

LOCAL GOVERNMENT AND HOUSING COMMITTEE

MINUTES OF COMMITTEE MEETING

Date: Wednesday 14 March 2001

Time: 9.30am to 12.35pm

Venue: Committee Room 2, National Assembly Building

Attendance:

Members:

Gwenda Thomas Neath

(Chair)

Edwina Hart Gower (not item 7)

(Minister)

Peter Black South Wales West

(Deputy Minister)

William Graham South Wales East

Pauline Jarman South Wales Central

Peter Law Blaenau Gwent (not item 8)

Dai Lloyd South Wales West

Tom Middlehurst Alyn and Deeside

Janet Ryder North Wales

In attendance:

Cllr Russell Goodway Welsh Local Government Association (item 4)

Ian Miller	Welsh Local Government Association (item 4)
Jeremy Miles	Trowers and Hamlins (item 7)
Gareth Williams	Policy Officer Wales, House Builders Federation (item 8)
David Baker	Technical Director, House Builders Federation (item 8)
Glyn Mabey	House Builders Federation (item 8)
Adam Peat	Director, Local Government and Housing Group (items 3 to 6)
Kate Cassidy	Local Government Modernisation Division (item 5)
Mary Fraser	Local Government Modernisation Division (item 5)
John Bader	Director of Housing (items 6 to 8)
Alan Morgan	Housing Directorate (item 6)
Judy Wayne	Expert adviser (item 7)
Helen Lentle	Office of the Counsel General
<i>Secretariat:</i>	
Martin Stevenson	Committee Clerk
Liz Wilkinson	Deputy Committee Clerk

Item 1: Apologies and substitutions

1.1 Pauline Jarman was substituting for Janet Davies, who sent her apologies for absence.

Item 2: Declaration of interests

2.1 The following declarations were made:

- Peter Black said that he was a Member of Swansea City and County Council;
- William Graham said that he was a Member of Newport County Borough Council;
- Pauline Jarman said that she was a Member of the Welsh Local Government Association's Co-ordinating Committee and a Member of Rhondda Cynon Taff County Borough Council;

- Dai Lloyd said that he was a Member of Swansea City and County Council;
- Janet Ryder said that she was a Member of Ruthin Town Council.

Item 3: Minister's report

3.1 The Minister reported that she had agreed a virement of £24,000 from the budget for local government best value research to the Local Government Boundary Commission. The funds would enable the Commission to complete the boundary review between Wrexham and Denbighshire in the area of Llangollen.

3.2 The Minister also reported that she had sanctioned the transfer of the Crime Prevention Budget Expenditure Line (BEL) from the Social Disadvantage Sub-Expenditure Group (SEG) of the Health and Social Services Main Expenditure Group (MEG) to a new Crime Reduction (Social Disadvantage) SEG within the Housing MEG. This BEL covered provision of some £1.4 million in 2001-02 for CCTV on social housing estates. The transfer was necessary in view of the Minister's responsibility for crime reduction as well as recent organisational changes in the policy divisions.

3.3 The Minister informed the Committee that the National Assembly was to receive £112,000 in 2000-01 from the Home Office to form a Partnership Development Fund. This funding would be transferred to a BEL in the new Crime Reduction (Social Disadvantage) SEG. It would be used to support and develop the local crime and disorder reduction partnerships. The National Assembly would receive some £1.5 million in 2001-02 to continue this work.

3.4 The Minister undertook to provide a progress report on crime reduction initiatives, including the funding under the Partnership Development Fund. It was also suggested that the police should be invited to a future Committee meeting.

3.5 Finally, the Minister informed the Committee that she had agreed to fund a Custodial Bond Scheme, which would be developed on a pilot basis by the Cardiff Bond Board. The Scheme was intended to facilitate access to private rented accommodation, with the Board holding the deposit on behalf of the landlord and tenant. At the end of the tenancy, the Board would return the deposit according to the terms of the tenancy. The Board would also act as an adjudicator in the event of a dispute. The Minister undertook to provide a note on the Scheme, as well as a paper in due course reviewing the Scheme's first year of operation.

Item 4: Local government finance system: Presentation by the Welsh Local Government Association: LGH-04-01 (p.1)

4.1 Introducing the presentation, Cllr Russell Goodway said that the Welsh Local Government Association welcomed many of the proposals in the consultation document *Simplifying the System: Local Government Finance in Wales*. This included the removal of central controls over borrowing and their replacement by locally controlled prudential borrowing, the power for councils to vary the business rate locally and the retention of standard spending assessments as the cornerstone of distributing revenue support grant.

