



**Cynulliad Cenedlaethol Cymru  
The National Assembly for Wales**

**Pwyllgor Deddfwriaeth Rhif 2  
Legislation Committee No. 2**

**Dydd Iau, 2 Rhagfyr 2010  
Thursday, 2 December 2010**

**Cynnwys**  
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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,  
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.  
In addition, an English translation of Welsh speeches is included.

**Aelodau'r pwyllgor yn bresennol**  
**Committee members in attendance**

Lorraine Barrett	Llafur (yn dirprwyo ar ran Lynne Neagle) Labour (substitute for Lynne Neagle)
Paul Davies	Ceidwadwyr Cymreig (yn dirprwyo ar ran Brynle Williams) Welsh Conservatives (substitute for Brynle Williams)
Gareth Jones	Plaid Cymru The Party of Wales
Val Lloyd	Llafur (Cadeirydd y Pwyllgor) Labour (Chair of the Committee)
Rhodri Morgan	Llafur Labour
Jenny Randerson	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

**Eraill yn bresennol**  
**Others in attendance**

Steve Clark	Cydgysylltydd Polisi a Phrosiectau, Ffederasiwn Tenantiaid Cymru Policy and Projects Co-ordinator, Welsh Tenants Federation
Keith Edwards	Cyfarwyddwr, Sefydliad Tai Siartredig Cymru, Director, Chartered Institute of Housing Cymru
Sue Finch	Swyddog Polisi Tai, Cymdeithas Llywodraeth Leol Cymru Housing Policy Officer, Welsh Local Government Association
David Hedges	Cynghorydd Polisi, Cartrefi Cymunedol Cymru Policy Adviser, Community Housing Cymru

**Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol**  
**National Assembly for Wales officials in attendance**

Jonathan Baxter	Gwasanaeth Ymchwil yr Aelodau Members' Research Service
Bethan Davies	Clerc Clerk
Gwyn Griffiths	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Leanne Hatcher	Dirprwy Glerc Deputy Clerk

*Dechreuodd y cyfarfod am 1.02 p.m.*  
*The meeting began at 1.02 p.m.*

**Cyflwyniad, Ymddiheuriadau a Dirprwyon**  
**Introduction, Apologies and Substitutions**

[1] **Val Lloyd:** Welcome to this afternoon's meeting of Legislation Committee No. 2. I welcome Lorraine Barrett, who is substituting for Lynne Neagle, and Paul Davies, who is substituting for Brynle Williams. We are not expecting a test of the fire alarm, so if it sounds, it will be for real and everyone should leave the room by the marked fire exits, following the instructions of the ushers. Please note that we have two exits today. Please turn off all mobile phones and related equipment, as they interfere with the broadcasting equipment. The National Assembly operates through the media of Welsh and English. Headphones are

provided, and you can hear instantaneous translation on channel 1. If you are hard of hearing, the sound can be amplified on channel 0. Please do not touch the microphones, as they come on automatically.

1.03 p.m.

**Y Mesur Arfaethedig ynghylch Tai (Cymru)—Cyfnod 1: Panel Tystion  
The Proposed Housing (Wales) Measure—Stage 1: Panel of Witnesses**

[2] **Val Lloyd:** The purpose of our meeting today is to take oral evidence in connection with the Proposed Housing (Wales) Measure. This week's meeting is the first evidence session to inform our work. This afternoon, we will be taking evidence from a panel of witnesses, including representatives from the Welsh Local Government Association, the Welsh Tenants Federation, the Chartered Institute of Housing Cymru, and Community Housing Cymru. I welcome the four witnesses. Please introduce yourselves. Shall we start with Mr Edwards?

[3] **Mr Edwards:** I am Keith Edwards, and I am the director of the Chartered Institute of Housing Cymru, which is the professional organisation for housing people in Wales.

[4] **Ms Finch:** My name is Sue Finch, and I am from the Welsh Local Government Association.

[5] **Mr Clark:** My name is Steve Clark, and I am the managing director of the Welsh Tenants Federation, which represents the interests of tenants in Wales.

[6] **Mr Hedges:** I am David Hedges, and I am the housing policy adviser for Community Housing Cymru, which is the representative body for housing associations in Wales.

[7] **Val Lloyd:** We will put a range of questions to you, and I intend not to ask the same person to answer first every time. So, I will move from Mr Edwards along to Mr Hedges. I have the first question. Do you agree with the general intent of the proposed Measure?

[8] **Mr Edwards:** Yes, we do.

[9] **Ms Finch:** Yes, we do.

[10] **Mr Clark:** Yes, we do.

[11] **Mr Hedges:** Yes, we do.

[12] **Val Lloyd:** Thank you. That was a very straightforward start. Paul, I believe that you have some questions.

[13] **Paul Davies:** Thank you, Chair. Can you tell us what consultation has been conducted prior to the introduction of this proposed Measure? Has there been sufficient involvement with stakeholders such as yourselves in preparing this legislation?

[14] **Mr Edwards:** Yes, I think that the development of the LCO and the measures following it has been subject to a lot of engagement and involvement across the housing sector. CIH Cymru has members from the private sector, housing associations and local authorities. We have ensured that there has been full consultation with our members, but there has also been great deal of engagement through the Assembly Government itself. You will be very familiar with the Essex process. Quite a lot of the issues that arose in the LCO have their basis in the Essex review. I would also argue that there has been a long-standing practice of

engagement with the housing community, up to and including the LCO process itself.

[15] **Ms Finch:** I think that I am going to set the pattern of echoing Keith. From the Welsh Local Government Association's point of view, we are in absolute agreement that there was considerable excitement about the possibilities that the housing LCO gave us, and there was very full discussion at all sorts of levels within local government and across the housing sector.

[16] **Mr Clark:** Likewise. We were engaged with the Essex review from its commencement, and we have been involved extensively throughout the development through the programme boards and, alongside Keith Edwards for CIH Cymru, the WLGA and others, we were engaged in developing this proposed Measure.

[17] **Val Lloyd:** Mr Hedges, do you want to add anything?

[18] **Mr Hedges:** I would agree with everything that has been said. There has been quite a long gestation period, so I do not think there is anything in the proposed Measure that surprises anybody in the social housing sector. I would be shocked if there were.

[19] **Paul Davies:** The explanatory memorandum accompanying the proposed Measure states that the objective underlying the proposed Measure is to provide social housing providers with a period of grace to enable the supply of affordable housing in the area to be increased by other means. Do you think that the proposed Measure as drafted would achieve those aims? If not, what changes would you make?

[20] **Ms Finch:** The idea of providing an incentive and support for local authorities to increase the supply is absolutely right and proper. As for their ability to effectively achieve that within current market conditions, the challenges presented by the housing market will inevitably change over time. At the moment, we are in a particularly challenging period. So, I think that the ability of local authorities and their partners to achieve that, realistically, will be limited, and other discussions will need to look more carefully in future at what can be done to allow the housing sector to rise to that challenge more effectively. However, given the constraints of this particular proposed Measure, it is right and proper that there is a period within which we can see whether we can increase the supply of affordable housing.

[21] **Val Lloyd:** Mr Clark, do you have anything to add?

