

## Public Accounts Committee

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Meeting Venue:  
**Committee Room 3 – Senedd**

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Meeting date:  
**6 March 2012**

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Meeting time:  
**09:00**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



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### Agenda

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**Private briefing (9:10 – 9:20)**

**1. Introductions, apologies and substitutions (9.20 – 9.25)**

**2. Evidence on the Wales Audit Office report Progress in delivering the Welsh Housing Quality Standard (9.25 – 10.10)** (Pages 1 – 76)  
PAC(4) 04–12 – Paper 1 – Wales Audit Office report *Progress in delivering the Welsh Housing Quality Standard*

**TPAS Cymru**

John Drysdale, Director, TPAS Cymru

Amanda Oliver, Policy and Communications Manager, TPAS Cymru

**3. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**  
Items 4 and 5.

**4. Discussion on future Committee business and work programme for spring/summer 2012 (10.10 – 10.30)** (Pages 77 – 79)

**5. Consideration of draft report on A Picture of Public Services (10.30 – 11.00)** (Pages 80 – 106)

**6. Papers to note** (Pages 107 – 108)

PAC(4) 03-12 (Minutes)



WALES **AUDIT** OFFICE  
SWYDDFA **ARCHWILIO** CYMRU

Agenda Item 2  
13 January 2012  
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# Progress in delivering the Welsh Housing Quality Standard



# Progress in delivering the Welsh Housing Quality Standard

I have prepared this report for presentation to the National Assembly under the Government of Wales Act 2006.

The Wales Audit Office study team that assisted me in preparing this report comprised Gwilym Bury, Claire Flood-page, Margaret Griffiths, Justine Morgan, Matthew Mortlock and Nick Selwyn under the direction of Paul Dimblebee.

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**Report presented by the Auditor General for Wales to the  
National Assembly for Wales on 13 January 2012**



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# Summary

1 In July 2001, the National Assembly endorsed the first national housing strategy for Wales – *Better Homes for People in Wales*<sup>1</sup>. The strategy set out the Welsh Government's vision that all people in Wales should be able to live in good quality homes. To help deliver this vision, the Welsh Government introduced the Welsh Housing Quality Standard (the WHQS) in 2002 (Box 1).

2 As at 31 March 2010, social-housing landlords<sup>2</sup> provided around 221,000 homes, representing 16 per cent of households in Wales. The number of homes owned by individual landlords ranges from less than 100 to almost 14,000. The Welsh Government set a target that all social housing should meet the WHQS by the end of 2012. The Welsh Government is now interpreting that original deadline as 31 March 2013, because landlords tend to plan and deliver programmes of improvement work on a financial-year basis.

## Box 1 - The Welsh Housing Quality Standard (WHQS)

The WHQS is a minimum standard for homes. The core elements are that homes:

- are in a good state of repair;
- are safe and secure;
- are adequately heated, fuel efficient and well insulated;
- contain up-to-date kitchens and bathrooms;
- are well managed (for rented housing);
- are located in attractive and safe environments; and
- as far as possible suit the specific requirements of the household, for example, catering for specific disabilities.

Elsewhere in the UK, the Decent Homes Standard was introduced in England in 2000 and subsequently adopted in Northern Ireland, while the Scottish Government announced a Scottish Housing Quality Standard in 2004. The minimum requirements in Wales are more challenging than in other parts of the United Kingdom (Appendix 2).

3 In 1998 there was, as reported in the *Better Homes strategy*, an estimated £750 million backlog of repairs to improve local-authority-owned homes to a 'decent standard'. However, the WHQS was more demanding than the stated decent standard. For example, it also looked to create an attractive and secure environment and, as far as possible, to meet the needs of the individual.

4 From the outset, the Welsh Government identified the wider benefits that should flow from the investment required to achieve the WHQS. These included job creation and area regeneration, as well as improved health, well-being, safety and security. It also saw enhanced tenant consultation and participation in housing management as important outcomes.

1 *Better homes for people in Wales: a national housing strategy for Wales*, Welsh Government, July 2001.

2 Social-housing landlords include: local authorities; housing associations created since 2003 through large-scale voluntary transfer of housing stock from local authorities (referred to in this report as LSVT associations); and other housing associations.



5 Driven by concerns about their ability to meet the WHQS, and following a tenant ballot, 11 local authorities have transferred all of their housing stock to newly formed housing associations. Six of the 11 authorities that currently retain housing stock have decided not to pursue a ballot on stock transfer. Ballots in three other authorities have failed to win support for stock transfer, while two other authorities anticipate balloting their tenants before the end of 2011-12. Six Large Scale Voluntary Transfer (LSVT) associations and two local authorities have formally agreed with the Welsh Government extensions to the target date.

6 To achieve its targets for the WHQS, the Welsh Government has an important role to play in terms of monitoring progress and providing effective leadership and support (financial or otherwise) to landlords. It is also the regulator for housing associations. However, the responsibility for delivering improvements in the quality of social housing rests with individual landlords.

7 In this report, we examine whether landlords have made good progress to improve the quality of social housing in line with the WHQS. We consider current evidence on the level of compliance with the WHQS, prospects for the future, and the arrangements that the Welsh Government and landlords have put in place to support and monitor progress. Where appropriate we contrast the situation in Wales with that in other parts of the United Kingdom<sup>3</sup>.

8 We have not examined individual landlords' delivery arrangements in detail. However, we have drawn on a range of information supplied to us by landlords and evidence from other

recent audit work across local government. We have also drawn on evidence from our role in the inspection of housing associations between 2005 and 2008<sup>4</sup>. Fuller details about our approach are set out in [Appendix 1](#).

9 We have concluded that many tenants have seen substantial improvements in the quality of their housing although the original aim that all social housing would achieve the WHQS by 2012 will not be met. The Welsh Government has not acted swiftly enough to support and monitor progress and has not put an effective framework in place to demonstrate value for money from the significant investment in work to achieve the WHQS.

**Many tenants have seen substantial improvements in the quality of their housing, although the original aim that all social housing would achieve the WHQS by 2012 will not be met for some considerable time**

10 **Data collected by the Welsh Government indicates that 26 per cent of social housing met the WHQS in full by March 2010, although there are concerns about the quality of some of the data supplied by landlords.** These figures stem from a monitoring exercise launched by the Welsh Government in July 2010 and reported in March 2011<sup>5</sup>.

11 The percentage of homes assessed as meeting the WHQS in full varied considerably between and among different types of landlord. In part, these differences reflect variations in the age and historic condition of their housing stock. Overall, 35 per cent of housing-association-owned homes were reported to have met the WHQS by 31 March

<sup>3</sup> This report does not consider the quality of private-rented and owner-occupied housing. While, at the outset, the Welsh Government indicated that the WHQS had been introduced as a target standard for the physical condition of all housing in Wales, its 2010 housing strategy (*Improving Lives and Communities Homes in Wales*, Welsh Government, April 2010) now states that the WHQS does not apply to the private sector, although the need for improvement is similar (Appendix 2).

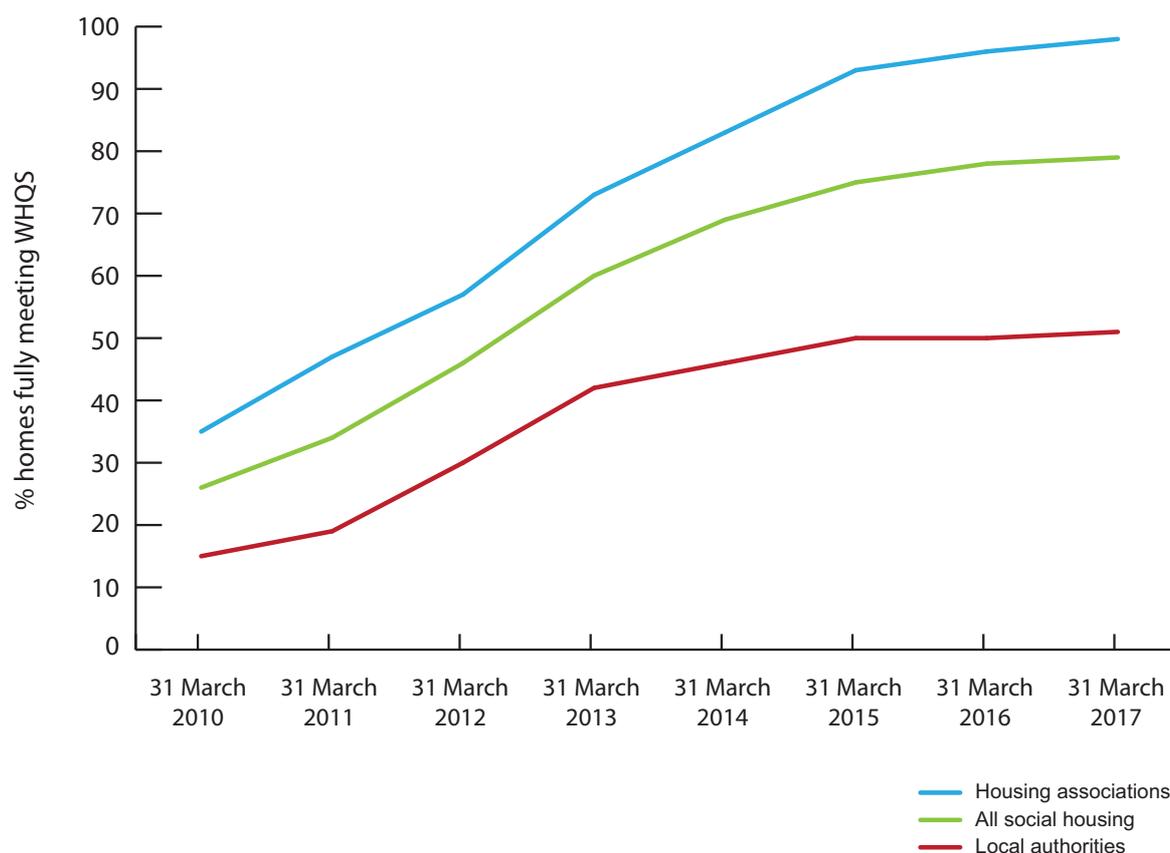
<sup>4</sup> *Lessons from inspection – housing association inspection 2005 – 2008*, Wales Audit Office March 2009.

<sup>5</sup> *Social landlords performance in achieving the Welsh Housing Quality Standard*, Welsh Government, March 2011.

2010 compared with only 15 per cent of homes owned by local authorities (Figure 1)<sup>6</sup>. In those six local authorities where, by 31 March 2010, tenants had voted against stock transfer, were yet to vote, or where transfer was yet to take place, no more than one per cent of homes met the WHQS. This compared with an average rate of 34 per cent for the other six local authorities that still had a landlord function. For LSVT associations, the average rate of compliance with the WHQS was 20 per cent, compared with 49 per cent for other housing associations.

12 Measuring the rate of whole-house compliance with the WHQS does not necessarily reflect the volume, or significance in cost terms, of improvement work completed or still required. Landlords reported to the Welsh Government that many more homes met some elements of the WHQS, with the greatest shortfall overall being in standards of bathrooms and kitchens. Most landlords' improvement programmes have tended to concentrate on an 'elemental' rather than 'whole-house' approach. Depending on the circumstances, there are possible advantages

**Figure 1 - The proportion of homes meeting the WHQS in full in 2010, and projected through to 2017**



**Note**  
Some landlords have reported recently to the Welsh Government that they now expect to achieve full compliance with the WHQS sooner than previously stated. The reasons for these changing projections have included recent investment decisions, improved stock-condition data and reconsideration of the criteria for acceptable fails.

*Source: Wales Audit Office analysis of data supplied by the Welsh Government based on landlords' monitoring returns.*

<sup>6</sup> In its monitoring report, the Welsh Government reported a figure of 16 per cent for local authorities at 31 March 2010. However, we have reported a revised figure of 15 per cent to take account of a correction made to the base data for the Isle of Anglesey County Council (Appendix 5).



and disadvantages to either approach in terms of economies of scale and disruption to tenants.

- 13** The total number of homes assessed as meeting the WHQS included properties where one or more element has been deemed an 'acceptable fail'. The Welsh Government introduced this concept in revised guidance in 2008 and the circumstances for an acceptable fail relate to physical constraints, issues of timing or cost effectiveness and tenant choice<sup>7</sup>. While the Welsh Government's 2008 guidance made clear that landlords should record all such cases, few landlords were able to provide the Welsh Government with a detailed breakdown of acceptable-fail data. Consequently, the Welsh Government's monitoring report does not provide any indication of the extent of acceptable fails. However, it subsequently told us that landlords had reported at least 11,000 acceptable fails, most commonly due to physical constraints or tenant choice.
- 14** The 2010 data collection exercise was the first of its kind. We have some concerns about the quality of some of the underpinning data, which have been reinforced by issues raised by some landlords when we shared the information with them in autumn 2011. In particular:
- a** There are clear differences in the quality of the stock condition data held by landlords and some landlords found it easier than others to provide the required information. We found evidence of landlords taking action to improve their stock-condition data and property-database systems.
  - b** Some elements of the WHQS, including the provisions for acceptable fails, are open to subjective interpretation. The
- feedback we received from landlords, in their responses to our survey and during our visits, did not assure us that there is a clear and consistent understanding of how acceptable fails should be interpreted and recorded.
- c** There has been no independent, on-site validation of the self-assessed returns.
- 15** **There is no definitive baseline against which to assess progress since 2002, but the available evidence indicates that many tenants have seen substantial improvements in the quality of their accommodation.** Evidence from the 2004 and 2008 Living in Wales surveys suggested that no progress had occurred in the early years of the programme in terms of whole-house compliance with the WHQS. The small sample size for the Living in Wales surveys and possible differences in interpretation mean that it is difficult to draw firm conclusions about the rate of progress since 2008, by comparison with the figures collected from landlords by the Welsh Government in 2010. Nevertheless, it is clear that many tenants have seen substantial improvements in the quality of their accommodation, based on: comparison with landlords' own estimates of previous compliance with the WHQS; evidence of programmes of improvement work being delivered; and positive feedback that we received during meetings with tenant representatives.
- 16** **Landlords' projections showed that 60 per cent of homes were expected to meet the WHQS in full by March 2013 and 79 per cent by March 2017, with the main shortfall in local authorities where tenants had rejected stock transfer or were yet to vote.** Again, a larger proportion of homes owned by housing associations (98 per cent by March

<sup>7</sup> *The Welsh Housing Quality Standard: revised guidance for landlords on interpretation and achievement of the Welsh Housing Quality Standard*, Welsh Government, July 2008.