4.2 The Association was however concerned that the consultation document had not addressed what it regarded as the fundamental problem in the local government finance system, that is the low proportion of income that councils could raise locally. Cllr Goodway outlined the policy options which the Association had put forward for consideration by the National Assembly:

- Councils should have full control over business rates. The Association felt that this was the simplest and most direct approach. It recognised that effective partnership working would be necessary in order to overcome the concerns of the business sector.
- Consideration should be given to the introduction of additional forms of local taxation. The Association had no firm proposals here but was keen to enter a dialogue with the National Assembly. One possible suggestion was that councils should have a discretionary power to levy a 'hotel tax' on visitors. It was noted that local authorities had recently been given discretionary powers relating to road user charging and workplace parking charges.
- There should be a fundamental review of the fees and charges set or controlled by the National Assembly.
- There should be a revaluation for council tax, with particular consideration being given to the valuation bands and the value of the council tax discount. Cllr Goodway said that the Association welcomed the Committee's support for a revaluation and were looking to the Minister to make an announcement on the timing.

4.3 Cllr Goodway said that the Association also welcomed the Committee's support for an approach based on outputs and policy agreements for education, rather than the hypothecation of funding. The decision to end hypothecation within the general revenue settlement was very welcome. Cllr Goodway reiterated the Association's view that the National Assembly's reserve powers to control councils' spending should be removed altogether. Finally, he suggested that identification of the way forward on the local government finance system should be a matter for the National Assembly as a whole, rather than for the Cabinet alone as the paper considered on 28 February had implied.

4.4 The following points were raised in discussion:

- The Committee welcomed the Welsh Local Government Association's response to the consultation paper and acknowledged the positive way in which the Association was engaging with the National Assembly on local government finance matters.
- The Committee noted that many of the proposals in the consultation paper would require primary legislation. It agreed that the objective should be to ensure that the legislation was framed in a way which gave maximum flexibility to the National Assembly to develop distinctive Welsh policies.
- The Committee noted that the Welsh Local Government Association remained concerned about the impact of the level of specific grants within local government funding. Cllr Goodway said that there was some evidence that the National Assembly's approach on specific grants was making it difficult for local authorities to recruit and retain staff, with a knock-on effect on the quality of the services provided. The Minister stated that there was a continuing move to incorporate specific grants into the general local government settlement. She emphasised that specific grants accounted for less than 3 per cent of the funding made available to local

authorities, which was significantly lower than the position in England.

- The Minister said that she was keen to discuss with the Welsh Local Government Association the feasibility of an early revaluation for council tax. She would also consider the case for a review of the fees and charges set or controlled by the National Assembly.
- There was some discussion about council tax discounts. Although information on discounts was included with council tax bills, it was felt that there was a need to consider the publicity arrangements. Cllr Goodway said that the Association would give further consideration to this issue with the National Assembly, including the case for an all-Wales initiative.
- On business rates, the Welsh Local Government Association felt that the proposals for a supplementary business rate could be made to work. However, the Association considered that the proposals were too modest, and that a more realistic approach would be to return full control of business rates to local authorities. One Member flagged up the concern which exists in the business community about this approach. The Committee agreed that strong partnership arrangements would need to be put in place to protect the interests of local businesses. It noted that the Cabinet's proposal was that the National Assembly should have a power to specify what consultation arrangements should be put in place.
- It was noted that one of the issues raised in the consultation paper was whether county and county borough councils should be required to declare 'special expenses' where a community council provides a service in its area which is provided elsewhere by the county or county borough council. The Association supported the retention of the existing discretionary power. Ian Miller said that he would write to the Chair with examples of where this power had been used.
- It was suggested that the Committee should undertake a policy review of the local government finance system. Most Members felt that it was more appropriate for the Minister to bring forward proposals for the Committee to consider. The Chair said that she would consider with the Minister how local government finance issues featured in the Committee's forward work programme. The Minister said that there were no plans at present for a plenary debate on the local government finance system.

4.5 The Chair thanked Cllr Goodway and Ian Miller for presenting the Welsh Local Government Association's view on the local government finance system.