[22] **Mr Clark:** Yes. I believe that the housing pressure condition exists. With regard to the response to that, there are several things that a local authority could do in its strategic enabling role within its area. The proposed Measure would provide Ministers with the power to issue guidance in relation to that. Where that suspension is applied, we would certainly like to see action taken to address the situation in the form of a plan. For example, action could be taken on addressing the empty homes issue and looking at what else could be done to stimulate supply in the area, perhaps by working with social enterprises and a range of other organisations. We would like to see the proposed Measure backed up by an actual plan, showing how we will address that over the period of the suspension. I could list about 10 or 15 things that local authorities could do with partners and other organisations to stimulate supply the area, but it will be difficult to achieve that under the current market conditions

1.10 p.m.

[23] **Mr Hedges:** I do not think that the powers that will be conferred as a result of this exercise, which will be at the Minister's disposal, will be the only ones to be used to deal with social housing issues. There is a shortage of social housing. Most people's attention in the sector is focusing on increasing the supply. Arguably, this is about trying to stop the reduction

in supply. It is another tool in the toolbox, effectively, for the Government to use. In that sense, anything that we can do to retain what we already have must be a good thing.

[24] **Mr Edwards:** Following on from what David said, it has to be seen as part of a range of options. I think that the Deputy Minister made that plain when she was introducing the proposed Measure last week. You have to look at land supply, the planning system, and the availability of funding. Local authorities are in a good position to make that overall assessment and see this as part of the process. There is a specific instance in which the proposed Measure, in isolation almost, would be of benefit, and that is in the case of small rural communities where the intervention to preserve one, two or three social housing units could have a major impact on how that community functions—although even that would have to be set in the wider context of all the other housing policy options.

[25] **Paul Davies:** So, you are all saying that this legislation is absolutely necessary. I see that you are.

[26] On suspending the right to buy, the memorandum accompanying the proposed Measure states that

[27] ‘It is Local authorities only who may apply for a direction since they are best placed to decide whether an application is appropriate in terms of addressing housing provision in their area.’

[28] What are your views on the application process to suspend the right to buy, and would you like to see anything added to the application requirements?

[29] **Mr Clark:** I think that the application process adequately sets out what local authorities are required to do to obtain their suspension: the consultation with existing stakeholders, including housing associations and various others in the area, to provide evidence that there is a mismatch between supply and demand. That mismatch could be addressed by the suspension, as a suspension could consider how to respond to that, and monitor and evaluate it. I think that there is adequate provision within the proposed Measure to how to apply and respond to that.

[30] **Paul Davies:** So, there is nothing that you want to add to that.

[31] **Mr Clark:** No, I think that it adequately explains what is required and the opportunities for local authorities to present their case, and for the Minister to be able to judge that on the basis of the evidence brought by the local authority. The only thing that I would stipulate is that, where the local authority is looking within its borders, the market is not just contained by those borders and goes beyond local authority boundaries. So, the supply and demand issue can be influenced by external factors. Perhaps there should be a requirement in the proposed Measure to consult neighbouring local authorities on the impacts that a suspension might have.

[32] **Mr Hedges:** We ought to be able to do things like this with the absolute minimum of process, without adding anything. Putting local authorities at the centre of this is absolutely right. They are the strategic housing enablers; they are in the best position to know the local circumstances and the local housing needs. So, it is absolutely central that they go through the process that they would normally go through in consulting with all the relevant social landlords and other providers in the local area. This is an area-based approach, so I think that it is absolutely right that local authorities should be at the centre of it.

[33] **Mr Edwards:** I concur. We have long been advocates of the strategic role of local authorities. We would expect—and there would be an expectation within the wider housing

community—that that would be done in partnership with other social housing providers and other stakeholders.

[34] **Ms Finch:** It is absolutely appropriate that local authorities in their community leadership roles, as well as their housing strategic role, have that central role. I think that they are best placed to look at the wider interests, because the tenant movement will quite obviously represent the interests of existing tenants, and the registered social landlord sector will represent the interests of RSL businesses. Critical to the consideration is the wider interests of that community and its access to affordable housing in the future. So, it is appropriate that local authorities have that central role.

[35] **Lorraine Barrett:** I have some questions on the duration of the suspension period and the ability of local authorities to extend that suspension period. Is the maximum five-year period for the suspension of the right to buy and related rights sufficient?

[36] **Mr Hedges:** I can remember a lot of discussion on this issue. For example, should you opt for a shorter period of one or two years? The feeling was that things like this have to be done in before you can judge the impact of the aim, which is to do something about the supply. In the end, a lot of us came to the view that five years seemed to be a reasonable timescale for this.

[37] **Mr Edwards:** Are you going to move onto other timescales in subsequent questions, or do you want to deal with the whole timescale issue now?

[38] **Lorraine Barrett:** Can you say something about the extension of the five years to 10 years, and whether that fits in with the needs of local authority areas?

[39] **Mr Edwards:** That feels right, to be honest. You must remember that the market is volatile and dynamic and that we are living in a time when right-to-buy sales are suppressed, but that might not be for ever, for all sorts of reasons and changing conditions. So, five to 10 years seems to be a reasonable time, but anything beyond that would be moving into the territory of the long-term abolition of the right to buy, to be honest.

[40] **Ms Finch:** I agree. After all the debate and consideration across the housing sector and local government, there was a feeling that five years was about right. It is appropriate to have a review period, particularly given the changes in the housing market that we have seen over the past five years. We are in a completely different place than we were five years ago, and therefore we will need to revisit the situation.

[41] I would be interested in further discussion on having a maximum timescale to the suspension. It is very difficult to know where we will be in 10 years' time. I suspect that we will still be in a position of affordable housing supply not matching demand. It would be unfortunate if we had to bring that suspension to a close unnecessarily if it was protecting important pockets of affordable housing.

[42] **Mr Clark:** We have stated a minimum of three years, up to five years, with the ability to make an extension on the variation. It takes much longer to develop plans, given the market, and we have said that it should be linked to the local development planning cycle as an alternative. So, up to five years initially and then a review after that is reasonable. To be clear, we have supported the abolition of the right to buy, because we think that it has been detrimental to tenants and to the availability of affordable housing in Wales. So, that has been our position.

[43] The important thing that I want to stress is that something should be done about the plan to address the deficiency in the area, and that is where the emphasis should be. If that

takes five years, then so be it, and if there needs to be an extension after that, that extension should be made available.

[44] **Lorraine Barrett:** The regulatory impact assessment notes that one alternative to suspending the right to buy was reducing the maximum discount. Some of us have talked over the years about reducing that discount or even getting rid of it to provide a level playing field. However, that is my personal view and is by the by. It has been stated that reducing that maximum discount would also reduce the number of sales and encourage the development of more homes. Do you think that that would be effective?

1.20 p.m.

[45] **Mr Edwards:** No. Any discount, no matter how small, would act as an incentive given the right market conditions, although we do not have those at the moment. It would incentivise people to buy their properties. So, in an absolute sense, it could not be as effective as suspending the right.

[46] My only other point on this would be that it is important to make a judgment today on how that market will change in the future. Once again, if we have greater social housing build in the future, that will be vulnerable to changing market conditions. So, it has to be seen in that context.