2017) were projected to meet the WHQS than those owned by local authorities (51 per cent). Almost all (95 per cent) of the 46,000 homes that were not expected to meet the WHQS in full by 31 March 2017 were owned by the five local authorities where tenants had rejected stock transfer or were yet to vote.

- a In Flintshire and Caerphilly, the rate of progress towards achieving the WHQS depends on the outcome of stock-transfer ballots planned for before the end of 2011-12. However, Caerphilly County Borough Council has also reported recently that, after remodelling its financial planning assumptions, it could now achieve full WHQS compliance during 2019-20 in the event that tenants vote against stock transfer. If its tenants vote against stock transfer, Flintshire County Council will be targeting available resources on improvements to central heating, kitchens and bathrooms.
- b Vale of Glamorgan Council tenants voted to reject stock transfer in April 2011. However, the Council has recently adopted a business plan that would now enable its housing stock to meet the WHQS in full by March 2017.
- c Wrexham County Borough Council and the City and County of Swansea Council, where tenants voted against stock transfer in 2004 and 2007 respectively, could re-ballot if there is a change of circumstances. However, other than re-balloting, it is not clear how the WHQS would be met in full in these areas within any reasonable timescale in the context of the current policy and financial framework.

**There have been weaknesses in the Welsh Government's leadership and monitoring and, despite substantial investment, progress towards the WHQS has been affected by the slower than expected development of landlords' work plans and timescales for local-authority stock transfer**

- 17 **There is broad agreement with the aims of the WHQS, but aspects of what it means in practice have been unclear and there is some uncertainty about future development of the Standard.** The technical requirements for the WHQS were based on Development Quality Requirements (for existing and rehabilitated dwellings) that housing associations had been expected to meet by 2007. Therefore, introducing the WHQS effectively created a common standard for social housing by extending these requirements to local-authority-owned homes and extended the deadline for housing associations to 2012. Some landlords have adopted enhancements to the WHQS minimum requirements.
- 18 The Welsh Government issued guidance for local authorities in April 2002, and for housing associations in November 2003. The guidance required landlords to finalise their plans to achieve the WHQS by the end of 2006. In 2004, landlords raised concerns about interpretation of the WHQS, but it was not until 2008 that the Welsh Government produced revised guidance in collaboration with HouseMark Cymru. The Tenants Participation Advisory Service Cymru and Groundwork Wales also issued specific guidance on the requirements regarding attractive and safe environments in 2008. While generally well received, the Welsh Government's 2008 guidance was issued four years after the point at which concerns about interpretation were first raised, and two years after landlords had originally been expected to finalise their plans to achieve the WHQS.



- 19 The Welsh Government's 2010 strategy, *Improving Lives and Communities*, indicated that the WHQS would be reviewed, specifically in terms of its contribution to wider action on fuel poverty, health and climate change. While there is some support for a strengthened focus on energy efficiency, some landlords are concerned about the cost implications of introducing more demanding requirements and the potential impact on their existing planning assumptions and commitments to tenants.
- 20 **Although there has been substantial investment in work to achieve the WHQS, it is difficult to identify total expenditure and opportunities to deliver improvement work in a more efficient way may have been missed.** The Welsh Government has not monitored how much has been invested in improving homes to help meet the WHQS. The Welsh Government's 2010 strategy *Improving Lives and Communities* quotes an estimate of £1.6 billion, but the exact basis of that figure is unclear and it does not include any allowance for expenditure by housing associations other than LSVT associations. Nor is it possible to confirm how much of this money would have been invested by landlords through routine maintenance and repair work if the WHQS had not been introduced.
- 21 Landlords' business plans, which are submitted to the Welsh Government each year, indicate that they intend to spend around £2.5 billion between April 2011 and March 2017 on major repairs and planned maintenance. Expenditure is forecast to peak at £483 million a year in 2012-13 and, over the whole whole period, averages nearly £12,000 per property. In addition, Flintshire County Council anticipates expenditure of £166 million between April 2013 and March 2018 if stock transfer goes ahead following a ballot in 2012. The projected expenditure for LSVT associations is supported by an expected Welsh Government commitment of £286 million over the same period as part of the dowry commitment it makes in order to support stock transfer. The Welsh Government does not provide any specific funding for other housing associations although, along with other landlords, they are able to access other sources of grant funding. Local-authority expenditure over the period is supported by an expected Welsh Government commitment of £331 million in the form of the Major Repairs Allowance.
- 22 Landlords have identified some uncertainties about their future investment plans. These uncertainties relate to assumptions about: income – including potential changes in rent policy, housing-benefit arrangements and, for local-authority landlords, the Housing Revenue Account Subsidy system; required expenditure – for example, if assumptions about stock condition or market prices are not accurate; and both their own and contractors' capacity to deliver the planned improvement programmes.
- 23 Landlords have adopted different approaches when contracting the work necessary to achieve the WHQS and collaboration to achieve efficiencies and economies of scale has been limited. Participation in contracts established by housing-association consortia has been mixed, due, in part, to concerns about value for money. The Welsh Government has emphasised that the consortia were established primarily to support associations' new-build programmes. The independent review of the effectiveness of the consortia arrangements and their overall value for money proposed by the Ministerial Task and Finish Group on affordable housing in 2008 has not been taken forward<sup>8</sup>. However,

<sup>8</sup> *Affordable housing task and finish group – report to the Deputy Minister for Housing*, Welsh Government, June 2008.

in August 2010, the then Deputy Minister for Housing and Regeneration decided to incorporate issues relating to the future role of the consortia as part of a more broadly scoped review of housing and regeneration sustainable community investment. That review<sup>9</sup> reinforced concerns raised by previous reviews and acknowledged that the Welsh Government had not delivered clear leadership to the consortia in recent years.

- 24** The different timescales that have emerged for improvement programmes for local authorities and the larger housing associations have also restricted opportunities for direct collaboration in their contracting arrangements. These timescales have been affected by the progress of stock transfer and, to an extent, the emphasis on local tenant consultation, which has also resulted in differences in the way landlords have planned and prioritised their improvement programmes. Options for more substantial collaboration have been explored but these larger landlords have still tended to contract for work on an individual basis, albeit often by setting up their own framework/partnering agreements, moving away from a traditional competitive-tendering-based approach on a project-by-project basis.
- 25** **The slower than expected pace of stock transfer in some local authorities has hampered progress towards achieving the WHQS and, to date, stock transfer has required financial support amounting to around £500 million.** Unlike the Department for Communities and Local Government in England, the Welsh Government did not offer additional financial support for the options of creating an Arms Length Management Organisation (ALMO) or use of the Private Finance Initiative. This left local authorities with little option but to look towards stock transfer if they considered that they could not afford to meet and maintain the WHQS.
- 26** The first large-scale transfer, from Bridgend County Borough Council to Valleys to Coast Housing Association, took place in September 2003. But, in November 2006, a Welsh Government review of the *Better Homes* strategy raised concerns about other authorities that were not pursuing stock transfer, despite identifying that they could not finance achievement of the WHQS. Some of this delay stemmed from landlords hoping that other options, such as the creation of ALMOs, might have become viable in the event of a change in Welsh Government policy. There was also strong local opposition in some areas to the principle of stock transfer.
- 27** Local authorities that had not actively pursued stock transfer, despite being unable to finance achievement of the WHQS, were unlikely to have been able to complete the transfer process and deliver the necessary improvement work by the end of 2012. Four stock transfers took place in 2007 and 2008 and each of the new LSVT associations now project that they will be able to meet the WHQS by 31 March 2013. The six LSVT associations created by stock transfers since the start of 2009 have agreed extended deadlines with the Welsh Government ([Appendix 5](#)).
- 28** To date, stock transfer has required financial support amounting to at least £476 million. This includes:
- a** The cost to HM Treasury where, because of the condition of their housing stock, the local-authority landlord may receive a lower payment for their stock from the new landlord than their related housing debt. Paying off this debt, including the cost of any early loan repayment charges, has, for the 11 large-scale stock transfers to date, cost HM Treasury £430 million.

<sup>9</sup> Report of the Ministerial Task and Finish Group on housing and regeneration sustainable community investment, Welsh Government, March 2011 (unpublished).



- b** The cost of preparing for and administering tenant ballots and, where applicable, subsequent stock transfer, including legal and consultancy costs. These costs have, to date, amounted to at least £46 million and do not represent the full costs involved in facilitating stock transfer and developing the new LSVT associations.
- 29** **The Welsh Government has not acted swiftly or effectively enough to monitor progress and ensure that work to achieve the WHQS was being prioritised by landlords.** While the Welsh Government set out expected planning milestones for landlords, it is unclear whether the original 2012 deadline was ever realistic. Overall, the aim of achieving the WHQS within 10 years was more ambitious than the comparable aims for social housing in England and Scotland. In addition, the Welsh Government did not have robust information to be able to quantify the extent or costs of the improvements in housing quality that were needed to meet the WHQS when it set the 2012 deadline.
- 30** The Welsh Government did not set interim targets for progress towards compliance with the WHQS and, until 2010, had not sought to measure landlords' progress on a consistent basis. Welsh Government officials believed that setting interim targets could have encouraged landlords to prioritise improvements in those homes that only needed a small amount of work to achieve the WHQS, and avoid tackling their worst properties. Nevertheless, if defined appropriately, such targets could have provided benchmarks against which the Welsh Government could have monitored on a regular and consistent basis the progress being made by landlords. They may also have encouraged swifter improvements in the quality of stock-condition data to support landlords' planning arrangements.
- 31** The Welsh Government has, reasonably, focused on the particular challenges facing local authorities and LSVT associations, but it has not been effective in ensuring that work to achieve the WHQS was being prioritised by all landlords. The Welsh Government has agreed extensions to the 2012 deadline for two local authorities (Carmarthenshire and Powys) and for the six LSVT associations created since the start of 2009. There is no similar agreement in place for other landlords that do not expect to achieve full compliance by the original deadline.
- 32** It is not clear what sanctions the Welsh Government could or would impose on landlords that do not achieve the WHQS by the target date and where extensions have not been agreed. However, the Welsh Government did introduce new criteria for the Major Repairs Allowance in 2008, which stated that local authorities had to have a viable business plan to meet and maintain the WHQS, or to be otherwise committed to working with the Welsh Government to ensure the best use of available resources. The Welsh Government has not imposed this sanction, but it believes that the new criteria have sharpened the focus of some local authorities in terms of looking afresh at options for achieving the WHQS. Withholding the Major Repairs Allowance would have made it even more difficult for local authorities to deliver WHQS-related improvement work.
- 33** For non-LSVT housing associations, the Welsh Government did not see achieving the WHQS as requiring anything substantially different from the existing Development Quality Requirements (for existing and rehabilitated dwellings). Nevertheless, the gap in regulatory activity in the wake of the 2008 Independent Review of Affordable Housing in Wales and staff turnover have also contributed to a lack of continuity in the

Welsh Government's relationships with, and scrutiny of, housing associations. There is, for example, no clear evidence of the Welsh Government taking action to address concerns raised by our previous housing-association inspection work about the progress some associations were making towards achieving the WHQS. It is also clear that some housing associations have prioritised their attention and investment on new-build programmes rather than work to achieve the WHQS in existing homes, in the context of other Welsh Government targets for the supply of affordable housing.

- 34** **While there is positive evidence of wider social, economic and environmental benefits from work to achieve the WHQS, activity could be better co-ordinated and there is no clear framework for measuring success.** The Welsh Government has increasingly promoted these wider benefits, particularly through its development and funding for the 'i2i – inform to involve' project (i2i) to support landlords, tenants and councillors in the process of achieving the WHQS, including stock transfer. The work of i2i has included developing the policy of encouraging targeted recruitment and training through the inclusion of 'social clauses' as core requirements of procurement contracts to promote the recruitment and training of workers from a targeted area and/or the long-term unemployed. The Welsh Government also funded research to raise awareness of the need to minimise the potential environmental impact of work to achieve the WHQS in terms of waste.