Item 5: Ethical framework for local government: LGH-04-01 (p.2)

5.1 The Minister said that the paper gave an overview of the measures being implemented under the Local Government Act 2000 to establish a new ethical framework for local government. The intention was to ensure a consistent approach to conduct in local government, supported by appropriate structures and enforcement mechanisms. A wide consultation exercise was currently under way, including a seminar in Swansea on 22 March. One further consultation document, on the functions of monitoring officers and standards committees, would be issued shortly.

5.2 With regard to the recommendations on whistleblowing in the Waterhouse report, the Minister reported that both the code of conduct for members and the code of conduct for employees contained specific provisions on reporting conduct which may be illegal or in conflict with the relevant code. The Minister also brought out the link between the ethical framework and the audit

functions of local authorities, particularly the provisions in the codes of conduct on the proper treatment of information and the proper stewardship of resources. Although it would not be for auditors to enforce the codes, the Minister felt that the existence of the new ethical framework would help to ensure that high standards of propriety and regularity in the use of public funds were maintained.

5.3 The following points were raised in discussion:

- The Committee welcomed the new ethical framework, including the enforcement mechanisms. Although it was unusual for councillors to fall below the high standards of conduct expected of them, the public perception did not always reflect this position. The new framework would help to restore public confidence in local authorities. Members felt that it was important for the ethical framework to be transparent and for the public to know how the system worked.
- The Committee was anxious to ensure that the code of conduct for members was as clear as possible about the circumstances in which members should make a declaration of interests. There was some concern that a conflict between a member's interest as a ward member and their responsibility to take decisions on behalf of the authority should count as a personal interest which required them to withdraw. It was felt that this could compromise the member's ability to represent his or her ward, particularly in relation to land use planning matters. Kate Cassidy said that further consideration was being given to this issue.
- Members were anxious to ensure that the public should have full confidence in the independence of standards committees. They supported the proposal that independent members should comprise at least half of the members of a standards committee, with the committee chaired by an independent member. One suggestion was that the chair of the standards committee should be a lay person.
- One Member suggested that the remit of standards committees should extend to cover conduct by officers as well as members, with the committees able to require former as well as existing officers to appear before them.
- The Committee felt that standards committees had an important role to play in providing induction training for newly elected members, particularly with regard to their relationship with officers and helping them to understand the extent of their functions.
- There was some concern about the practical aspects of standards committees granting dispensations to members to participate in council business. Although the standards committee was unlikely to meet in the short period between an agenda being published and a meeting held, there might nevertheless be scope for this aspect of standards committees' business to be conducted electronically or by correspondence.
- The Committee supported the principle of having an independent Commission for Local Administration in Wales to investigate allegations that members had failed to comply with the relevant authority's code of conduct. It was noted that the Commission would either refer cases to an Adjudication Panel or to the monitoring officer of the relevant local authority. Members felt that it was important for the Commission's investigations to be fair but they should avoid being burdensome in administrative terms.
- Some Members felt that there was a need for greater flexibility in the procedures for handling allegations about a member's conduct. One suggestion was that there should be some form

of *de minimis* rule to filter out minor or malicious cases which could easily be dealt with locally. The Minister said that in future these cases would be dealt with by the Commissioner for Local Administration in Wales.

- The Committee also supported the independent Adjudication Panel for Wales, which would establish case tribunals to adjudicate on certain investigations by the Commission for Local Administration in Wales and, if necessary, impose penalties. It was suggested that the Adjudication Panel should comprise largely of lay people.
- The Minister confirmed that the new ethical framework was consistent with the Human Rights Act 1998.

5.4 The Chair invited the Minister to take account of the Committee's views on the new ethical framework for local government. The Minister undertook to provide a note summarising the results of the consultation on the ethical framework.

Item 6: Social Housing - Consideration of rent levels: LGH-04-01 (p.3)

6.1 Introducing the paper, the Minister said that there was a key link between social housing rent levels and tackling social disadvantage. Significant emphasis had been given to restraining rent increases by registered social landlords, but there was a wider concern about the coherence of the broad pattern of rents across the social housing sector. In view of this, there were plans for a research project to examine actual social housing rent levels, with a view to producing guidance on local rent policies.