[47] **Ms Finch:** The benefit of having a specific suspension is that it provides a much more targeted and strategic approach. There will be areas that are under specific pressure, such as rural areas, but other areas will be under less pressure. However, if you had a general reduction in the discount, that would have a wide effect on the whole of Wales. The proposal to have suspension in pockets provides a more strategic approach to the issue. However, if, after some review of how this has gone, it seems that it is not addressing the issue, there is also the possibility that the Welsh Ministers, who have the power to change the discount, could proceed with that option. So, I do not think that it is a closed door.

[48] **Mr Clark:** When discounts have been increased previously, we have seen an increase in demand. So, conversely, if you reduced the discount, you would probably see a reduction in demand. However, I do not think that it would be as effective as a suspension. So, I suggest that suspension is the appropriate way forward.

[49] We will need around 5,000 social homes per year over the next 10 years or so just to meet the demand, so a case could be made for every local authority to apply for a suspension. That, in itself, presents a problem. We have suggested that perhaps a certain percentage of the worst cases should be adopted first within the first few years and then we could see whether that works. However, suspension would be more effective than reduction.

[50] **Mr Hedges:** I agree with all that. I am not sure that you can compare the two things, as I think that they are two different issues. If you want to have proactive control over social housing within a defined area, this has to be the better way of doing it, rather than ending up in a situation where you are seen to be denying—albeit for a certain time—the right of someone to exercise their right to buy on an individual basis.

[51] **Lorraine Barrett:** I do not know whether you have anything to say about any other options that might have been explored further, other than the right to buy. Do you feel that it is generally the right way to try to alleviate housing pressures in certain areas? I get that feeling from you, but would you like to take this opportunity to make any general comments about any other options that might have been explored?

[52] **Ms Finch:** I think that we all stated at the beginning of this long process that the



suspension of the right to buy was just one small part of the jigsaw puzzle, but a crucial one. We need to stop the leakage of existing affordable homes. However, if we are to meet the need for affordable homes, we need to look at the issue in a much broader and strategic way. So, this is a valuable part of the picture, but it is not the whole picture.

[53] **Mr Clark:** I concur with that. As I have said, we support the abolition of the right to buy. It has been very detrimental to the stock, but this is a valuable part of the jigsaw and, if it proves to be effective, it could be looked at again at a later stage. However, we are very supportive of the proposed Measure as introduced.

[54] **Mr Hedges:** We should have done it years ago. This is like shutting the stable door after the horse has bolted. All the critics will question the impact that it will have now, but it is an important signal that the Welsh Government wants to do what it can to work with local authorities to do something about the really serious issue of the lack of social housing in particular communities. There is a fantastic table buried in the paperwork—it might be in the explanatory memorandum—that shows the proportion of social housing lost in each local authority in Wales over the last 18 to 20 years. So much effort goes into providing social housing. The issue of how many more homes we can build is on the Assembly agenda at the moment, and that number should be compared with how many homes we have lost. If only we had understood the implications of that policy a few years ago, we might not be here now, wondering whether it is a good idea or not.

[55] **Mr Edwards:** I would like to echo what everyone else has said. You have to see this as a mismatch between the supply of affordable housing and demand for it. While the One Wales Government is to be congratulated on the 6,500 homes that have been delivered through the social housing grant and related programmes, we need around that amount of new affordable homes per year in future just to stand still. This proposed Measure will help, but it has to be seen as part of something much wider; I would argue for an affordable housing strategy for the next Assembly Government that will look at maximising new build social housing. It should also look at bringing the 29,000 empty properties in Wales back into use and at allowing local authorities to build council housing again—a number of them are exploring this already. I would argue very strongly that this is an important proposed Measure, but it has to be set in the context of a wider strategy to deliver affordable housing over the next few years.

[56] **Val Lloyd:** Thank you. Lorraine, have you finished your questions?

[57] **Lorraine Barrett:** I was just looking at the table that Mr Hedges mentioned. I suppose that, on average, 50 per cent of housing stock has been sold.

[58] **Val Lloyd:** Mr Clark, I believe that you wish to add something.

[59] **Mr Clark:** Yes. There is also a significant imposition on existing rights for tenants, in terms of exchange. The data have proved that the process is slowed down if there are fewer three-bedroomed and four-bedroomed houses available. Those were the better-quality houses that were predominantly lost through the right-to-buy scheme. That traps people in inappropriate housing. We have many cases of families with two children living in second-storey flats, being told that it will be three to four years before they can even think about getting access to more appropriate accommodation. The right to exchange has also impacted on the issue of supply. I just wanted to make the point that, within this proposed Measure, although there is the loss or suspension of one right, there is also a serious imposition on another right.

[60] **Val Lloyd:** Thank you, Mr Clark. I now bring in Jenny Randerson.

[61] **Jenny Randerson:** My questions relate to Part 2 of the proposed Measure, and to registered social landlords. Do you welcome the new regulatory framework that is being developed for RSLs, and do you think that the proposed Measure is a necessary part of that framework?

[62] **Mr Clark:** Yes, we do. As I indicated earlier, we have been extensively involved as an organisation in the development of the regulatory framework. The Welsh Tenants Federation, Tenant Participation Advisory Service Cymru and others sit on the regulatory board. We also facilitate the tenants' advisory panel. We feel that the Deputy Minister requires the power to conduct interventions in cases where that power has not existed in the past. We think that those interventions are appropriate, given the current circumstances in housing.

[63] **Mr Hedges:** I agree with everything that Steve has just said. Some are anxious that these powers may be a bit over the top or unnecessary. The reality is that they are powers that have been in place in England for some time. As I understand it, the detail is a read-across from England. It is important to look at the experiences of the housing association sector over there. None of us wants to see the need for these powers to be used. However, from the perspective of regulators, and for you as Assembly Members, it is important to know that if there is a serious issue that needs to be addressed, there would not be any difficulty in your going in to deal with the situation.

[64] **Mr Edwards:** I concur with that absolutely. This has to be seen as one of a broad range of available options. The framework itself provides for that, and the proposed Measure will help to strengthen the intervention powers in particular. Ultimately, it will come down to the confidence that people such as lenders, the Welsh Assembly Government, and, perhaps as importantly, tenants, have in the proper and appropriate regulation of those who organise and manage these homes.

1.30 p.m.

[65] **Ms Finch:** The framework as a whole is welcome and long overdue. For a number of years, we have operated on trust in Wales and, when the financial markets get tight, trust is not quite enough. Importantly, this will give lenders confidence and ensure some sustainability for the RSL sector. Perhaps more importantly, it will give some transparency to tenants and some accountability in the way that registered social landlords are working with local authorities to deliver more affordable housing to meet local needs. It gives local authorities an assurance that there are clear expectations and that the RSL sector will be accountable for complying with that framework. On all counts, it is a very good move.

[66] **Jenny Randerson:** I agree with that comment. As someone who does a lot of casework involving housing issues, when there have been problems, I have been amazed at how little regulation there is and how incredibly autonomous RSLs are in their method of operation. Your views fit with mine, although they are far more informed than mine.

[67] To move on, the explanatory memorandum states that:

[68] 'Working closely with the sector and other stakeholders, new key principles have been developed with a new approach to regulation in Wales. Wide consultation has taken place, which has received positive feedback and support for this new approach.'