- 35** The recent Ministerial Task and Finish Group on housing and regeneration sustainable community investment was tasked with examining how the social, economic and environmental impacts of public investments in housing and regeneration, including work to achieve the WHQS, could be maximised. The group's conclusions emphasise that there is no shortage of advice for landlords. However, their report acknowledges that, despite some examples of excellent practice, take-up of this advice is patchy.
- 36** Broadly, the Task and Finish Group's findings reflect our own analysis based on the information we have received from landlords and other stakeholders. Local-authority and LSVT-association landlords were generally more likely than other housing associations to claim a strong focus on the wider benefits of achieving the WHQS. This is unsurprising given the wider regeneration responsibilities of local authorities and the larger-scale and geographic concentration of local-authorities' and LSVT-associations' housing stock.
- 37** Local authorities have a continuing strategic housing function to perform in terms of helping to co-ordinate and secure maximum benefit from housing-related investment even if they no longer own and manage any housing stock. The importance of these strategic functions is emphasised in the Welsh Government's stock-transfer guidelines. However, concerns have been expressed about the low priority given to these strategic housing functions, exacerbated in some cases by the loss of staff to new LSVT associations after stock transfers. Some authorities have plans to introduce new arrangements or to use existing arrangements to begin to monitor, and discuss more closely with housing associations in their area, progress in relation to the WHQS. Where there have been stock transfers, relationships



between the local authority and the new LSVT association are clearer cut, although in some cases reporting arrangements are still to be fully established.

- 38** Prior to its monitoring exercise in 2010, the Welsh Government had not set out any specific expectations for landlords in terms of monitoring and evaluating the wider benefits of work to achieve the WHQS. Landlords reported limited evidence of the effects of their work programmes, although some indicated plans for future evaluation work. The lack of hard evidence of these wider benefits provided by landlords reflects the position identified previously from our involvement in housing-association inspection work between 2005 and 2008. However, it is clear that the lack of hard data does not reflect the effort and focus that landlords have given to achieving these benefits, whether from WHQS-related work or in their other activities. Although not easy to quantify, the process of planning for and delivering the work to achieve the WHQS has also increased tenant involvement in housing-management issues, something that is now at the core of the new regulatory framework for housing associations.

## Recommendations

### General lessons for policy development, monitoring and evaluation

- 1** There are lessons from the development and delivery of the WHQS that can be applied to help improve the quality of future policy-making and the effectiveness of its delivery. **The key lessons for the Welsh Government relate to:**
  - a** **having a clear idea of the baseline position and likely cost implications of its policy aims before establishing realistic targets for their achievement;**
  - b** **where it is dependent on third-party organisations to achieve its policy objectives, ensuring that:**
    - **those organisations are not constrained in terms of their capacity (including financial capacity) to deliver;**
    - **those organisations have a clear and consistent understanding of the requirements upon them, and that any necessary guidance is provided on a timely basis; and**
    - **there is an effective performance management framework in place, including appropriate incentives and sanctions to encourage delivery;**
  - c** **giving clear consideration to the merits of establishing interim targets; and**
  - d** **putting in place robust arrangements to monitor progress, demonstrate overall value for money and share good practice.**

## Monitoring and reporting compliance with the WHQS

- 2 The Welsh Government first sought to monitor landlords' compliance with the WHQS in 2010, and published the results in March 2011. However, we have identified a number of concerns about the quality and consistency of the data supplied by landlords. The Welsh Government has reconvened a monitoring group to discuss future data collection arrangements. **We recommend that the Welsh Government should:**
  - a introduce annual monitoring of landlords' compliance with the WHQS from 31 March 2012 onwards;
  - b assess the consistency of landlords' interpretation of the acceptable fail criteria and the circumstances in which the criteria are being applied;
  - c request that landlords describe the evidence base that supports any data they supply;
  - d ensure that all landlords have in place or are committed to developing systems capable of reporting the necessary data, including a clear record of the circumstances of 'acceptable fails';
  - e redesign its monitoring return in order to measure the proportion of homes where whole-house or elemental compliance with the WHQS is due, at least in part, to acceptable fails;
  - f publish fuller details of individual landlords' reported compliance with the different elements of the WHQS, in order to make clear the volume and significance of the work completed, and that still required to achieve full compliance; and
  - g validate landlords' returns by, for example:
    - commissioning independent spot-checks on a sample of properties that are deemed to be fully compliant with the WHQS in order to check the consistency of landlords' interpretation of the WHQS requirements; or
    - commissioning a stock-condition survey, such as the 2008 Living in Wales survey, to provide a comparison with landlords' returns.
- 3 In September 2011, the Welsh Government requested an update from all landlords to establish their latest projected timescale for achieving full WHQS compliance. **We recommend that:**
  - a landlords expectations should be regularly re-assessed as part of recommended annual monitoring returns with the focus, once compliance with the WHQS has been achieved, switching to the action necessary to maintain compliance;
  - b progress against previous commitments related to achieving the WHQS should also be reported, in much the same way as LSVT associations are required to demonstrate progress against the commitments made to tenants as part of stock transfer;
  - c the Welsh Government should consider with landlords the benefits and practicalities of bringing together into one consolidated annual return some or all of the current requests for information relating to landlords' business plans, WHQS compliance, other statistical returns and, in the



case of housing associations, the more general self-assessments that are required as part of the new regulatory framework; and

- d the Welsh Government should encourage all landlords to report to individual tenants whether their home is deemed to comply with the WHQS and, if not, to indicate a timetable for improvement.

#### Promoting and evaluating the achievement of wider benefits from WHQS-related work

- 4 The Ministerial Task and Finish Group's March 2011 report on housing and regeneration sustainable community investment made a number of recommendations that, if implemented effectively, should both improve procurement processes and promote a greater emphasis on maximising and monitoring the wider benefits that could flow from WHQS expenditure. **Given that landlords anticipate spending some £2.5 billion to meet and maintain the WHQS between April 2011 and March 2017, the Welsh Government should:**
  - a respond promptly to the recommendations of the Task and Finish Group's report and publish a clear action plan to better co-ordinate work to maximise the wider benefits of WHQS-related expenditure;
  - b develop a clear framework for assessing value for money (including the wider benefits achieved) from landlords' expenditure on the WHQS that clarifies its expectations of all landlords with respect to data collection; and

- c work with the Welsh Local Government Association to review the way in which local authorities are fulfilling their strategic housing functions and to share good practice, including about the way in which authorities are working with social-housing landlords to maximise the benefits of WHQS-related improvement work.

#### Possible changes to the WHQS

- 5 The Ministerial Task and Finish Group's June 2008 review of affordable housing in Wales, and the 2010 housing strategy *Improving Lives and Communities*, have both raised the prospect of changes to the WHQS, particularly in respect of fuel poverty, health and climate change. However, we found that landlords were concerned about the impact of potential changes on their existing funding and work commitments. **The Welsh Government, in consultation with landlords and tenants, should clarify its intentions in terms of introducing any changes to the minimum requirements of the WHQS and the timescales that would apply to any new requirements. This would dispel uncertainty and allow landlords to incorporate any changes into their work programmes more efficiently.**

#### Identifying solutions for homes not anticipated to meet the WHQS by March 2017

- 6 According to landlords' 2010 projections, 21 per cent of all social housing (46,000 homes) was not expected to meet the WHQS in full by 31 March 2017. Almost all (95 per cent) of these homes were owned by one of the five local authorities where tenants have voted against stock transfer or where a ballot is planned but yet to take place. These projections are subject to change following the recent revision of some local authorities'

business plans and the outcome of planned stock-transfer ballots. **Nevertheless, the Welsh Government should:**

- a set out clearly its expectations, in terms of delivering improvements in housing conditions, of those landlords that are unable to achieve full compliance with the WHQS within a reasonable timescale and in the context of the current policy and financial framework; and**
- b explore the full range of policy options available to help overcome the barriers to achievement of the WHQS.**



## Part 1 - Many tenants have seen substantial improvements in the quality of their housing, although the original aim that all social housing would achieve the WHQS by 2012 will not be met for some considerable time

- 1.1** This part of the report examines the progress being made by social-housing landlords towards meeting the WHQS. Social-housing landlords include:
- a** local authorities, among which we distinguish between those authorities that decided to retain their housing stock rather than pursue a tenant vote on stock transfer, and other authorities where tenants have voted against stock transfer or are awaiting a vote;
  - b** housing associations created since 2003 through large-scale voluntary transfer of housing stock from local authorities (LSVT associations); and
  - c** other housing associations.
- 1.2** The Welsh Government set a target that all social housing should meet the WHQS by the end of 2012. In practice, it is interpreting this deadline as 31 March 2013 because landlords tend to plan and deliver programmes of improvement work on a financial-year basis. Six LSVT associations and two local authorities have formally agreed with the Welsh Government extensions to the target date.

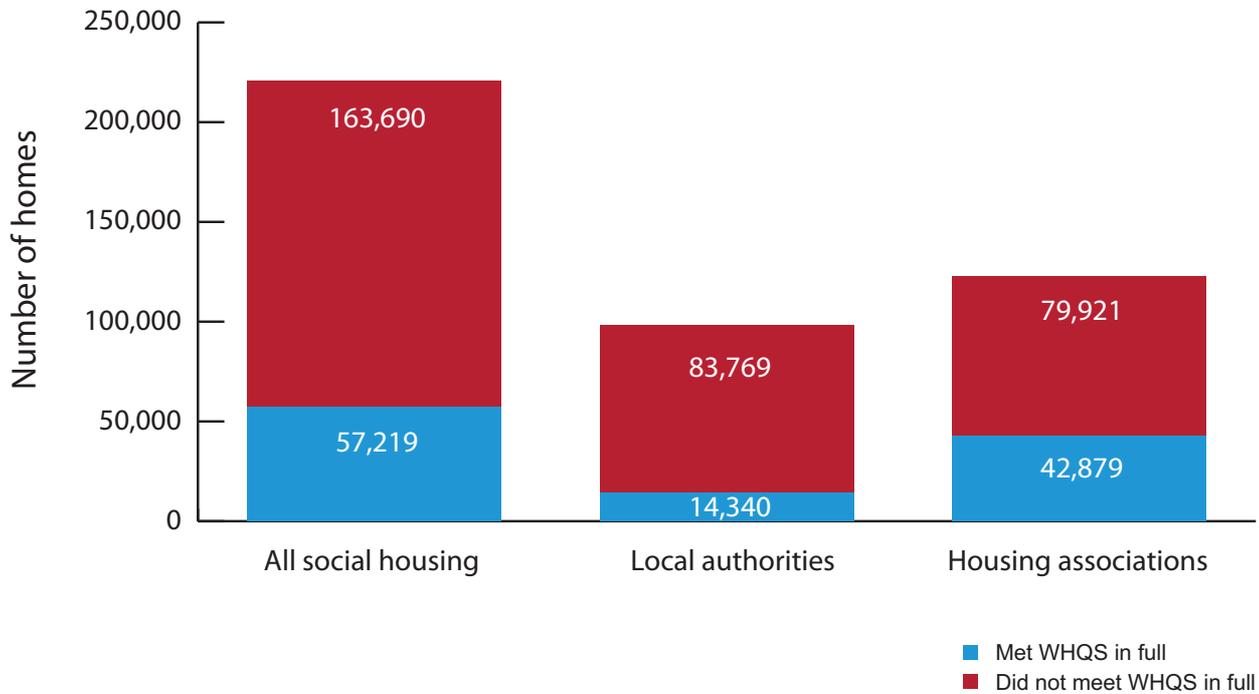
### **Data collected by the Welsh Government indicates that 26 per cent of social housing met the WHQS in full by March 2010, although there are concerns about the quality of some of the data supplied by landlords**

#### **Landlords have indicated that 26 per cent of social housing met the WHQS by 31 March 2010**

- 1.3** In early 2010, the Welsh Government established a group involving representatives from landlords and other stakeholders to develop an approach to monitoring progress towards the WHQS. Having developed a monitoring return template, the Welsh Government wrote to all landlords in late July 2010.
- 1.4** In March 2011, the Welsh Government published a report summarising the findings from the monitoring exercise<sup>10</sup>. The report included the progress being made by different types of landlord but did not identify the average reported level of compliance with the WHQS across all social housing. However, the underlying data shows that 26 per cent of all social housing – around 57,000 homes – met the WHQS in full at 31 March 2010 (Figure 2).

<sup>10</sup> *Social landlords performance in achieving the Welsh Housing Quality Standard*, Welsh Government, March 2011.

**Figure 2 - Number of homes owned by social landlords complying with the WHQS in full, 31 March 2010**



Source: Wales Audit Office analysis of data supplied by the Welsh Government based on landlords' monitoring returns.

**1.5** There are differences in the quality standards that have been set for social housing across the United Kingdom, the target dates for achieving these standards and the way in which compliance is measured (**Box 1** on page 6 and **Appendix 2**). The minimum requirements in Wales are more challenging than the standards elsewhere. The position reported recently in other parts of the United Kingdom is that:

**a** the Department for Communities and Local Government has reported that 77 per cent of social housing in England met the Decent Homes Standard in 2009<sup>11</sup>;

**b** the Scottish Government has reported that 38 per cent of social housing met the Scottish Housing Quality Standard in (SHQS) in 2010<sup>12</sup>; and

**c** in Northern Ireland, the Housing Executive has reported that 85 per cent of social housing met the Decent Homes Standard in 2009<sup>13</sup>.

**1.6** These figures need to be interpreted in the context of historical comparisons of housing-stock conditions. For example, the English House Condition Survey estimated that 61 per cent of social housing in England was 'decent' in 2001. In contrast, the 2004 Living in Wales survey reported that less than one per cent of social housing met the WHQS.

<sup>11</sup> English Housing Survey – Housing Stock Summary Statistics 2009, Department for Communities and Local Government, July 2011.

<sup>12</sup> Scottish House Condition Survey – Key Findings 2010, Scottish Government, November 2011.

<sup>13</sup> Northern Ireland House Condition Survey 2009 – Main Report, Northern Ireland Housing Executive, May 2011.