6.2 The following points were raised in discussion:

- The Committee endorsed the principle that tenants should pay comparable rents for comparable dwellings and services. It supported the planned research project to examine social housing rent levels. Members noted that the prime purpose of the project would be to gather information, in order to allow the National Assembly to assess the extent of the problem and to identify ways in which it could be addressed. It was noted that the project would cover local authorities and registered social landlords, but would not extend to the private rented sector. There was a suggestion that the Rent Officer Service should be involved in the project.
- It was noted that the disparity of rents for social housing had been much less of a problem in Wales than in England.
- The Minister said that actual rent increases in local authority housing were determined by individual authorities, although in practice the rents were heavily influenced by the Housing Revenue Account Subsidy guideline rents set by the National Assembly. The overall Housing Revenue Account Subsidy budget was based on a complex statistical model which had to be agreed by H M Treasury.
- The Committee noted that in recent years significant policy emphasis had been given to restraining rent increases in the registered social landlord sector. Members felt that the services provided by registered social landlords and the generally higher standard of housing were genuine reasons for higher rents within this sector of social housing.
- It was noted that rents for social housing were generally well below housing benefit

thresholds. The rents of family homes in the registered social landlord sector had been constrained in recent years in order to minimise the impact on a family seeking to come off benefit and return to work. The Minister said that she would make appropriate representations to the UK Government if the project highlighted particular difficulties relating to the welfare system.

6.3 The Chair invited the Minister to take account of the Committee's views on rent levels within the social housing sector. The Minister agreed to report to the Committee in due course on the results of the planned research project.

Item 7: Policy review of housing stock transfer: Presentation by Trowers and Hamlins

7.1 Jeremy Miles of Trowers and Hamlins gave a presentation to the Committee on organisational structures for stock transfer landlords. This covered the emerging 'community ownership' model, the legal framework established by the Housing Act 1996 and the Local Government and Housing Act 1989, Industrial and Provident Societies and limited companies, variations such as 'community mutuals', relevant factors with an impact on structures such as charitable status, group structures and the 'stock leasing' model. He emphasised the distinction between the ownership and the management and control of stock transfer organisations, explaining how the interests of the various stakeholders could be balanced.

7.2 The following points were raised in discussion:

- It was noted that the 'community mutual' model, which was currently being discussed with the Housing Corporation in England, was an Industrial and Provident Society which would be wholly owned by tenants. Although it was not set in stone, it was envisaged that the Board would be made up of tenants, local authority representatives and independents in equal proportions. One of the key concerns with this model was that local authorities would be transferring their housing stock to a body in which they did not have a share of the ownership. As owners, the tenants would have control of the organisation's constitution and would be able to change the composition of the Board. It would be necessary to put safeguards in place to protect the interests of the local authority and the wider community.
- Jeremy Miles explained that a community mutual would have corporate status with members owning a share of the body which owned the assets. This was one step removed from a co-operative where the members owned the assets directly.
- There was also discussion about the 'stock leasing' model, which was being considered as a result of interest in Private Finance Initiative schemes and securitisation. With stock leasing, the housing stock would be transferred to a new landlord under a long-term lease, with the freehold remaining with the local authority. This would allow the authority to retain an interest in the stock. However, because the grant of the lease would have the same legal status as a transfer of the freehold, the same regulatory requirements would apply. Providing the new landlord was structured on the same principles as a conventional stock transfer landlord, borrowing would not count against the Public Sector Borrowing Requirement.
- It was noted that under the stock leasing model, the lease would be subject to a break clause which would allow the stock to revert to local authority control. Jeremy Miles suggested that it

would be necessary to ensure that the break clause could not be exercised for perhaps 30 or 35 years, otherwise the new landlord might not be able to attract the necessary funding to modernise the stock. He also suggested that the existence of the break clause might make it more difficult when it came to securing refinancing during the course of the lease. The National Assembly might want to impose a requirement that such a reversion could take place only if a majority of tenants supported it.

- Jeremy Miles emphasised the need for local authorities to involve tenants at an early stage of the options appraisal process. However, he suggested that it was appropriate for the local authority to make an assessment of the various options and present their favoured option, developed in consultation with tenants, to a ballot. There were significant obstacles to balloting tenants on a number of alternatives.
- There was some discussion about the impact of a transfer of stock to an existing registered social landlord. Jeremy Miles said that he would expect the registered social landlord to establish a new subsidiary to manage the transferred stock, rather than engage in a wholesale restructuring (although it could take stock into its existing structures, depending on the financial profile). The approach of establishing a 'tailored' subsidiary gave a greater degree of flexibility in constitutional structure and also made it easier to develop tenant participation structures specific to the transferring stock.
- On the composition of Boards for stock transfer organisations, it was noted that the main constraint was the need to restrict the local authority representation to no more than 49 per cent. There was nothing in existing National Assembly guidance (or the legal framework generally) to rule out having a majority of tenants, although there was a need to consider the range of business skills available to the Board and to bring in independent members as necessary.