[69] Do you agree with that view? Does that reflect the consensus across the sector?

[70] **Mr Hedges:** Yes, definitely. The way in which this new regulatory framework has been put together, involving all the stakeholders who are involved in the process, was one of

the recommendations that came out of the review by Sue Essex. I understand that it is being held up as a model of how sectors can get together across boundaries and bring people to the table.

[71] **Mr Edwards:** I concur.

[72] **Ms Finch:** It has been developed in a collaborative way, which gives it an enormous amount of strength.

[73] **Mr Clark:** I concur with everything that has been said. We have been engaged extensively, on a local, regional and national level. We have been engaged at every stage of the process, and our ideas have been taken on board, for example, setting up the tenants advisory committee that will sit alongside the regulatory board that will have access to the Deputy Minister to address those issues from a consumer or service user perspective. So, we have been pleased at the way that we have been consulted on these matters.

[74] **Jenny Randerson:** Mr Hedges made reference to the Essex review in his answer. Is it the view of all of you that this adequately addresses the recommendations of the Essex review?

[75] **Mr Edwards:** I feel a little like a tape recorder at the moment, because I have the same answer. These measures go part of the way to delivering the Essex agenda. To that extent, they are entirely consistent with the overall approach and other measures that have been taken in collaboration with local authorities and housing associations in particular. So, the short answer is 'yes'.

[76] **Ms Finch:** I agree entirely.

[77] **Mr Clark:** I would add on the Essex review that there was a need to change the focus of the way that regulations were undertaken before. With the Audit Commission, all the emphasis was on service delivery and there was insufficient emphasis on governance, financial control and so on. We have suggested the four pillars, which would be governance, financial issues, service delivery and consumer protection, and this has evolved to look at all those issues, and is a far better regulatory regime than previously.

[78] **Mr Hedges:** Everyone is interested in governance all of a sudden, whether it is FIFA or the Irish banks. I think that Sue Essex was absolutely right—she was asked to look at the barriers to the delivery of more affordable housing, and one of the things that she identified was a need to improve and enhance confidence in this important sector that is responsible for delivering lots of new social housing. Certainly, the attitude of the lenders was that there has not been regulation of the housing association sector in Wales for the last few years, so you need to be doing something. All of this puts in place a much more effective framework that will provide confidence to everyone involved in the process.

[79] **Jenny Randerson:** I have this wonderful vision of board members of registered social landlords being compared with members of FIFA. I will go no further. Section 35 of the proposed Measure would allow Welsh Ministers to set standards of performance for RSLs. Do you welcome those new powers? I assume from what you have said so far that you do. Possibly more to the point, how do you envisage this new standards framework working in practice?

[80] **Ms Finch:** Shall I start?

[81] **Val Lloyd:** Yes, please, if you will.

[82] **Ms Finch:** It is absolutely right that a crucial part of the regulatory framework is a set of standards. Those should set a direction of travel as well as describing where we are now—in other words, the aspirations for the sector. So, yes, it is right and proper that Ministers set those standards. In practice, an important part of that set of standards operating effectively will be that the RSL sector takes ownership of them and is responsible for policing itself, if you like. Rather than some top-down survey of the sector being necessary, we would all hope that the RSLs, in conjunction with local authority partners, would be working together to ensure that the standards that they meet comply with that framework. It is about setting a direction of travel for the RSL sector itself to move forward. That is how I see it working. Any intervention should, hopefully, be unnecessary, but you need teeth, at the end of the day, if regulation is to be effective.

[83] **Mr Clark:** There are two issues here. It is important for the Minister to have strategic direction, as Sue outlined, but, also, it is important that service users can influence standards locally. The mechanisms that have been set out as a consequence of the change in regulations, such as self-assessment, and whole-association assessment, require the engagement of service users on the ground. Therefore, you are delivering what people need, not necessarily what people want, or what may be appropriate. So, there are two elements to the framework, I think. First is that the Minister has appropriate governance of the sector, and can deliver the direction, but also that service users can influence things from the bottom up. Sue is right that it is important that RSLs have the freedom to deliver the services that people need in their area, and that there are all-embracing standards that cover the sector. Having the regulatory board in place, and other consultative mechanisms, will reinforce that message.

[84] **Mr Hedges:** Like Sue, I think that the test will be how things work in practice. The Assembly Government has issued performance standards that are called delivery outcomes, and the message to the housing association sector this year is that it needs to prepare its self-assessments against these delivery outcomes, and that self-assessment will form part of the Assembly Government's assessment of them as organisations. The Assembly Government will take lots of hard and soft evidence from all those organisations and individuals who engage with housing associations, that is, local authorities and other voluntary and strategic partners. It will be looking at the complaints received by Assembly Members and the ombudsman to build a picture of how housing associations are doing. We have struggled for years—the Assembly has struggled, as did the Welsh Office, and Tai Cymru before it—because housing associations are all seen to be the same kind of thing.

1.40 p.m.

[85] I have heard Assembly Members ask why we have so many housing associations in Wales. When you look at the sector, they are all very different. Some are small, specialist organisations that provide housing for a particular client group; some work in one community, in one local authority area; some work across regions and others work across the whole of Wales. That diversity has made it difficult for the Assembly to find a way of regulating housing associations. The Assembly is not being too prescriptive about what it expects of housing associations, but it has said determined the performance standards. Housing associations must decide on the most appropriate way of meeting those standards, and the Assembly will test them to see whether or not they have met them. That approach is much more focused on outcomes for tenants and there is much more evidence on the involvement and ownership by boards, which is fundamental to the process.

[86] **Mr Edwards:** There has to be a trade-off between diversity and consistency. The Chartered Institute of Housing has long been an advocate of domain regulation for social housing. That is, as far as possible, if you are a tenant of a council or housing association property, there should be some basic standards that you could expect. We certainly promote the idea of getting the balance right by not being too rigid or imposing bureaucratic standards,

and, on the other hand, there is the issue of consistency. In fairness, having powers that will allow us to be more diverse in dealing with standards in the future is a positive thing. It builds on previous things, such as the Welsh housing quality standard, for example, which was developed in Wales and is better than the decent home standard in England. The housing management standard for anti-social behaviour, which was developed by the Welsh Assembly Government, builds on the respect standard for housing management in England, and is better, because it has a seventh requirement within the framework for community engagement in combatting anti-social behaviour. It is a matter of building the confidence and expertise to be able to develop measures that are appropriate to Wales.

[87] **Jenny Randerson:** There is no provision in the proposed Measure for the standards that are to be made by regulation to have to come to the Assembly for approval: they can be made by a Minister. Do you think that Welsh Ministers should be able to issue standards of performance for registered social landlords without bringing them to the Assembly for approval?

[88] **Mr Clark:** One of the methods that the Deputy Minister has set up is the Regulatory Board for Wales, so that she can take advice on how the regulation system is working. The tenants' advisory panel has also been set up, through which representatives of service users feed into the Regulatory Board for Wales. Therefore, there are mechanisms that the Deputy Minister can use to get a feel for what is happening on the ground, and to help organisations to shape any future changes. I would presume that the way that the method has worked so far has influenced the Deputy Minister in shaping what we have at the moment, and I presume that that will continue.