**1.7** Figures quoted from independent stock-condition surveys can also differ from those based on landlord returns. This is, in part, because these stock-condition surveys do not necessarily take account of certain exemptions within the terms of the individual standards. In January 2010, the National Audit Office reported that, based on landlord returns, the Department for Communities and Local Government had estimated that 92 per cent of social housing in England would meet the Decent Homes Standard by the end of 2010<sup>14</sup>. Also based on landlord returns, the Scottish Housing Regulator has indicated that 56 per cent of social housing met the SHQS in March 2010<sup>15</sup>.

**There are clear differences between landlords which, in part, reflect variations in the age and historic condition of their housing stock**

**1.8** The percentage of homes assessed as meeting the WHQS in full varies considerably between and among different types of landlord (Figure 3). Overall, 35 per cent of housing-association homes were reported to have met the WHQS by 31 March 2010. For LSVT associations, the proportion of homes assessed as meeting the WHQS varied between 0 per cent (Tai Ceredigion and Tai Calon) and 54 per cent (RCT Homes). For the other housing associations, the proportion of homes assessed as meeting the WHQS ranged between nine per cent (Rhondda Housing Association) and 100 per cent (Newport Housing Trust)<sup>16</sup>.

**Figure 3 - Reported compliance with the WHQS at 31 March 2010, by landlord**

Type of landlord	Percentage of homes meeting the WHQS in full, 31 March 2010	
	Average	Range per landlord
<b>Housing associations (38)</b>	<b>35</b>	<b>0 - 100</b>
LSVT associations (10) <sup>1</sup>	20	0 - 54
Other housing associations (28)	49	9 - 100
<b>Local authorities (12)<sup>2</sup></b>	<b>15</b>	<b>0 - 60</b>
Retaining local authorities (6) <sup>3</sup>	34	9 - 60
Other local authorities (6) <sup>4</sup>	0	0 - 1
<b>All social housing (50)</b>	<b>26</b>	<b>0-100</b>

- Notes
- 1 LSVT-association figures include Cartrefi Cymunedol Gwynedd and Tai Calon, created by local-authority stock transfers from Gwynedd Council and Blaenau Gwent County Borough Council in April and July 2010 respectively (in advance of the Welsh Government issuing its request for data on compliance with the WHQS).
  - 2 In its monitoring report, the Welsh Government published an aggregated figure of 16 per cent for local authorities and data that suggested a range of between 0 and 71 per cent. However, the 71 per cent figure used for the Isle of Anglesey County Council was based on an incorrect calculation method. We have adjusted our analysis accordingly, using a revised compliance figure of 30 per cent (Appendix 5).
  - 3 Those local authorities that decided to retain their housing stock rather than pursue a tenant vote on stock transfer.
  - 4 Those local authorities that, at 31 March 2010, were still planning to ballot tenants on the option of stock transfer or where tenants had previously voted against transfer. These figures also include Neath Port Talbot County Borough Council, where tenants voted for stock transfer in March 2010 but transfer did not take place until March 2011.

Source: Wales Audit Office analysis of data supplied by the Welsh Government based on landlords' monitoring returns.

14 *The Decent Homes Programme*, National Audit Office, January 2010.  
 15 *Scottish Housing Quality Standard Progress Update 2009/10*, The Scottish Housing Regulator, March 2011.  
 16 Newport Housing Trust's housing stock has been entirely rebuilt following the transfer of around 500 pre-fabricated homes from Newport City Council in 2001.

**1.9** Only 15 per cent of local authorities' homes were reported to have met the WHQS by 31 March 2010. In those six authorities where tenants had voted against stock transfer, were yet to vote or where transfer was yet to take place, no more than one per cent of homes met the WHQS. But there were noticeable differences between the six authorities that had opted to retain their housing stock: in Pembrokeshire, 60 per cent of homes were reported to have met the WHQS compared with only nine per cent in Carmarthenshire.

**1.10** Broadly, the differences in the performance of different types of landlord reflect variations in the age and condition of their housing stock when the WHQS was established or, in the case of LSVT associations, the quality of the stock they inherited when they were created. Although not exclusively the case, housing associations' stock has tended to be newer and in better condition than that belonging to local authorities.

**1.11** Unlike local authorities, housing associations have been required to demonstrate investment over time in the maintenance and improvement of their stock as part of their regulatory regime. The former housing regulator in Wales (Tai Cymru) introduced Development Quality Requirements in 1996 for grant-funded improvement work. In 1997, these requirements were introduced as a regulatory requirement for housing associations to achieve across all existing stock within 10 years. By contrast, the Welsh Government's *Better Homes* strategy pointed to sustained under-investment in the maintenance and repair of local-authority housing<sup>17</sup>.

### **Landlords reported that many homes that did not meet the WHQS in full met some elements of the Standard, with the greatest shortfall overall being standards of bathrooms and kitchens**

**1.12** Some landlords have chosen to undertake improvement work by designing and delivering programmes that bring all elements of a home up to the WHQS in a concentrated period of time. For example, Monmouthshire Housing Association indicated that this has been its favoured approach since stock transfer from the local authority in 2008. This approach, with priority given to the 'worst first' in terms of existing property conditions, was the result of tenant engagement during the stock-transfer process. Also informed by tenant engagement, Carmarthenshire County Council has prioritised improvements on estates with the highest average lengths of stay among tenants.

**1.13** While other landlords may undertake whole-house improvements where appropriate, for example, where properties are empty, most have concentrated on a more 'elemental' approach by, for example, undertaking repairs to all the roofs in an area at the same time. Packaging work together in this way can result in efficiencies and economies of scale, although, depending on the circumstances, so can a whole-house approach. Some landlords had stopped undertaking whole-house improvements on empty homes because existing tenants felt it unfairly favoured new tenants.

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<sup>17</sup> *Better homes for people in Wales: a national housing strategy for Wales*, Welsh Government, July 2001.



**1.14** An elemental approach can also ensure that all tenants benefit from some improvement work sooner than might otherwise be the case (**Case Study 1**). However, the approach may involve less significant but more protracted disruption for tenants. Bron Afon Community Housing has been undertaking internal improvements on a whole-house basis, with the aim of completing work on individual tenants' homes within a three-week timescale. For other work, such as windows, doors, roofing and render, an elemental approach has been adopted. Valleys to Coast Housing Association told us that it had moved towards an approach of undertaking all the necessary internal work to properties at the same time to reduce the disruption to tenants. The Association has also been undertaking a whole-house improvement approach on 'non-traditional' properties, which include concrete, timber, steel-fabricated or pre-fabricated buildings. These buildings are generally harder to refurbish than those built using traditional methods.

**1.15** The favoured 'elemental' approach to undertaking the necessary improvement work is part of the reason why a much larger proportion of properties met at least some of the core requirements of the WHQS than met them in full. As a result, measuring whole-house compliance does not necessarily reflect the volume, or significance in cost terms, of improvement work completed or still required. Over three quarters of all homes were reported by landlords to have met the WHQS in relation to smoke detectors, windows, roofs and external doors (**Figure 4**).

#### Case Study 1 - Isle of Anglesey County Council's programme of improvement work to achieve the WHQS

In 2007-08, the Council concluded that investment of £34.5 million was required to comply with the WHQS by 2012. In 2008, it entered into a partnering contract for a £20 million 'Internal Investment' programme to refurbish kitchens, bathrooms and electrical re-wiring. The remainder of the work programme is being undertaken under separate contracts or by the Council's own works department. The works department is also undertaking Internal Investment works in a relatively small number of properties, and to the same customer-care procedures as the main contractor. By March 2010, the Council had spent £14.6 million of the estimated £34.5 million required, and was on target to finish the work required by the end of 2012.

To programme the work efficiently, the Council divided its housing stock into seven geographical areas. Work was organised so that as many tenants as possible would benefit from investment in the early years, and also to tackle the worst housing first. Replacement kitchens and bathrooms and heating improvements were completed first, as they were tenants' top priority. Other internal work, such as re-wiring, was carried out at the same time wherever necessary. All essential improvement work on empty properties, including kitchens, bathrooms and re-wiring, is completed before re-letting.

#### Note

The neighbouring LSVT association, Cartrefi Conwy, has undertaken a similar approach involving the same contractor following the transfer of housing stock from Conwy County Borough Council in 2008. The Association has also reported that it is on track to achieve the WHQS across all of its homes by 31 March 2013.

**1.16** For the other core elements – relating to central-heating systems, energy efficiency, electrical works, external works, kitchens and bathrooms – homes owned by housing associations were more likely to meet the individual requirements of the WHQS than those owned by local authorities. For example, over half of housing-association-owned homes had kitchens and bathrooms that met the WHQS compared to a third of local-authority-owned homes.

**Figure 4 - Reported compliance with specific core elements of the WHQS, at 31 March 2010<sup>1</sup>**

Elements	Meeting the WHQS (percentage of homes) <sup>1</sup>	
	Average	Range per landlord
Smoke detectors	91	25 - 100
Windows	90	31 - 100
Roofs	85	33 - 100
External doors	80	36 - 100
Central-heating systems	68	16 - 100
Energy efficiency	64	2 - 100
Electrical works	63	1 - 100
External works <sup>2</sup>	54	0 - 100
Kitchens	49	1 - 100
Bathrooms	48	2 - 100
<b>All elements</b>	<b>26</b>	<b>0 - 100</b>

Notes

1 Landlords were not asked to report specifically on the extent to which homes were assessed as 'meeting the requirements of the individual', although this should, in principle at least, form part of the assessment of compliance against specific elements.

2 The external works requirement relates to properties being located in attractive and safe environments which tenants can relate to and feel proud to live in.

Source: Wales Audit Office analysis of data supplied by the Welsh Government based on landlords' monitoring returns.

**The total number of homes assessed as meeting the WHQS in full is likely to include properties where one or more element has been deemed to be an 'acceptable fail'**

**1.17** Those homes identified as meeting the WHQS in full are likely to include properties where one or more elements have been deemed an 'acceptable fail'. The Welsh Government introduced this concept in revised guidance in 2008<sup>18</sup> and outlined the following circumstances that could apply:

- a** *Physical constraints:* which lead landlords to assess that work to reach the WHQS cannot be done. For example, if it were impossible to meet the requirement for flat, outside space because the property is on a steep hillside.
- b** *Timing or cost:* where meeting the WHQS would necessitate major renovation works that are either not cost effective in their own right or for reasons of timing. In some cases, landlords indicated that they have demolished or sold properties due, at least in part, to the costs of meeting the WHQS.
- c** *Tenants' choice:* Several landlords raised with us issues relating to the requirement to provide a bath and separate shower. Where bathrooms had restricted space, tenants might choose to keep a walk-in shower rather than replace it with a shower over a new bath simply to meet the WHQS.

<sup>18</sup> The Welsh Housing Quality Standard: revised guidance for landlords on interpretation and achievement of the Welsh Housing Quality Standard, Welsh Government, July 2008.



**1.18** Where tenant choice is the prime reason for an acceptable fail, the Welsh Government has stated that, should those tenants leave the property, landlords should undertake work to meet the WHQS before re-letting. Some landlords have been pro-active in overcoming tenants' initial resistance to work. This has meant that wider programmes of work can be delivered more efficiently across multiple properties, rather than having to return to improve individual properties when they are re-let.

**1.19** The Welsh Government's revised 2008 guidance on the WHQS states that landlords should record all cases of acceptable fails so that future works can be appropriately planned and managed (**Case Study 2**). However, few landlords were able to provide the Welsh Government with detailed data on acceptable fails.

#### Case Study 2 - Acceptable fails reported by Cardiff Council

At 31 March 2010, Cardiff Council had 13,719 properties. The Council identified some 2,083 examples of acceptable fails across the various different elements of the WHQS, with some properties recording an acceptable fail against more than one element. Just over two-thirds of these examples related to either kitchens or bathrooms and were attributed, in the main, to tenant choice. Overall, 13 per cent of properties were recorded as acceptable fails in relation to kitchens and 11 per cent in relation to bathrooms.

The Council's return indicated that seven properties had been deemed as acceptable fails on all of the elements measured by the Welsh Government, with the exception of door-entry systems, because these properties were scheduled for demolition.

**1.20** The Welsh Government recognises that the data on acceptable fails is of variable quality and incomplete. The figures published by the Welsh Government do not identify either the total number of elements deemed an acceptable fail, or the proportion of homes reported to be fully compliant with the WHQS but including an acceptable fail on one or more elements.

**1.21** While exact figures are not available, the Welsh Government has told us that there were at least 11,000 reported acceptable fails, and that the most commonly cited reasons were physical constraints or tenant choice. However, several landlords indicated in our survey that they had identified acceptable fails (whether quantified or not) on the basis that it would be uneconomic to undertake isolated improvements to meet the WHQS by 2012. For example, because they have plans for more wholesale renewal programmes for particular elements at a later date.

#### **The 2010 data collection exercise was the first of its kind and there are concerns about the quality of some of the underpinning data**

**1.22** The Welsh Government found that the initial monitoring returns from landlords were of variable quality and completeness. Due, in part, to its own capacity constraints, the Welsh Government then asked the representative bodies for housing associations and local authorities, Community Housing Cymru and the Welsh Local Government Association respectively, to verify the data on its behalf and ensure that returns were as comprehensive as possible. Despite this, we still have concerns about the quality of some of the final data reported on by the Welsh Government. These concerns have been reinforced by issues raised by some landlords when we shared the information with them in autumn 2011.

