsh Government Grant Programme must meet the standards set out in the current Welsh Government Development Quality Requirements (DQR) standard.

Applications can be made for land already purchased for housing development, providing the RSL confirms the development has not yet commenced and the loan funding will assist in releasing cashflow for the development. In addition, the land must be acquired within a set timeframe prior to the application window deadline as detailed in the scheme application guidance. This timeframe is set to ensure there are no gaps in the provision of possible scheme funding between application windows. Not doing so would result in the loss of the housing infrastructure to the social housing market and fundamentally compromise the delivery of the SPEI social housing service, in line with paragraph 6.18 of the statutory guidance.

Any loan will be secured against the land it is provided for. No other RSL assets will be used as security for the loan.

12. Basis for calculating subsidies

With regards to borrowing funds for affordable housing there is a market failure. There is no active market in Government lending for social housing i.e. RSL's

cannot go to other sources of lending with comparable terms i.e. lower interest rates for social outcomes. As a result, a below market interest rate is applied in respect of the loan or proportion of the loan, which is to develop affordable housing under the Service of Public Economic Interest exemption. As this is loan funding, the interest foregone is the subsidy.

A 0% interest rate has been applied in respect of affordable housing under the scheme since inception. However, moving forward in order to determine an appropriate interest rate, the HMT guidance included in the Public Expenditure Statement (PES) is considered. This is the rate to be used when there is no active or similar market for funding these types of schemes. As evidenced above, this market failure results from it being too costly for a social landlord to bring forward schemes which meet the Welsh Government's quality standards for Social Housing.

When a loan is subject to a market level interest charge, such as for the development of market housing, it will be calculated either by applying the rate provided in the [Subsidy Control Rules](#) or by way of benchmarking against commercial providers that offer short term debt to the RSL sector in line with paragraph 15.73 of the [Subsidy Control Rules](#). This same rate is used to calculate the interest foregone or subsidy for loans for affordable housing.

Loans are provided on the basis of a 5 to 10 year term in order that the subsidy can be calculated at the point of award.

13. Maximum subsidy allowable under the scheme

£4,500,000 (four million, five hundred thousand pounds) per loan award.

14. Contact information

Subsidy Control Unit

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Cardiff CF10 3NQ
United Kingdom

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Email: subsidycontrolunit@gov.wales

Rydym yn croesawu galwadau a gohebiaeth yn Gymraeg / We welcome calls and correspondence in Welsh.



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