[89] **Mr Hedges:** I am tempted to say that this is where the democratic side of the Assembly comes into play. You have Ministers who are called to account and are open to scrutiny by the wider Assembly. I think that it is right and proper that the Deputy Minister with responsibility for housing should be prescribing the details and the process here, and if the Assembly has an issue, it has a route to scrutinise that. That would be my take on it.

[90] **Mr Edwards:** I feel the same way about it.

[91] **Ms Finch:** I agree with David that if the Deputy Minister for Housing is sitting on the regulatory board and engaging with the issues as they are coming forward, that is the appropriate place for those decisions to take place.

[92] **Val Lloyd:** Do you have any further questions, Jenny?

[93] **Jenny Randerson:** No.

[94] **Val Lloyd:** I therefore call on Rhodri Morgan.

[95] **Rhodri Morgan:** I suppose that this question is more for David Hedges than the other three witnesses, although I would welcome views from everyone on how wide the requirement to consult before issuing the standards should be. Are these standards seen as matters for the management of registered social landlords, the local authority and so on, or should tenants' groups also be brought into it? At present it is a matter for the representatives of registered social landlords, as there is a requirement to consult them before issuing the standards. Do you think that that is right, or should tenants' groups also be involved?

[96] **Mr Hedges:** I think that the more consultation that you can have, the better. At the end of the day, you want to have confidence in the system that everyone will work towards. The way in which the delivery outcomes have been derived thus far has involved a lot of consultation. I do not think that anyone could claim that they have not had an opportunity

to—

[97] **Rhodri Morgan:** To be consulted to death.

[98] **Mr Hedges:** You know that there is consultation and consultation. There is serious consultation and I think that we all struggle with trying to find the best way of undertaking effective consultation, given the audience. My view would be that you should do as much as you can to make people aware of what is coming their way.

[99] **Rhodri Morgan:** Do any of the other three witnesses not believe in that? Do you think that it is a matter just for the RSLs?

[100] **Mr Clark:** The proposed Measure states that it is just for RSLs. I would want that extended to involve national representative organisations, such as mine. On the review or the development of future performance measures, I think that the proposed Measure just refers to RSLs. We would want that to include—

[101] **Rhodri Morgan:** Can anyone think of a commonsense reason as to why it might have been written in a way that restricts it to representatives of RSLs and leaves out representative bodies, tenants' federations, or anyone else for that matter? Is there any reason for this?

[102] **Mr Clark:** It is probably an omission.

[103] **Rhodri Morgan:** You are being terribly kind. There is no conspiracy being spotted here.

[104] **Mr Edwards:** No. I am old enough to remember the Tai Cymru circulars that used to come out with regularity from that organisation. The key thing for me is—

[105] **Rhodri Morgan:** Did those include or exclude tenants' groups?

[106] **Mr Edwards:** To be honest, there is an issue of proportionality. The fact is that you will get circulars coming out that are fairly mundane and are, perhaps, just updates on existing circulars. I think that a judgment call must be made here. I sort of agree with what David said; I think that the Deputy Minister ought to have the power to be able to do that. If the basis of that is to consult RSLs, you would expect them to be subject to scrutiny by the tenant advisory panel to ensure that they are discharging their duty to make sure that tenants are also involved.

[107] **Rhodri Morgan:** Would you read it, as presently drafted, as excluding everyone from the consultation who is not a representative of an RSL or do you think that it is meant to be read as, 'We expect the RSLs to consult with tenants' federations, and as that is standard practice, we do not need to specify it'? What do you think?

[108] **Mr Hedges:** You do not want ambiguity. You want that to be really clear.

[109] **Ms Finch:** I think that the consultation must be as wide as possible to have credibility. It needs credibility if it is going to act to hold RSLs to account.

[110] **Rhodri Morgan:** We may look at that. Talking of ambiguity, there is a possible ambiguous phrase in section 48 of the proposed Measure, where it provides for an inspector to have the power of entry to

[111] 'premises occupied by the registered social landlord which is being inspected'

[112] at

[113] ‘any reasonable time’.

[114] Are you happy that none of the tenants of registered social landlords will read that as meaning that these dreaded inspectors could call at any time of day or night at their house, flat or maisonette; that is, that it refers to the offices of the registered social landlord or a works yard, or wherever they suspect that something needs to be inspected, rather than the maisonette, house or flat?

[115] **Mr Hedges:** I am sure that this is just a read across from England. I do not know whether that just was not picked up at the time that it was put in place, but that might very well be the case. No-one wants to be frightening tenants. I am sure that the intention is to allow inspectors to access offices. You do not want a situation where an organisation is effectively locking out the inspector.

[116] **Val Lloyd:** Does anyone else have a view?

[117] **Rhodri Morgan:** Therefore, you are suggesting that you would prefer a clearer form of wording that it does not refer to the housing for which the RSL is responsible, but to its offices or other commercial premises. You would prefer crystal clear wording, provided that the lawyers and the drafters of the legislation could come up with it.

1.50 p.m.

[118] **Mr Clark:** Tenants are entitled to peace and quiet and the enjoyment of their home. The way that it is worded is a bit ambiguous, and I believe that it was meant to be in relation to those offices.

[119] **Rhodri Morgan:** I am sure that it was—or at least I hope that it was.

[120] **Mr Clark:** There may also be issues about supported housing accommodation where there may also be an office, for instance, and data that is kept within the shared complex. There may be a need to access the property, but not the actual dwelling place of the tenant. So, there is a bit of ambiguity there that needs to be addressed.

[121] **Rhodri Morgan:** Okay. We may have an opportunity to put that to the Deputy Minister. We are grateful for that.

[122] On enforcement notices, Ministers are allowed, under section 57, to impose a financial penalty on an RSL, with a maximum of £5,000. That penalty can be imposed by a magistrates’ court, and can be increased if the magistrates’ court permits it and so on. Likewise, compensation can be paid by the RSL to a tenant—we assume that it is to a tenant, not a builder or a central heating supplier or whatever. Are you content with the circumstances outlined in the proposed Measure that will enable Welsh Ministers to issue enforcement notices to RSLs?

[123] **Mr Edwards:** Yes, and we would agree with having a broad range of circumstances. However, any such powers should be used sparingly and proportionately. The range of circumstances would seem to be the correct ones to us.

[124] **Rhodri Morgan:** What about the imposition of financial penalties? Are they reasonable, and is the £5,000 penalty sufficient?

[125] **Mr Edwards:** You would hope that issuing financial penalties would not be the first course of action that you would consider undertaking. The sum of £5,000, with regard to RSLs, not individual citizens, is a reasonably modest imposition that would not necessarily impact on tenants' services. Again, there may be an issue around the financial viability of the organisation, but that is a reasonable enough amount not to tip things over the edge.

[126] **Rhodri Morgan:** I apologise to you and to the Assembly, because I misspoke. The £5,000 is the maximum that any magistrates' court can impose by law. So, that amount can only be increased by magistrates' courts if that rule is breached, so that, because of inflation, the £5,000 will change to £10,000 at some point in the future. I did not make that clear.