There are clear differences in the quality of the stock condition data held by landlords and some landlords found it easier than others to provide the requested information

**1.23** In planning how to achieve the WHQS by 2012, the Welsh Government expected that, by the end of 2006, landlords should have gathered comprehensive information on the condition of their housing stock. Reflecting earlier Welsh Government guidance on stock-condition surveys in 2000<sup>19</sup>, the revised 2008 guidance on the WHQS emphasised that it was not necessary to survey 100 per cent of stock in a single exercise, or to undertake internal inspections, in order to arrive at an overall assessment. However, the 2008 guidance encouraged landlords to develop a comprehensive picture over time, suggesting that one approach could be to survey 20 per cent of properties each year on a rolling five-year basis.

**1.24** Our housing-association inspection work between 2005 and 2008 identified concerns about the quality of stock-condition data and the extent to which associations had adequate systems in place to monitor progress against the WHQS. Similar concerns emerged from some of our audit work in local government over the same period. Overall, the evidence indicates that there are still some clear differences in the quality of stock-condition information held by landlords. However, several landlords have recently completed new condition surveys covering all of their housing stock and many others have been undertaking rolling programmes of surveys on a sample of stock. For example, in their monitoring return to the Welsh Government, Wales and West Housing Association indicated that data to assess the condition of its 8,128 properties had been collected by its technical staff using a rolling programme

of condition surveys covering approximately 25 per cent of the total stock each year. In addition to work carried out by its own staff, the Association reported that it had employed external specialists to validate the results.

**1.25** There are also differences in the sophistication of landlords' property databases and their ability to report progress against the WHQS, at least in the format requested by the Welsh Government. Some landlords expressed strong confidence in the data they had submitted to the Welsh Government but, for others, the information submitted represented their best estimates drawn from available stock-condition surveys and/or property database sources.

Some elements of the WHQS are open to subjective interpretation and there has been no independent on-site validation of the self-assessed returns

**1.26** Some of the WHQS requirements are open to subjective interpretation, for example if a kitchen or bathroom is in 'good condition'. In the case of the external works requirements, there is also an emphasis on taking account of tenants' priorities rather than simply relying on any technical specification.

**1.27** The reporting of acceptable fails is another area open to subjective interpretation. The feedback we received from landlords, including from their survey responses and during our visits, did not assure us that there is a clear and consistent understanding of how acceptable fails should be interpreted and recorded.

**1.28** To date, there has been no independent assessment of stock condition against which to compare the returns provided by landlords in 2010. The Welsh Government is considering options for a fresh national physical stock-condition survey covering a

<sup>19</sup> *Stock condition surveys – guidance*, Welsh Government, December 2000.



sample of all housing in Wales. However, aside from that, there may still be merit in some more targeted spot-checks to validate any future monitoring returns and ensure that, as far as possible, landlords are interpreting the WHQS and their progress against it consistently.

## **There is no definitive baseline against which to assess progress since 2002, but the available evidence indicates that many tenants have seen substantial improvements in the quality of their accommodation**

- 1.29** The Welsh Government did not have robust information about the condition of social housing when it established the WHQS and set the 2012 target date for its achievement. This information would have enabled the Welsh Government to judge the full scale of the challenge in implementing the WHQS and provided a meaningful baseline against which to monitor progress. The first formal assessment of the proportion of homes meeting the WHQS was provided by the 2004 Living in Wales survey. The survey found that 0.8 per cent of social homes met the WHQS in full. A subsequent survey in 2008 suggested that no progress had occurred in the early years of the programme in terms of whole-house compliance. Using the same definition as in 2004, the proportion of homes meeting the WHQS in full in 2008 remained at below one per cent.
- 1.30** The results reported by the 2008 Living in Wales survey were based on a sample of just under 700 homes owned by local authorities or housing associations across Wales. The small sample size and possible differences in interpretation – for example the Living in Wales survey would not have taken account of acceptable fails – mean that it is difficult to draw firm conclusions about the rate of progress since 2008 by comparing the figures reported by landlords for 31 March 2010.
- 1.31** In our survey of landlords, we asked for comparable data to that submitted to the Welsh Government to show the percentage of homes that complied in full with the WHQS for each of the three years between 1 April 2006 and 31 March 2009. Only nine landlords provided this information for at least two of the three years concerned. In some cases where stock transfer had occurred, it was clear that the new landlord had not inherited any such historic information from the local authority.
- 1.32** Of these nine landlords, two reported notable progress:
- a** Denbighshire County Council reported that whole-house compliance with the WHQS had increased from 29 per cent in 2006-07 to 50 per cent by 31 March 2010.
  - b** Valleys to Coast Housing Association indicated that the proportion of homes that complied with the WHQS in full had increased from 16 per cent in 2006-07 to 33 per cent by 31 March 2010. However, following a Wales Audit Office inspection in May 2008, we reported that, by 31 March 2008, 97 per cent of properties had already received new windows and doors, 61 per cent had been rewired, 63 per cent had received new central heating, 54 per cent new kitchens and 24 per cent

new bathrooms. By 31 March 2010, these figures had increased to just under 100 per cent for windows and doors, 77 per cent for rewiring, 78 per cent for central heating, 70 per cent for kitchens and 56 per cent for bathrooms. In a minority of cases the Association had not been able to make these improvements in such a way as to meet the exact specification of the WHQS.

- 1.33** Although not necessarily able to identify previous whole-house compliance, fourteen landlords provided us with information on compliance with some of the core elements of the WHQS, dating back to 2007-08 or earlier. Comparing that information with the figures submitted to the Welsh Government, we identified several notable improvements in reported compliance on one or more elements. Examples include:
- a** Carmarthenshire County Council reported that compliance with the WHQS for both windows and doors had increased from 58 per cent in 2006-07 to 90 per cent by 31 March 2010; and
  - b** Monmouthshire Housing Association reported substantial improvements (of between 29 and 41 percentage points) in compliance with the WHQS for windows, doors, bathrooms, central-heating systems and electrical works between 31 March 2007 and 31 March 2010.

However, some of the data provided by landlords suggested that the percentage of properties that complied with certain elements had reduced over time. Properties can move in and out of compliance because some of the WHQS requirements relate to recommended timescales for cyclical maintenance and improvement work. That is unless, in certain cases, it can be demonstrated that facilities are still in good condition.

- 1.34** Discussions with tenants, during the course of some of our visits to landlords and as part of meetings facilitated by the Tenants Participation and Advisory Service (TPAS) Cymru, provided positive feedback in terms of the increased investment that they were seeing to improve housing quality. Our survey of, and visits to, landlords also provided further evidence of progress in delivering significant programmes of improvement work.

## **Landlords' projections in 2010 showed that 60 per cent of homes were expected to meet the WHQS in full by March 2013 and 79 per cent by March 2017, with the main shortfall in local authorities where tenants had rejected stock transfer or were yet to vote**

- 1.35** The information supplied by landlords in their monitoring returns to the Welsh Government in 2010 indicated that 60 per cent of homes (around 133,000 homes) were expected to meet the WHQS in full by March 2013. Again, there were clear differences between groups of landlords ([Figure 5](#)).
- 1.36** Housing associations projected that 73 per cent of their homes would meet the WHQS by 31 March 2013. This figure includes LSVT associations, six of whom have agreed extended deadlines with the Welsh Government. Overall, 85 per cent of homes owned by other housing associations were expected to meet the WHQS by 31 March 2013 compared with 61 per cent of LSVT-associations' homes.



**Figure 5 - Projected compliance with the WHQS at 31 March 2013 and 31 March 2017, by landlord<sup>1</sup>**

Type of landlord	Percentage of homes meeting the WHQS in full	
	By 31 March 2013	By 31 March 2017
<b>Housing associations (39)</b>	<b>73</b>	<b>98</b>
LSVT associations (11) <sup>2</sup>	61	99
Other housing associations (28)	85	97
<b>Local authorities (11)</b>	<b>42</b>	<b>51</b>
Retaining local authorities (6) <sup>3</sup>	85	99
Other local authorities (5) <sup>4</sup>	4	9
<b>All social landlords (50)</b>	<b>60</b>	<b>79</b>

**Notes**

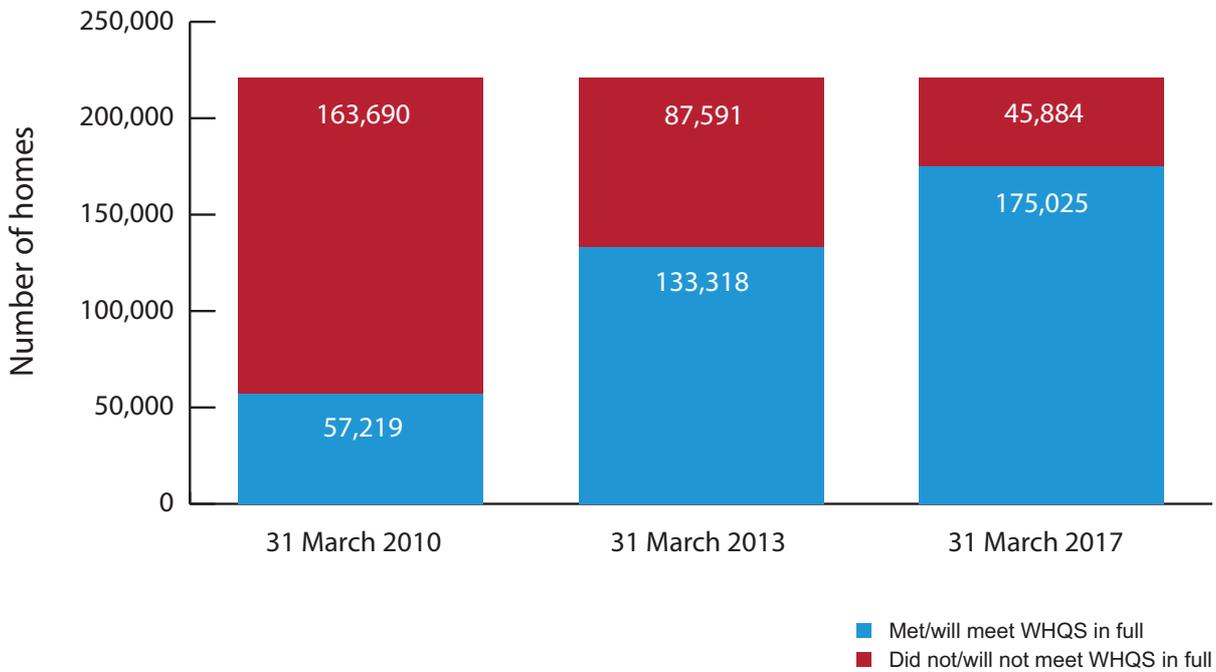
- 1 Some landlords have reported recently to the Welsh Government that they now expect to achieve full compliance with the WHQS sooner than previously stated. The reasons for these changing projections have included recent investment decisions, improved stock-condition data and reconsideration of the criteria for acceptable fails.
- 2 Includes NPT Homes created by the transfer of over 9,000 homes from Neath Port Talbot County Borough Council in March 2011. In reporting projected compliance with the WHQS through to 2012-13 and 2016-17, the Welsh Government included this data as part of the aggregated figures for local authorities. However, we have included these projections as part of the figures for LSVT associations because the figures provided by Neath Port Talbot County Borough Council assumed compliance with the WHQS by 2016-17 and were clearly based on expectations in light of the tenant vote in favour of stock transfer in March 2010.
- 3 Those local authorities that decided to retain their housing stock rather than pursue a tenant vote on stock transfer.
- 4 Those local authorities that, at 31 March 2010, were still planning to ballot tenants on the option of stock transfer or where tenants had previously voted against transfer.

Source: Wales Audit Office analysis of data supplied by the Welsh Government based on landlords' monitoring returns.

**1.37** Only 42 per cent of local-authority-owned homes were projected to meet the WHQS in full by March 2013. However, all four local authorities that have chosen to retain their housing stock and that have not agreed extended deadlines have now projected 100 per cent compliance with the WHQS by 31 March 2013. By contrast, for the five local-authority landlords where tenants had voted against stock transfer or where a ballot was planned but yet to take place, only four per cent of properties were projected to meet the WHQS by 31 March 2013.

**1.38** According to landlords' projections, 79 per cent of all social housing was expected to meet the WHQS in full by 31 March 2017. This means that around 46,000 homes were not expected to comply in full with the WHQS (Figure 6). Almost all (95 per cent) of these homes were owned by one of the five local authorities where tenants had voted against stock transfer or where a ballot was planned but yet to take place. While different for each landlord, overall the main areas where work was still expected to be required related to roofs, kitchens, bathrooms, electrical works and external works.

**Figure 6 - Reported and projected compliance with the WHQS for all social housing (number of homes)**



**Note**

Some landlords have reported recently to the Welsh Government that they now expect to achieve full compliance with the WHQS sooner than previously stated. The reasons for these changing projections have included recent investment decisions, improved stock-condition data and reconsideration of the criteria for acceptable fails.

Source: Wales Audit Office analysis of data supplied by the Welsh Government based on landlords' monitoring returns.

**1.39** In Flintshire and Caerphilly, the rate of progress towards achieving the WHQS depends on the outcome of stock-transfer ballots planned before the end of 2011-12. However, Caerphilly County Borough Council indicated in its return to the Welsh Government in 2010 that only 20 per cent of homes would meet the WHQS in full by 31 March 2017, in the event that tenants voted no to stock transfer. The Council has since remodelled its financial planning assumptions and, in October 2011, considered a report that identified that it could, subject to decisions on borrowing and investment priorities, deliver full compliance with the WHQS during 2019-20. This compares

with the assumption that, if tenants vote in favour of transfer, the newly created LSVT association would achieve full compliance by the end of 2017.