7.3 The Chair thanked Jeremy Miles for his contribution to the policy review.

Item 8: Presentation by the House Builders Federation

8.1 Introducing the presentation, Gareth Williams said that the House Builders Federation was the main trade organisation representing the house building industry in England and Wales. He outlined the contribution of the industry to the economic and social sustainability of Wales and emphasised how it would help to deliver the National Assembly's objective of ensuring that everyone had access to a decent home.

8.2 The Federation were fully involved in the 'Rethinking Construction' agenda, although it recognised that progress had been slower in Wales than in England. It was felt that a number of the proposals in *Better Homes for People in Wales* would help to address this. Although the number of demonstration projects in Wales was disappointing, many private house builders were taking forward initiatives which met the objectives of the Egan agenda. Gareth Williams outlined some schemes in Wales, including a Housing Forum demonstration project being developed by Lovell Partnerships in Bettws, a number of examples of innovative construction methods and the 'house for the future' which Redrow Homes had built at the Welsh Museum of Life at St Fagans.

8.3 With regard to customer satisfaction, Gareth Williams said that the first ever house building

customer satisfaction survey had been completed at the end of 2000. It had found that 89 per cent of respondents in Wales were satisfied with their new home. The main message from the survey was that although satisfaction was high there was still room for improvement, particularly in relation to defects. Gareth Williams also outlined the role which the house building industry could play in assisting economic, social and environmental sustainability. This included the supply of adequate and appropriate housing to support economic growth; working in partnership with funders and investors to assist in community regeneration; responding to changing land use patterns to utilise brownfield sites; and improved energy efficiency.

8.4 In conclusion, Gareth Williams said that the House Builders Federation welcomed the close working relationship which had developed with the National Assembly. He flagged up the Federation's concerns about land use planning system and the slow progress by local authorities in preparing Unitary Development Plans, as well as the increasing regulatory burden on house builders. The Federation was also keen to ensure that local authorities were realistic in their negotiations over affordable housing, and there was concern that local authorities should not simply equate demand for affordable housing with the provision of additional social rented housing.

8.5 The following points were raised in discussion:

- Members were keen for the private house building industry to adopt lifetime homes standards. Gareth Williams said that the Federation's views on Part M of the building regulations were mainly favourable, for example, on issues like the positioning of light switches. He felt that there was a need to strike a balance, as customers did not always want certain elements of the lifetime homes specification.
- The Committee noted the Federation's views on the slow progress made by local authorities in preparing Unitary Development Plans, which they felt led to uncertainty in the land use planning process. The Federation supported clear planning policy guidance and suggested that there should be scope for rapid reviews of the Plan.
- There was some discussion about the development of brownfield sites, where it was suggested that the planning gain should be set against the additional development costs. The development of such sites would be subject to a process of negotiation, particularly in relation to any additional demands on the local infrastructure. The House Builders Federation felt that brownfield sites should be considered on a site-by-site basis, as many of the remaining sites would be difficult to reclaim without gap funding.
- Members were keen for the Federation to continue to work to improve the quality of new homes, particularly in relation to defects.
- There was some discussion about energy efficiency and fire safety. The Committee noted that the proposed revisions to Part L of the building regulations would raise energy efficiency standards above current levels. On fire safety the Federation said that the fire authorities had given positive feedback on the standard of newly built houses.

8.6 The Chair thanked the House Builders Federation for their presentation. She said that the Committee would welcome a further presentation from them in due course.

Item 9: Minutes of the 28 February meeting: LGH-03-01 (min)

9.1 The minutes of the meeting held on 28 February were agreed.

Committee Secretariat March 2001

Annex

SUMMARY OF ACTION POINTS FROM THE 14 MARCH MEETING

1. The Minister undertook to provide a progress report on crime reduction initiatives, including the funding under the Partnership Development Fund (paragraph 3.4).
2. The Minister undertook to provide a note on the Custodial Bond Scheme being developed by the Cardiff Bond Board, as well as a paper in due course reviewing the Scheme's first year of operation (paragraph 3.5).
3. The Chair said that she would consider with the Minister how local government finance issues featured in the Committee's forward work programme (paragraph 4.4).
4. The Minister undertook to provide a note summarising the results of the consultation on the ethical framework for local government (paragraph 5.4).
5. The Minister agreed to report in due course on the results of the planned research project to examine social housing rent levels (paragraph 6.3).