[127] Does anyone think that the compensation arrangements included in the proposed Measure are reasonable, unreasonable or that they could be improved upon?

[128] **Mr Hedges:** I thought that that was going to be a trick question, because you said that you assumed that compensation would just be to tenants. I can imagine a situation where a contractor who has done some work has not been paid.

[129] **Rhodri Morgan:** Indeed; I was just thinking about that.

[130] **Mr Hedges:** The contractor may feel that they have a legitimate case, and an inspector could take the view that that case is correct and they would therefore be awarded compensation.

[131] **Rhodri Morgan:** How do you read it? Do you read this as being exclusively the tenants' right to compensation for repairs not being carried out, for example, which I guess would be the normal complaint? Tenants could say, 'I'm paying my full rent, so why aren't I getting my repairs done on time?'. Do you think that this could cover contractors as well, or should that be dealt with in small claims' courts and magistrates' courts, and the usual ways of business arbitration?

[132] **Mr Edwards:** I do not think that I am qualified to comment on that.

[133] **Mr Clark:** There are several cases, which are numbered from one to 10, where enforcement notices would be introduced. My concern is that there are several hurdles that landlords would have to jump over before they got to the stage of issuing compensation or an enforcement penalty. That penalty relates to a number of different scenarios that are outlined in section 52. So, I think that that is adequate and appropriate. My concern is that there is compensation for the tenants and there are several opportunities for the landlord to provide redress to address the notice—in as much as even providing representation in writing to the Deputy Minister—but there are no opportunities for tenants. So, if the Deputy Minister decides to take that view and not to issue an enforcement, there is no provision for the tenant to do the same. That would be my only concern about that. On the level of compensation, if there were an issue involving home loss, for example—

[134] **Rhodri Morgan:** An issue of what, sorry?

[135] **Mr Clark:** If there was an issue in relation to home loss, for example if you lost your home as a result of mismanagement by a landlord, the home loss payments in the current statutory framework are more than what would be provided in the proposed Measure, namely up to £5,000. So, I would need to look at that to see how it would apply in practical terms. Presumably, it would be done through a voluntary undertaking or the Minister giving direction to the RSL to address the issue, and, if it were not undertaken voluntarily, the fine could be increased.



[136] **Ms Finch:** The way in which the proposed Measure is drafted suggests that groups in addition to tenants might be affected. You can imagine that there could be a situation in which the RSL is acting in such a way that it is not meeting the needs of a wider population beyond its own tenants—in other words, those who are in housing need—who might well have a reason to seek redress against the association.

[137] **Rhodri Morgan:** It could also fail to evict the so-called nightmare tenant who is behaving in an anti-social way towards other tenants or the community at large. Would that be a situation in which compensation would have to be paid?

[138] **Ms Finch:** Potentially, yes.

[139] **Mr Clark:** Tenants could appeal or make representations to the housing ombudsman on an issue such as that, and the ombudsman can award compensation to tenants.

[140] **Rhodri Morgan:** Rather than having the power to award compensation, is it in fact the case that the ombudsman has the power to recommend that it is paid?

[141] **Mr Clark:** Yes, that is right; the ombudsman has the power to recommend to award.

[142] **Rhodri Morgan:** It is not obligatory to pay, as we all know from bitter experience. Everyone assumes that the game is over when the ombudsman blows the whistle, but the game has only started.

<p>[143] <b>Gareth Jones:</b> Mae fy nghwestiwn yn ymwneud ag adrannau 72 i 78, sy'n ymwneud â rheoli'r landlordiad, ac sy'n rhoi hawliau i Weinidogion Cymreig ymyrryd lle mae'r landlordiaid yn methu â chyrraedd safonau neu lle mae camreoli. A ydych yn fodlon â'r pwerau ychwanegol a fyddai'n cael eu rhoi i Weinidogion Cymru yn y Mesur arfaethedig o safbwynt rheoli landlordiaid cymdeithasol cofrestredig?</p>	<p><b>Gareth Jones:</b> My question is on sections 72 to 78, which relate to the management of the landlords, and which give Welsh Ministers the right to intervene where landlords are failing to reach the standards or where there is mismanagement. Are you content with the additional powers that would be given to Welsh Ministers in the proposed Measure with regard to the management of registered social landlords?</p>
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[144] **Val Lloyd:** I am not certain that everyone has heard, Gareth, because we were not quite prepared with the headsets. Would you mind repeating your question? I am sorry; it is unusual for four of them not to work.

[145] **Lorraine Barrett:** Chair, may I make a point about headphones? This happened earlier this week, with other witnesses. Sometimes the headphones do not work, although usually they do, and sometimes people who have not been here before cannot get them onto channel 1. I wonder whether, generally, the committee secretariat could ensure that they are all switched on to channel 1 before the committee starts, just so that there is no hold-up and that it is easier for everyone. It is also less disrespectful to those who are speaking Welsh.

[146] **Val Lloyd:** Thank you for that suggestion, Lorraine. We will take it on board. Thank you for your patience, Gareth.

<p>[147] <b>Gareth Jones:</b> Af yn ôl at fy rhagymadrodd byr. Mae fy nghwestiwn yn ymwneud ag adrannau 72 i 78, sy'n cyfeirio at reoli'r landlordiad, ac sy'n rhoi hawliau i Weinidogion Cymreig ymyrryd lle mae'r landlordiaid yn methu â chyrraedd safonau</p>	<p><b>Gareth Jones:</b> I will go back to my short introduction. My question relates to sections 72 to 78, which refer to managing the landlords, and which give the Welsh Ministers the right to intervene where landlords are failing to reach the standards or</p>
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neu lle mae camreoli. A ydych yn fodlon â'r pwerau ychwanegol a fyddai'n cael eu rhoi i Weinidogion Cymru yn y Mesur arfaethedig o safbwynt rheoli landlordiaid cymdeithasol cofrestredig?

where there is mismanagement. Are you content with the additional powers that would be given to Welsh Ministers in the proposed Measure in relation to the management of registered social landlords?

2.00 p.m.

[148] **Val Lloyd:** I will ask Mr Edwards to respond first, unless someone else wishes to take the lead.

[149] **Mr Edwards:** We are happy with the powers. The practice that we would strongly advocate if the powers were ever exercised is for tenants to be fully involved and consulted, particularly for the more severe actions. Where there is a transfer of management, for example, you would expect full consultation with tenants, and I would argue for access to independent advice and possibly a ballot before that takes place. There are practice issues that need to be embedded in the way that this rolls out.

[150] **Ms Finch:** In addition to the need for close consultation with tenants, there is also a need for consultation with the local authority, because the RSL will be a critical partner in delivering affordable housing in the area. If that registered social landlord's business is being transferred elsewhere, it will disrupt the ability of the local authority to respond to housing needs. So, there also needs to be a close discussion with the local authority.

[151] **Mr Clark:** Yes, I agree, and presumably with lenders and other stakeholders as well. That would, in effect, be a stock rationalisation programme or a stock transfer, if the decision of the management was to transfer the stock to an organisation. In line with current arrangements and current good practice, we would want to set up bodies that would be consulted about that, a proper document prepared on how those failings would be addressed in future, the full engagement of tenants within that and, potentially, a ballot. There might also be, in the case of bankruptcy or insolvency, some sort of rationalisation between different housing associations. So, as Keith suggests, we would advocate the full engagement of tenants and other stakeholders in that process.