**1.40** In contrast, Flintshire County Council has revised its projections of compliance with the WHQS downwards. Having indicated that 718 homes (10 per cent of its total housing stock) would meet the WHQS in full by the end of March 2017, the Council now expects that no more than 26 homes will meet the WHQS by that time. The Council has revised its WHQS strategy following consultation with tenants and, as a result, is targeting its investment on central heating, kitchens and bathrooms.



- 1.41** Vale of Glamorgan Council tenants voted to reject stock transfer in April 2011. The Council's monitoring return to the Welsh Government in 2010 indicated that it expected 25 per cent of properties to meet the WHQS in full by 31 March 2017. However, since the stock-transfer ballot, the Council has significantly reworked and updated its housing business plan. The Council now expects that, with the exception of 11 properties where meeting the energy efficiency requirements has been deemed too expensive, all of its properties will meet the WHQS in full by 31 March 2017.
- 1.42** Wrexham County Borough Council and the City and County of Swansea Council, where tenants voted against stock transfer in 2004 and 2007 respectively, could re-ballot if there is a change of circumstances. However, other than re-balloting, it is not clear how the WHQS would be met in full in these areas within any reasonable timescale in the context of the current policy and financial framework.

## Part 2 - There have been weaknesses in the Welsh Government's leadership and monitoring and, despite substantial investment, progress towards the WHQS has been affected by the slower than expected development of landlords' work plans and timescales for local-authority stock transfer

**2.1** To achieve its targets for the WHQS, the Welsh Government has an important role to play in terms of monitoring progress and providing effective leadership and support (financial or otherwise) to landlords. It is also the regulator for housing associations. However, the responsibility for delivering improvements in the quality of social housing rests with individual landlords.

**2.2** This part of our report considers:

- a** landlords' support for and understanding of the requirements of the WHQS;
- b** financial arrangements, levels of investment and evidence of value for money;
- c** the timescales and costs of stock transfer;
- d** the Welsh Government's monitoring of progress; and
- e** the realisation of wider benefits from the action and investment to achieve the WHQS.

### **There is broad agreement with the aims of the WHQS, but aspects of what it means in practice have been unclear and there is some uncertainty about future development of the Standard**

#### **There is broad agreement with the aims of the WHQS, and some landlords have adopted enhancements to the minimum requirements**

**2.3** There has been broad agreement with the aim of the Welsh Government's 2001 strategy document Better Homes for People in Wales to improve the condition of social housing. Our engagement with landlords during the course of this examination has found that there is still support for this aim, albeit that they have different views about how the aim was to be achieved.

**2.4** The Welsh Government provided guidance for local authorities on the specific requirements of the WHQS in April 2002. Equivalent guidance for housing associations was issued in November 2003.



**2.5** The Welsh Government based the WHQS's technical requirements on Development Quality Requirements for existing and rehabilitated dwellings owned by housing associations. In 1997, Tai Cymru, the then Welsh housing regulator, stated that all housing association stock was expected to meet these Development Quality Requirements within 10 years. This means that, in practice, the WHQS extended the requirements already in place for housing associations to local authorities to create a common standard for social housing. Although not explicitly stated, the WHQS also effectively extended the time-period for housing associations to meet the requirements until 2012. However, the Welsh Government's guidance on the WHQS and updated guidance on Development Quality Requirements in 2005 do not refer to the relationship between the two.

**2.6** The WHQS established minimum standards for social housing, but landlords could offer enhanced standards to their tenants. Accordingly, some landlords have rebadged and, in various ways, enhanced the WHQS (**Case Study 3**).

### Case Study 3 - The Carmarthenshire Housing Standard

Carmarthenshire County Council consulted tenants in 2003 to find out their views on the WHQS, and developed the Carmarthenshire Homes Standard. Additions to the WHQS have included installing carbon-monoxide detectors and feature fireplaces into homes. The Council also revised the WHQS to adapt it for sheltered homes and developed the Environmental Works Project that enables tenants to identify and prioritise the environmental improvements to their homes and neighbourhoods. The Carmarthenshire Housing Standard also incorporates service standards, developed with tenants, to help measure the Council's performance as a landlord.

### The Welsh Government was slow to issue revised guidance and aspects of what the WHQS means in practice have been unclear to landlords

**2.7** In 2004, a number of landlords approached HouseMark Cymru for additional guidance on how to interpret aspects of the WHQS. HouseMark in turn approached the Welsh Government which established a technical steering group involving representatives from across the social housing sector to produce revised guidance. Concerns about interpretation were also identified in January 2005 by Welsh Government sponsored research on the early experience of Valleys to Coast Housing Association following stock transfer in 2003<sup>20</sup>. That research suggested that there would be benefit in some central co-ordination to review implementation strategies and interpretation of the WHQS requirements.

**2.8** Revised guidance, published jointly by HouseMark Cymru and the Welsh Government was not produced until July 2008. The guidance did not alter the core requirements of the WHQS substantially, and its main changes were to:

- a** *Reflect legislative and industry standard changes in relation to health and safety and energy efficiency since the WHQS was established.* For some landlords, these changes have required them to revisit their initial planning assumptions or to return to properties to undertake additional work.
- b** *Provide greater clarity about the requirements:* The revised guidance included greater detail about how each element should be interpreted. It also distinguished between primary elements – those associated with health and safety,

<sup>20</sup> WHQS and Social Housing Renewal: Valleys to Coast – a case study, Davis Langdon Management Consulting, January 2005.

and secondary elements – those related more to comfort. A property was still required to meet all of the primary and secondary requirements to comply with the WHQS in full.

- c** *Introduce the concept of an ‘acceptable fail’*: For circumstances where physical constraints, issues of timing and/or cost effectiveness or tenant choice mitigate against meeting the WHQS requirements.

**2.9** Recognising that the environmental standard was one of the less clear aspects of the WHQS, the Welsh Government commissioned TPAS Cymru and Groundwork Wales in 2007 to examine how landlords were interpreting it. Their 2008 report found that many landlords had taken a narrow and technical view of the original external works requirements. The report included examples of environmental improvements that were more wide-ranging than many landlords had considered up to that point. The report was accompanied by guidance outlining a process by which landlords should consult tenants to identify their priorities for the surrounding environment and develop a local statement of the Environmental Standard<sup>21</sup>.

**2.10** Due in part to this lack of clarity, and the fact that they were identified as being of secondary importance in the 2008 revised WHQS guidance, many landlords still have a lot of work to do to comply with the external works requirements (Figure 4 on page 24). Responses to the Welsh Government’s monitoring exercise in 2010 also highlighted differences in the extent to which landlords had developed environmental statements setting out local priorities in terms of the Environmental Standard.

**2.11** In their responses to our survey, most landlords considered that their organisation now had a good understanding of the WHQS requirements. Many also commented on the usefulness of both sets of guidance issued in 2008. However, aside from our concerns about interpretation of the acceptable fail criteria, landlords’ survey responses and feedback received during our visits and other engagement with landlords have raised some concerns about:

- a** *The time taken to produce the revised guidance*. In its original guidance the Welsh Government had expected landlords to finalise by the end of 2006 their plans to achieve the WHQS, but did not produce the revised guidance until July 2008. Although the collaborative way in which the guidance was developed was seen as beneficial, it nevertheless took four years to produce. More than a quarter of the landlords responding to our survey considered that the guidance on the WHQS had not been timely, and one in five felt that changes and developments to the WHQS had not been communicated clearly enough.
- b** *Clarity about the status of the revised guidance*. During the initial scoping of our work, some landlord representatives questioned the status of the revised 2008 guidance, despite it being jointly badged as a HouseMark and Welsh Government document. In February 2009, six months after publication, the Welsh Government issued a circular to housing associations to draw their attention to the guidance.

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<sup>21</sup> *Guidance on the scope and interpretation of the WHQS environmental standard*, TPAS Cymru and Groundwork Wales, 2008.



**c** *The separation of primary and secondary elements.* This distinction was intended to help landlords prioritise their work programmes and to assess their progress towards the WHQS. For example, Cardiff Community Housing Association applied different weightings to primary and secondary elements when scoring the condition of its properties (categorising them as good, satisfactory, severe, or very severe). These scores were then used to inform the planning and prioritisation of its improvement programme. Nevertheless, some landlords have not distinguished between these elements on the basis that it would be inefficient to do so and that there was the risk of the secondary elements being overlooked. Tenant engagement has also been a key factor in informing the development of landlords' plans, regardless of the distinction between primary and secondary elements.

**d** *Clarity of expectations in terms of social housing being managed fairly and efficiently.* The original guidance stated that the housing management element of the WHQS was not seen as relevant at that time to the assessment process or future financial planning in terms of the work required to improve the condition of landlords' housing stock. While further guidance was promised, it was not forthcoming, until the revised 2008 guidance noted that landlords were already subject to assessment of this element through existing policy and performance management frameworks. The introduction of a suite of delivery outcomes as part of the new regulatory framework for housing associations, published in December 2011<sup>22</sup>, could

provide a basis on which to measure the quality of housing management in future. There is no comparable formal process of regulation for local-authority housing services. However, a complementary set of delivery outcomes has been developed, to be used on a voluntary basis to support service improvement.

**There is some uncertainty about future development of the WHQS and, while there is some support for a strengthened focus on energy efficiency, there are also concerns that the original commitments to tenants should not be forsaken**

**2.12** The 2008 report of the Ministerial Task and Finish Group on affordable housing recommended that the contribution that the WHQS could make to the climate change agenda in Wales should be urgently reassessed<sup>23</sup>. This recommendation was reflected in general terms in the Welsh Government's 2010 strategy *Improving Lives and Communities*, which states that the WHQS will 'be reviewed to see whether more can be done to support action on fuel poverty, health and climate change'<sup>24</sup>. Welsh Government officials have since told us that there are no immediate plans to change the WHQS, but the areas most likely to change in future relate to energy efficiency or other sustainability-related measures, such as an increased emphasis on water saving.

**2.13** In their responses to our survey and during our visits, some landlords expressed concerns about the impact of any changes to the WHQS on their current business plans. They also considered that any plans to change the WHQS should reflect tenant priorities and not divert attention from the commitments already given to achieve the existing requirements for

<sup>22</sup> *The Regulatory Framework for Housing Associations Registered in Wales*, Welsh Government, December 2011.

<sup>23</sup> *Affordable housing task and finish group – report to the Deputy Minister for Housing*, Welsh Government, June 2008.

<sup>24</sup> *Improving lives and communities: Homes in Wales*, Welsh Government, April 2010.

all social housing. Some landlords believed that tenant consultation in determining the WHQS requirements had been inadequate.

- 2.14** The Welsh Government has consulted recently on a proposed new policy for social housing rents to take into account variations in the type, size, location and quality of the housing stock. The proposals included provision for landlords to charge varying rents depending on the energy efficiency of individual homes. When finalised, the Welsh Government expects to implement its new policy in April 2013.
- 2.15** The Welsh Government supports several initiatives to improve home energy efficiency, including the EU-funded ARBED programme<sup>25</sup>, that go beyond the requirements of the WHQS. While welcoming this investment, landlords' survey responses and feedback during our visits raised some concerns about the viability of more demanding energy efficiency requirements as a minimum requirement for all homes, at least not without additional financial assistance.
- 2.16** There are, however, examples of landlords funding themselves or exploring opportunities to work with private-sector partners to install renewable energy technologies. As well as their general environmental benefits, these programmes of work present benefits to tenants in terms of reduced fuel costs. They can also provide a source of income to landlords through UK-Government schemes which offer payments for the energy produced. However, the UK Government has consulted recently on proposals to reduce the unit value of these payments for new installations and tighten the eligibility criteria.

**Although there has been substantial investment in work to achieve the WHQS, it is difficult to identify total expenditure and opportunities to deliver improvement work in a more efficient or economic way may have been missed**

**Although the investment in work to achieve the WHQS has been substantial, the Welsh Government has no reliable estimate of the costs involved**

- 2.17** While there are commonalities, there are also some notable differences in the housing finance arrangements for local authorities, LSVT associations and other housing associations (Box 2).
- 2.18** Shortly after introducing the WHQS, the Welsh Government asked local authorities to make an initial assessment of costs of achieving it through to the end of 2012. Based on these assessments, which pre-dated the introduction of the Major Repairs Allowance, the Welsh Government estimated in February 2003 that the total cost to local authorities could have been in excess of £2.5 billion. At that time, only one local authority (Powys County Council) believed it could fund the work required from resources available at that time. Even then, the Council recognised that the level of investment required might have proved to be higher than anticipated. The estimated shortfall across all local authorities was around £1.5 billion.

<sup>25</sup> The first phase of the ARBED programme provided £30 million to support 28 projects in strategic renewal areas to retrofit homes with energy-saving measures and renewable technologies, including heat pumps and solar panels. In March 2011, the Welsh Government announced a second phase of the ARBED programme with funding of £37 million, mostly from the European Union, until 2015.



## Box 2 - Financing work to achieve the WHQS

### Housing associations

Finance maintenance and improvement work through a combination of rental incomes, capital receipts, private borrowing and, where eligible, grant funding.

The LSVT associations may also receive gap funding (commonly referred to as dowry funding) from the Welsh Government. This is paid where the stock being transferred by a local authority is in such poor condition that it has a negative value (the cost of improvement work is more than the anticipated rental income). In such circumstances, the Welsh Government enables the transfer to go ahead by providing a dowry. All stock transfers to date in Wales have required dowry funding to proceed. The funding continues for as long as required to support a viable business plan (for a maximum of 30 years), but the Welsh Government's initial commitments to LSVT associations have been for either two or five years. Following stock transfer in 2003, Valleys to Coast Housing Association has not received dowry funding since 2008-09.