[152] **Mr Hedges:** I agree with all that has been said.

[153] **Gareth Jones:** Diolch am yr atebion; yr wyf yn deall yr hyn yr ydych yn ei ddweud. Yr ydych yn gwybod yn well na fi pa agweddau ar dangyflawni y gellir eu gweld, ac yr wyf yn siŵr y gallwch ragweld lle all pethau fynd o'u lle neu lle gellid gweld rhyw fath o gamreoli. A fyddai defnyddio'r pwerau hyn yn mynd i'r afael yn effeithiol â materion sy'n ymwneud â landlordiaid sy'n tangyflawni, ynteu a ddylid ystyried agweddau eraill? A yw'r pwerau hyn yn ddigon da ar eu pennau eu hunain i fod yn effeithiol?

**Gareth Jones:** Thank you for those responses; I understand what you are saying. You know better than me what can go wrong, and I am sure that you can foresee what could go wrong or where mismanagement could occur. Would the use of these powers effectively address issues around underperforming landlords, or is there a need to consider other aspects? Are these powers good enough on their own to be effective?

[154] **Ms Finch:** It is important to try all other mechanisms for improvement before you get to that stage. That should be the final act to resolve an issue. I hope that we do not reach that situation in Wales, but we must always have in place the structures and the framework to allow us to intervene if necessary. It should be the last resort and the end of a very long process of trying to drive improvement in a particular organisation.

[155] **Gareth Jones:** I accept that point, but is there anything that you feel that we need to bring in at this stage? We all understand that we do not want to arrive at that situation, but now is the time for us to incorporate anything that you might be able to envisage.

[156] **Mr Clark:** To get to this hurdle, there would have been a kicking down of every single possible hurdle that preceded it, including relationship management with the auditor and the inspection process. There is provision for the Assembly Government, on a voluntary basis, to put someone on a board that is failing, and I understand that that has been done once or twice in the past. So, if you get to a stage where there is simply nothing else that can be done except to intervene, that seriously needs to be considered. I suggest that there is enough preceding this to be able to address the situation. So, the proposed Measure would be appropriate to that time.

[157] **Gareth Jones:** Mae fy nghwestiwn nesaf yn ymwneud â'r un maes i raddau, sef adran 78, lle mae sôn am gyfuno. Mae'r un cwestiwn yn berthnasol: a ydych yn fodlon â'r darpariaethau a fyddai'n caniatáu i Weinidogion Cymru gyfuno landlord cymdeithasol cofrestredig â landlord cymdeithasol cofrestredig arall pe bai angen? Beth yw eich ymateb i hynny? A ydych o'r farn bod darpariaeth o'r fath yn angenrheidiol? A fyddai achosion yn codi lle byddai dull gweithredu o'r fath yn annymunol?

**Gareth Jones:** My next question relates, to some extent, to the same area, namely section 78 on amalgamation. The same question applies: are you content with the provisions that would allow Welsh Ministers to amalgamate a registered social landlord with another registered social landlord if that was necessary? What is your response to that? Do you believe that that type of provision is necessary? Could situations arise in which this type of action would be undesirable?

[158] **Mr Hedges:** Amalgamation goes on anyway on a voluntary basis—some organisations decide that it is in their best interests. It is pretty draconian stuff; the Assembly would have to have so little confidence in an organisation's board and senior management team to resolve issues that, having gone through a number of steps in advance, it felt that amalgamation was the only solution—unless the financial viability of an organisation is such that it would fall over without being placed with another. However, we have already had some answers to issues about whether the views of tenants and other stakeholders would feature in that process. I think that such views would have to feature—tenants of an organisation would need an explanation about why things had reached that state, and would also need to give their views about becoming tenants of a new landlord.

[159] **Mr Clark:** There have been cases in which a landlord has seriously underperformed and was not providing value for money, because of the scale of its operations and so on. If the delivery outcome is not being achieved, or is being achieved at a considerably higher cost than others, the Deputy Minister should have the authority to step in to say 'This needs to change—this is too expensive, this is not working, this is not providing value for money for the public purse and it is certainly not providing appropriate service to tenants on the ground'. In those cases, there will be a series of interventions to try to address that. If that does not work, someone, at some point, needs to be able to say 'This has to stop; we need to rationalise the stock'. It has been done in the past in mid Wales, as Keith will remember, where there was a stock rationalisation programme. However, on that occasion, there was a ballot and full engagement by tenants and other stakeholders in that process.

[160] **Gareth Jones:** Yr ydym yn gwerthfawrogi'r atebion yr ydych yn eu rhoi, ac yr wyf yn deall fy mod yn swnio fel pe bawn yn cerdded ar hyd glyn cysgod angau

**Gareth Jones:** We appreciate your responses, and I understand that I sound as if I was walking along the valley of the shadow of death in this regard. However, I want to

yn hyn o beth. Fodd bynnag, yr wyf am gyfeirio at un peth arall a allai ddigwydd. Mae adran 83 y Mesur arfaethedig yn rhoi pwerau i Weinidogion Cymru benodi rheolwr dros dro mewn achos o ansolfedd, er enghraifft. A oes angen i Weinidogion Cymru gael y pŵer hwnnw, ac, os felly, pam?

refer to one other thing that could happen. Section 83 of the proposed Measure gives Welsh Ministers the power to appoint an interim manager in an insolvency case, for example. Is it necessary for Welsh Ministers to have this power, and if so, why?

[161] **Mr Clark:** The other issue deals specifically with performance, value for money and a failure to provide delivery outcomes expressed by the Deputy Minister or tenants. This is another such scenario, on potential insolvency due to a bad loan deal or comprehensive spending review changes in terms of rents and the imposition of possible rent increases, which can lead to significant income issues for a particular type of authority. That could force them into solvency. The Deputy Minister needs to respond at that point, which is why the proposed Measure refers to appointing an interim manager to take control of that situation, which could then lead to an amalgamation or stock rationalisation to address the situation. So, it is appropriate and it covers every scenario.

2.10 p.m.

[162] **Mr Hedges:** I read this as being very much about speed: that, in some situations, you might have to act very quickly to put in place someone with the right experience to resolve the issues. I am no expert on insolvency or what happens in the world of company insolvency, but I can imagine situations where people are left thinking that they have to recruit someone and go through a recruitment process because they have processes that demand that they do certain things. However, here, we are saying that we are giving the Deputy Minister powers to say, 'Someone needs to sort this organisation out and it needs to be sorted out tomorrow, and I am going to make an appointment.'

[163] **Mr Edwards:** The key is that, once the emergency measures have been taken, everything that we said previously about ensuring that tenants are fully informed of the options and appraised of the situation should click in.

[164] **Ms Finch:** The way that I read it is that it gives some stability and assurance to tenants that the situation is being managed, and it buys some time to come in with some more sustainable solutions. I would see the way in which it is drafted as offering a range of tools in the Deputy Minister's toolkit. So, there could be an interim manager, or an amalgamation, or the management could be put out to tender. There is a range of solutions that offer different options and these give some flexibility about how best to respond to the situation, having consulted other stakeholders.