### Local authorities

In addition to rental income, capital receipts and grants, finance work by means of:

- *The Major Repairs Allowance:* Since 2004, the Welsh Government has provided the Allowance as a grant to support capital works to the housing stock, which may include work specifically to achieve the WHQS. Receipt of the Allowance depends on an authority having a viable 30-year business plan that supports achievement of the WHQS. The amount paid to each local authority that retains its stock has been kept constant since 2004.
- *Supported capital expenditure:* Local-authority landlords receive financial support, via the Housing Revenue Account subsidy system, for the costs incurred in respect of borrowings made in previous years to fund capital expenditure on housing. They also receive an unsecured supported borrowing allowance as part of each year's Revenue Support Grant. This is meant to fund the costs associated with borrowing for non-housing-related capital expenditure. Local authorities may make some of this allowance eligible for Housing Revenue Account subsidy and use this to fund housing improvements. This would be at the expense of other capital programmes.
- *Prudential borrowing:* Since 2004, local-authority landlords have been able to borrow to finance improvements to their housing stock, financing the borrowing from income generated by the Housing Revenue Account. Under the 'Prudential Borrowing Code', local authorities are required to set 'prudential limits' on how much they can afford to borrow.

**2.19** A later report, produced on behalf of the Welsh Government in 2005, estimated the cost to local authorities of meeting the WHQS by 2012 at £1.7 billion<sup>26</sup>. This was significantly less than the 2003 estimate but also did not include Bridgend County Borough Council following stock transfer to Valleys to Coast Housing Association in 2003. The 2005 report estimated the total cost of meeting and maintaining the WHQS through to 2035 at £3.3 billion.

**2.20** Neither the 2003 nor the 2005 estimate included any consideration of the likely costs to housing associations of meeting the WHQS. This appears to have been because the Welsh Government did not see the WHQS as a new requirement for those associations, based as it was on Development Quality Requirements for existing and rehabilitated dwellings (paragraph 2.5). However, it was clear that housing associations still needed to invest substantial resources in order to meet the WHQS.

<sup>26</sup> WHQS and social housing renewal – cost model report, Welsh Government, December 2005.

**2.21** In the 2010 strategy, *Improving Lives and Communities*, the Welsh Government reported that work to achieve the WHQS had already amounted to £1.6 billion worth of expenditure. The Welsh Government based this figure on earlier projections of local-authority and LSVT-association expenditure between 2008 and 2012. However, the estimate did not account for expenditure by non-LSVT housing associations, nor does it appear to have accounted for any expenditure before 2008. In its subsequent monitoring exercise in 2010, the Welsh Government did not attempt to quantify the level of investment that had gone in to delivering the WHQS, because it would be difficult to do so accurately on a retrospective basis. This was borne out by responses to our own survey of landlords.

**2.22** One difficulty in assessing the amount of money spent to achieve the WHQS is in disaggregating general planned maintenance and replacement expenditure from any specific and additional expenditure driven solely by the introduction of the WHQS. It is also impossible to say whether, in undertaking planned maintenance and replacement without the introduction of the WHQS, landlords would have undertaken the work to a lower specification and at lower cost.

**2.23** The Welsh Government has confirmed that its contribution to landlords' core expenditure through the Major Repairs Allowance for local authorities and dowry funding for LSVT associations amounted to some £256 million between April 2004 and March 2010. However, dowry funding has been used to meet some of the cost of stock-transfer processes, as well as subsequent housing improvement work.

**Landlords' business plans indicate that they intend to spend around £2.54 billion between April 2011 and March 2017 on major repairs and maintenance work although estimates could be affected by a number of uncertainties**

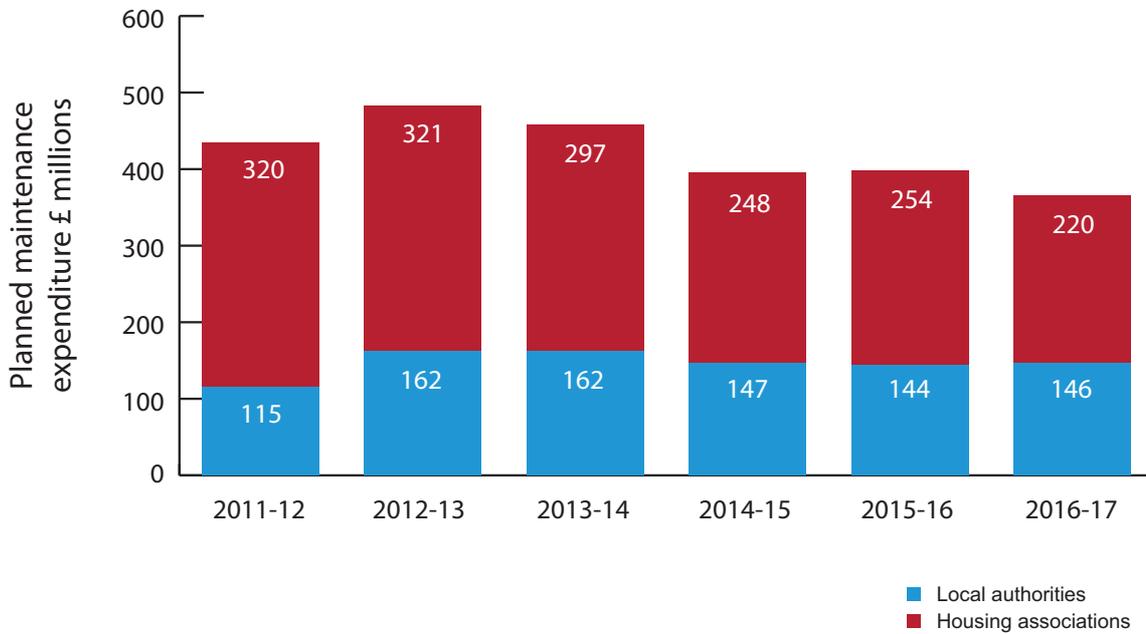
**2.24** Local authorities' and housing associations' 30-year business plans indicate projected expenditure on major repairs and maintenance work of £2.54 billion between April 2011 and March 2017, an average of £11,844 per property. The figures show that planned annual expenditure will peak at £483 million in 2012-13 and then fall back to £366 million in 2016-17 (Figure 7).

**2.25** In total, housing associations project spending a total of £1.66 billion between April 2011 and March 2017, an average of £12,570 per property (Figure 8). LSVT-associations' anticipated average expenditure per property (£18,477) is three times that of other housing associations (£6,164), reflecting the relative extent of progress still to be made by some LSVT associations to meet the WHQS. The projected expenditure for LSVT associations is supported in part by an expected Welsh Government commitment of £286 million in dowry funding during the period.

**2.26** Local authorities anticipate spending a total of £877 million between April 2011 and March 2017, an average of £10,772 per property. This includes an anticipated £331 million over the period from the Welsh Government in the form of the Major Repairs Allowance. Those authorities that have opted to retain their housing stock without pursuing a tenant vote on stock transfer projected spending an average of £8,574 per property. Differences in the projected expenditure in each area generally reflect the volume of work that will still be required to meet the WHQS beyond 31 March 2013.



**Figure 7 - Projected annual expenditure on major repairs and maintenance work, April 2011 to March 2017<sup>1, 2</sup>**



**Notes**

1 Figures are for expenditure on major repairs and planned maintenance. Landlords do not distinguish in their business plans between work to achieve the WHQS and other planned repair and maintenance work but the Welsh Government believes that, given the nature of the WHQS, it is reasonable to assume that this work is directed towards meeting, and then maintaining, the WHQS.

2 Local-authority figures exclude Flintshire County Council where future expenditure depends on the outcome of the ballot on stock transfer that is planned to take place before the end of 2011-12. The Council has indicated that, if tenants vote in favour of transfer, it expects to see the new landlord invest £166 million in work to achieve the WHQS over the period from April 2013 to March 2018. Figures for Caerphilly County Borough Council are included, based on the Council's recently revised business plan. That plan is now intended to support full compliance with the WHQS by the end of 2019-20 in the event of tenants voting against stock transfer in the ballot that is planned for before the end of 2011-12.

*Source: Wales Audit Office analysis of data supplied by the Welsh Government based on business plans submitted by landlords in 2010-11. Figures included for Caerphilly County Borough Council and the Vale of Glamorgan Council are based on projected expenditure identified in business plans that have been developed during 2011-12.*

**2.27** Where local-authority tenants are yet to vote or have rejected stock transfer, the average projected expenditure per property is £13,034. This average figure includes the recently revised expenditure projections for Caerphilly County Borough Council (£20,992 per property) in the event of tenants voting against stock transfer. And, for the Vale of Glamorgan Council where tenants voted against transfer in March 2011, the projected expenditure per property is at a similar level (£20,257) following the revision of its business plan.

**2.28** Landlords' business plans, which are scrutinised by the Welsh Government, are subject to sensitivity analysis to ensure that they can withstand some possible variations in future income and expenditure. For housing associations, the Welsh Government has also introduced a process of financial viability assessments. The published results show that all housing associations passed the financial viability assessment in 2010-11, although two are subject to closer monitoring.

**Figure 8 - Projected expenditure on major repair and improvement work per home, April 2011 to March 2017<sup>1</sup>**

Landlord (number)	Average per home (£s)
<b>Housing associations (39)</b>	<b>£12,570</b>
LSVT associations (11)	£18,477
Other housing associations (28)	£6,164
<b>Local authorities (10)</b>	<b>£10,772</b>
Retaining local authorities (6) <sup>2</sup>	£8,574
Other local authorities (4) <sup>3</sup>	£13,034
<b>All landlords (49)</b>	<b>£11,884</b>

Notes

- 1 Figures are for expenditure on major repairs and planned maintenance. Landlords do not distinguish in their business plans between work to achieve the WHQS and other planned repair and maintenance work but the Welsh Government believes that, given the nature of the WHQS, it is reasonable to assume that this work is directed towards meeting, and then maintaining, the WHQS.
- 2 Those local authorities that decided to retain their housing stock rather than pursue a tenant vote on stock transfer.
- 3 Those local authorities that, at 31 March 2011, were still planning to ballot tenants on the option of stock transfer or where tenants had previously voted against transfer. These figures exclude Flintshire County Council where future expenditure depends on the outcome of the ballot on stock transfer that is planned to take place before the end of 2011-12. The Council has indicated that, if tenants vote in favour of transfer, it expects to see the new landlord invest £166 million in work to achieve the WHQS over the period from April 2013 to March 2018. Figures for Caerphilly County Borough Council are included, based on the Council's recently revised business plan. That plan is now intended to support full compliance with the WHQS by the end of 2019-20 in the event of tenants voting against stock transfer in the ballot that is planned for before the end of 2011-12.

Source: Wales Audit Office analysis of data supplied by the Welsh Government based on business plans submitted by landlords in 2010-11. Figures included for Caerphilly County Borough Council and the Vale of Glamorgan Council are based on projected expenditure identified in business plans that have been developed during 2011-12.

**2.29** While not necessarily regarded as significant risks, landlords have identified various areas of uncertainty that could affect their investment plans and, as a consequence, their progress in meeting and maintaining the WHQS (Appendix 3). These uncertainties relate to assumptions about: income – including potential changes in rent policy, housing-benefit arrangements and, for local-authority landlords, the Housing Revenue Account Subsidy system; required expenditure – for example, if assumptions about stock condition or market prices are not accurate; and organisational and contractor capacity to deliver the planned improvement programmes.

**Landlords have adopted different approaches when contracting the work necessary to achieve the WHQS and collaboration to achieve efficiencies and economies of scale has been limited**

**2.30** The consideration given to issues such as quality or the preferences of tenants might require compromises in terms of delivering WHQS-related work in the cheapest way possible. We have not looked in detail at the way in which landlords are contracting the improvement work necessary to achieve the WHQS. However, other recent reviews provide evidence about whether there have been, and potentially still are, opportunities to deliver this work in a more efficient and economic way.



### Participation in contracts established by housing-association consortia has been mixed due, in part, to concerns about value for money

**2.31** Housing-association consortia<sup>27</sup> were set up principally to support associations' new-build programmes, although the Welsh Government has now indicated that eligibility for Social Housing Grant will no longer be dependent on consortia membership. A 2007 report by HouseMark Cymru indicated that there was a need for greater clarity about priorities for consortium-based purchasing, in terms of new development, planned maintenance or reactive maintenance<sup>28</sup>.

**2.32** The HouseMark Cymru report recognised that consortia were putting in place framework contracts for maintenance and development, but pointed to a lack of hard evidence in terms of the resulting efficiencies or economies of scale. The report emphasised that addressing landlords' willingness to change existing supply arrangements was a major challenge, and called for improved leadership and support for the consortia from the Welsh Government.

**2.33** A 2009 report by HouseMark<sup>29</sup> noted that housing associations in Wales were still tending to buy on an individual basis, often in the context of longstanding supplier relationships, rather than through the six housing-association consortia. However, the report noted that maintenance services were often purchased through consortium framework contracts. The HouseMark report also pointed to housing associations interpreting value for money as being the lowest up-front capital or revenue cost, rather than taking account of whole-life costs.

However, during our visits several housing associations pointed to evidence of reduced costs on responsive repairs following more significant improvement work to meet the requirements of the WHQS. Other financial benefits could include reduced public liability claims and insurance premiums following improvements to the external environment.