[165] **Mr Clark:** Some of these measures are a test. If you took them out and something of this nature did happen, how would we respond to it? So, if you took it out and there was a case of the potential insolvency of an association, how would you address that? It is asking whether there is a need, and I think that there is, but it would be used in extreme circumstances.

[166] **Mr Hedges:** I do not think that we would want inferior powers to those that exist in England. If anything, we need superior ones here. You have already raised a number of questions that suggest an improvement on that draft.

[167] **Gareth Jones:** Mae'r enghraifft sydd gennyf yn y nodiadau o fethiant ariannol yn enghraifft o gymdeithas tai yn Lloegr yn **Gareth Jones:** The example that I have in my notes of financial failure concerns a housing association in England in 2008. I am

2008. Yr wyf yn siŵr eich bod yn gyfarwydd â'r achos hwnnw. Yr ydym yn derbyn, ac yr ydych yn cydnabod yn eich atebion, bod dilyniant i hynny a'i bod yn iawn fod gan y Dirprwy Weinidog yr hawl i fynd i'r afael â sefyllfa lle mae ansolfedd yn digwydd neu ar fin digwydd. Efallai mai'r cwestiwn pwysig yw: a yw'r Mesur arfaethedig yn atgyfnerthu pobl ddigon i'w gwneud yn fwy tebygol na fydd ansolfedd yn digwydd? A oes digon o bethau yn y Mesur arfaethedig i rwystro'r sefyllfa honno a'r ansolfedd rhag digwydd yn y lle cyntaf? Os nad oes, a gredwch y dylem edrych ar sawl agwedd fel hyn?

sure that you are familiar with that case. We accept, and you acknowledge in your answers, that that is sequential and that it is right that the Deputy Minister has the right to address a situation where there is insolvency or insolvency is imminent. The important question might be: does the proposed Measure strengthen people enough to make it more likely that insolvency will be avoided? Are there enough things in the proposed Measure to prevent insolvency from happening in the first place? If not, do you believe that we should look at many aspects like this?

[168] **Mr Hedges:** It is one thing to have the power, but another to use it, is it not? There have been examples of extreme difficulty in England, where the regulator, for various reasons, has not acted quickly enough. So, while we imagine a future where all of these powers are in place and, therefore, we assume that everything is there to be able to prevent these situations from emerging, the reality is that someone still has to make a decision about using them and when it is appropriate to do so. All of this does not necessarily prevent insolvency or failure, but it should help to resolve it. In some ways, knowing that the Assembly Government has a full set of intervention powers sharpens people's minds. They know that, if they do not act quickly to resolve a situation, someone else, having given them plenty of opportunity to do so, will step in in the end.

[169] **Mr Edwards:** The powers in themselves can only mitigate risk; they cannot absolutely stop things from occurring. However, the powers are built on experience, not least in Wales, where we have not been sufficiently robust in our regulation in the past. So, they are measures that will help, but they cannot offer absolute guarantees that we will eliminate the risk. There is the related issue, which is obviously not within the scope of this particular inquiry, that it must be accompanied by a strong, well-resourced and robust regulatory regime. The Assembly Government needs to ensure that it has sufficient resources through its regulation branch within the housing directorate, and that there are resources allied to the regulatory board and the tenant advisory panel to ensure that there are the necessary checks and balances within the system. My final point would be that we need to look at how we invest in professional development in this whole area. We are moving into a new era. It will not be enough just to put the regulation in place. We will have to ensure that we have people who are properly equipped to ensure that, as Steve said, when we go through those filters, people are picking up on things at the right time and making the adjustments to ensure that we deliver the proper regulation for Wales.

[170] **Ms Finch:** I would agree; never say 'never'. We could never guarantee that we would not face the same situation in Wales. In fact, if you look at the picture of the stock transfer housing associations in England, you will see that a frightening proportion of associations are failing. So, given that there has been a rapid process of stock transfer over a short period of time, we need an incredibly robust regulatory framework to ensure that the right sort of support is given to those organisations to ensure that we do not have a similar failure in Wales. The critical word is 'support'. There needs to be the capacity within the Assembly Government to ensure that those issues are never going to arise and that those organisations have the ability to carry out robust self-assessment and the necessary improvements so that, although we hope that we never reach that situation, we have the tools in the toolkit if we need them.

[171] **Mr Clark:** The proposed Measure refers to 'insolvency, etc'. Insolvency is the

headline issue. Some £1.5 billion of assets have been transferred during the stock transfer. That is a significant amount of money, which the Deputy Minister has an interest in protecting. There are also the consumer protection issues for tenants that would be relevant in that situation. There are whole organisation issues, but there are also specific performance issues. As I said, insolvency is the headline issue, but it can relate to other failings in the service. As Sue said, never say 'never'. It is in there as a measure to ensure that, in the eventuality of something going drastically wrong, the accountability and the good governance of the Assembly Government is there to intervene if appropriate.

[172] **Val Lloyd:** Gareth, do you have any more questions?

[173] **Gareth Jones:** Na, yr wyf wedi **Gareth Jones:** No, I have finished, thank you.  
gorffen, diolch.

[174] **Val Lloyd:** We have come to the end of our questions. Is there anything that you wish to raise that we have not raised with you this afternoon? Do you have any closing remarks? I see that you have nothing to add. On behalf of the committee, thank you for your contributions. I thank you particularly for attending at such short notice. The clerk will send you a draft transcript of today's meeting. You will have a chance to check it for accuracy before it is published.

[175] We were not all able to attend our last meeting; we put our case to the Business Committee and it has agreed to a reporting date of 18 January, which allows us to continue with our chosen approach to Stage 1 scrutiny. There was not much in it, if you remember. There was not a very wide choice, but it allows us to have a longer online consultation and time for consideration of our draft report after the Christmas recess, rather than the other way around. I am just confirming that that is what the Business Committee said.

[176] Our next meeting is next Thursday afternoon at 1 p.m., when we will be taking evidence from the Deputy Minister for Housing and Regeneration, Jocelyn Davies.

[177] **Rhodri Morgan:** How many meetings does that leave us all together, Chair?

[178] **Val Lloyd:** We have one next week and one in the first week of the next term.

[179] **Rhodri Morgan:** When is Jocelyn Davies giving her evidence?

[180] **Val Lloyd:** Next Thursday.

[181] **Rhodri Morgan:** So, who is giving evidence in the final week?

[182] **Val Lloyd:** I think that that is for consideration of our draft report.

[183] **Rhodri Morgan:** Oh I see. So, that will be it.

[184] **Val Lloyd:** Yes.

[185] **Rhodri Morgan:** So, we have heard from the stakeholders—we have done them, got the t-shirt, blah-di-blah—we will hear from the Deputy Minister—

2.20 p.m.

[186] **Val Lloyd:** Then we will consider our draft report. Originally, we were supposed to consider the report next week, but we managed to extend it so that we can get a few more written consultations in as well.

[187] **Rhodri Morgan:** No problem.

[188] **Val Lloyd:** Thank you for your attendance and your forbearance.

*Daeth y cyfarfod i ben am 2.20 p.m.*  
*The meeting ended at 2.20 p.m.*