**2.34** In their responses to our survey, many of the non-LSVT housing associations reported either using the consortia framework contract arrangements for work related to achieving the WHQS or that they intended to use the framework contracts when existing arrangements ended. However, First Choice Housing Association, which has a small and dispersed housing stock of only 148 properties, indicated that it had chosen not to procure work through consortia framework contracts. The Association considered that it could achieve better value for money by undertaking its own competitive tendering and contracting on a local basis. Bro Myrddin Housing Association also considered that carrying out its own tendering provided better value for money than procuring through the consortia framework contracts. Charter Housing Association has reported a cumulative efficiency saving of £2.3 million through to the end of 2009-10 having established its own framework contract in 2005.

**2.35** In 2009, we recommended to the Welsh Government that the consortia should be reviewed to ensure they were fit for purpose and provided value for money<sup>30</sup>. Before that, the 2008 report of the Ministerial Task and Finish Group on affordable housing (paragraph 2.12) had also emphasised the

<sup>27</sup> Following a consultation exercise in 2004, housing associations were obliged by the Welsh Government to form and join consortia in order to qualify for Social Housing Grant to support their new-build programmes. There are currently six consortia in Wales. Some, but not all, were established on a regional basis.

<sup>28</sup> *Welsh Housing Association Consortia: Overcoming the Barriers*, Housemark Cymru, October 2007.

<sup>29</sup> *Sustainable Procurement in an Economic Downturn*, Housemark, November 2009.

<sup>30</sup> *Lessons from Inspection – housing association inspection 2005 – 2008*, Wales Audit Office, March 2009.

need to examine the effectiveness of the consortia arrangements in more detail as a matter of priority. The programme board established to respond to the review's recommendations resolved, in early 2009, to commission a study on the consortia from an independent source. In August 2010, the then Deputy Minister for Housing and Regeneration decided to take forward this action point as part of a more broadly scoped Ministerial Task and Finish Group review of housing and regeneration sustainable community investment.

**2.36** While the Group's report reinforces some of the concerns raised in previous reviews, it did not examine in any detail the effectiveness of the consortia<sup>31</sup>. The report concluded that the Welsh Government has not delivered clear leadership to the consortia in recent years. The report attributed the lack of clear leadership to the uncertainty caused by the imminence of a formal review and a lack of capacity in the Welsh Government due to a vacant post. It recommended that Community Housing Cymru and the Welsh Government should consult housing associations jointly on a new means to monitor the benefits of investment and collaborative working, while not prescribing the way in which housing associations should collaborate.

**2.37** In England, the National Audit Office's 2010 report on the Decent Homes programme found that the Department for Communities and Local Government actively promoted involvement in procurement consortia. It reported that 14 consortia had been established involving 122 landlords, although these had been responsible for only around one third of all Decent Homes-related work.

The consortia had identified potential savings of £590 million and claimed actual savings of £160 million up until 2008-09.

**The different timescales that have emerged for the improvement programmes of local authorities and the larger housing associations have restricted opportunities for more extensive collaboration between them**

**2.38** The larger housing associations, including the LSVT associations, and local authorities have still tended to contract for work on an individual basis. However, many have done so by setting up their own framework/partnering arrangements and moving away from a traditional competitive-tendering based approach on a project-by-project basis. Most also reported in their survey responses that they have sought to package together programmes of work in such a way as to realise efficiencies and economies of scale where possible.

**2.39** Options for more collaboration between landlords have been explored. In 2006, the Welsh Government funded the development of a new project, 'i2i – inform to involve', to support landlords, tenants and councillors in the process of achieving the WHQS. I2i commissioned research to examine opportunities for collaboration involving the local authorities and LSVT associations operating across south Wales (from Monmouthshire to Swansea). The research concluded that there were potential opportunities to realise savings of between £50 million and £100 million over 10 years through higher volume collaborative procurement of work to achieve the WHQS<sup>32</sup>.

<sup>31</sup> *Report of the Ministerial Task and Finish Group on housing and regeneration sustainable community investment*, Welsh Government, March 2011 (unpublished).

<sup>32</sup> *South Wales WHQS Collaboration Model: WHQS plus – Maximising the Benefits of Housing Investment*, Savills Commercial Limited, March 2007.



**2.40** While the scale of potential collaboration envisaged by this research has not been realised, there has been some direct collaboration between LSVT associations, with Newport City Homes buying into a framework contract set up by Bron Afon Community Housing for the replacement of doors and windows. RCT Homes has also indicated that its framework contract for non-traditional properties, worth around £8 million, could be used by other landlords.

**2.41** Some local authorities and housing associations use their own direct labour to undertake work to help achieve the WHQS. For example, Swansea Council indicated that, for 2010-11, its capital programme was divided on a 45/55 basis between competitively-tendered work and that undertaken by its direct labour organisation. Bron Afon Community Housing has further developed and increased the capacity of its in-house workforce to provide co-ordinated multi-skilled teams. These teams are deployed to undertake the required internal home improvements on a whole-house basis, an approach that the Association has identified as being cost-effective.

**2.42** One factor constraining direct collaboration between landlords in their delivery of WHQS-related work has been the different timescales that have emerged for their improvement programmes. In part, this is due to the varying pace of local-authority stock transfer. It also reflects general differences among other landlords in terms of their progress in developing plans to achieve the WHQS. The emphasis on tenant consultation has also contributed to some of the clear differences that have emerged in terms of how landlords have planned and prioritised the delivery of

their improvement programmes. However, more generally there have been mechanisms, facilitated in part by i2i – inform to involve, through which landlords have been able to collaborate less formally by sharing learning.

## **The slower than expected pace of stock transfer in some local authorities has hampered progress towards achieving the WHQS and, to date, stock transfer has required financial support amounting to at least £476 million**

**Local authorities that were unable to achieve the WHQS through existing funding streams have had to pursue stock transfer**

**2.43** Local authorities that considered they were unable to fund the improvement work necessary to achieve the WHQS within the available funding streams were able to assess a number of options to achieve the investment required. Options included:

- a Transferring all or part of their housing stock to an existing or new housing association following a tenant ballot:**  
The new landlord, free of restrictions on public-sector borrowing and with no historic debt repayments to meet, is better placed to finance the work required. The Welsh Government issued guidance on stock-transfer processes in 2002, which it updated in 2009<sup>33</sup>. Since being established in 2006, the remit of the i2i – inform to involve project has included a range of support for local-authority stock transfer.

<sup>33</sup> *Housing Transfer Guidelines 2009*, Welsh Government, April 2009.

**b Creation of an Arms Length Management Organisation (ALMO) to manage and improve all or part of the local authorities' housing stock.**

The ALMOs are companies set up by local authorities to manage and improve housing stock. This allows the Council to retain ownership of stock but delegate day-to-day management to the new body for a fixed period (usually 10 years). In England, ALMOs were eligible for additional supported capital borrowing once they were rated as 'good' or 'excellent' by the Audit Commission. This additional funding was not available in Wales. Overall, ALMOs are generally acknowledged as being successful in delivering progress towards the Decent Homes target<sup>34</sup>.

**c Private Finance Initiative (PFI):**

The local authority would enter into a long-term contract – typically 25 to 30 years in duration – with a private-sector company to undertake improvement work and then to manage the housing stock. The cost to the local authority would be spread over the length of the contract. This approach has been used in England, although mainly for new-build projects and area regeneration with mixed success and limited evidence of value for money<sup>35</sup>.

stock if they could finance the investment required or to pursue stock transfer. The option of transferring part, rather than all, of the stock has, to date, been ruled out by local authorities because of the financial implications.

**2.45** Local authorities, through the Welsh Local Government Association, argued for more options to allow them to retain stock and achieve the WHQS. While *Better Homes* suggested that the possibility of support for ALMOs would be kept under review, the Welsh Government has not since changed its stance. A Welsh Government review of the *Better Homes* strategy in 2006 emphasised that: 'The main question that remains is what can be done for those authorities whose business plans indicate that they cannot meet WHQS from within their own resources but who do not pursue the housing stock transfer route<sup>36</sup>.' This question has still not been answered satisfactorily for those authorities where tenants have voted against stock transfer and, other than the option of pursuing a further ballot, there is not currently any clear alternative means to achieve the WHQS.

**The slower than expected pace of stock transfer in some local authorities has hampered the achievement of the WHQS**

**2.44** While not ruling out ALMOs or PFI, the *Better Homes* strategy in 2001 explained that the Welsh Government would only offer financial support for stock transfer. This was because the other options would require additional funding from the Welsh Government and reduce the monies available for authorities that retained their stock. Consequently, Welsh local authorities found that they had only two viable choices: to retain their

**2.46** Before the WHQS was introduced in 2002, all Welsh local authorities owned a significant number of homes. Although some authorities had transferred relatively small numbers of homes to housing associations, the first large-scale stock transfer in Wales was in 2003 when Bridgend County Borough Council transferred more than 5,000 homes and 654 leasehold properties to the newly created Valleys to Coast Housing Association.

<sup>34</sup> *Whose stock is it anyway: local authority perspectives on the future of ALMOs*, HouseMark and Douglas Banks Consultancy, November 2010.

<sup>35</sup> *PFI in housing*, National Audit Office, June 2010.

<sup>36</sup> *National Housing Strategy for Wales: A Selective Review*, Welsh Government, November 2006.



In contrast, large-scale stock transfer was already well established in England where, by 2001, over 100 local authorities had transferred all of their stock.

- 2.47** The Welsh Government's 2006 review of the *Better Homes* strategy suggested that there had been a hiatus in the stock-transfer option to achieve the WHQS, and raised concerns about local authorities that had indicated they could not afford to meet the WHQS but were not pursuing stock transfer. Some of this delay stemmed from local authorities hoping that other options, such as ALMOs, might have become viable in the event of a change in Welsh Government policy. Strong local opposition in some areas to the principle of stock transfer also delayed decision-making.
- 2.48** Where local authorities had identified they could not afford themselves to meet the WHQS then, if they had not already begun the stock-transfer process by the end of 2006, meeting the WHQS in full by the original 2012 target date was very unlikely. Aside from the time needed to deliver the required improvement work, the National Audit Office's 2010 report on the Decent Homes programme found that the average time taken to complete stock transfer in England was 31 months. In Wales, four stock transfers took place in 2007 and 2008 and each of the new LSVT associations now project that they will be able to meet the WHQS by 31 March 2013. The six LSVT associations created by stock transfers since the start of 2009 have agreed extended deadlines with the Welsh Government.

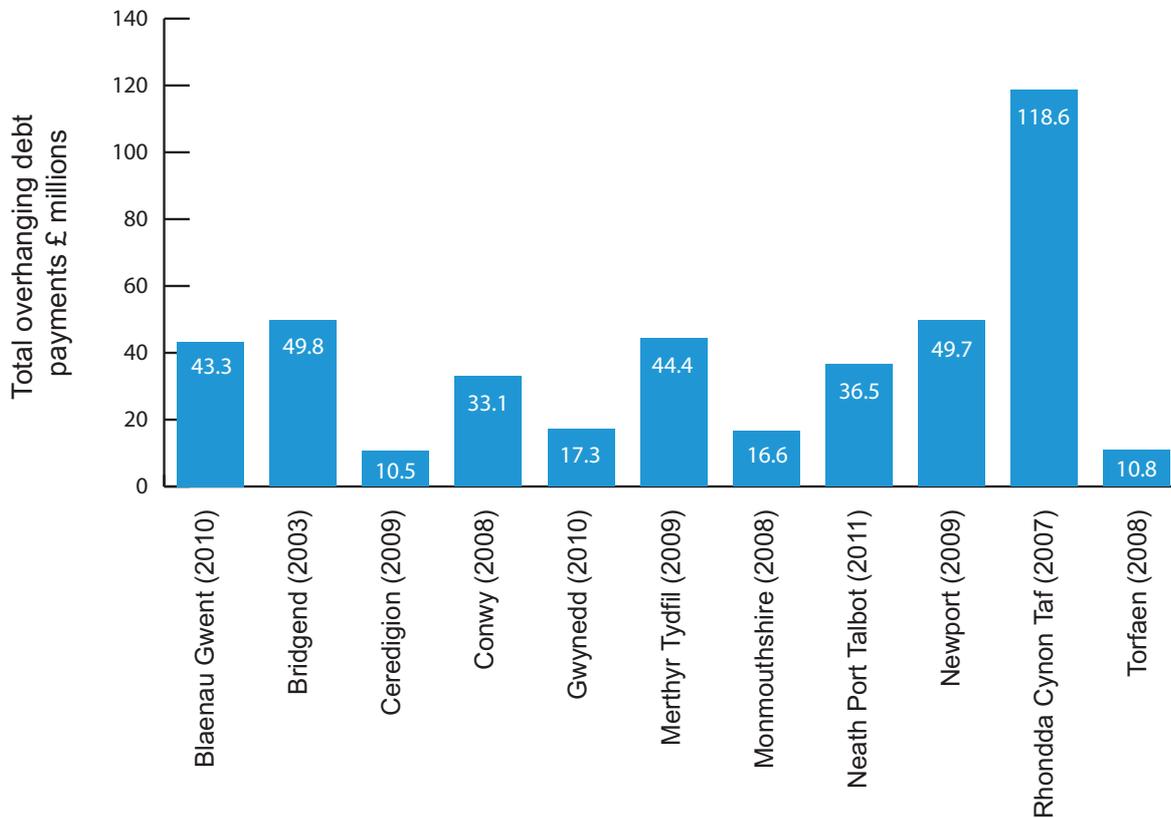
### **Writing off local authorities' housing-related debts to facilitate stock transfer has, to date, cost the UK taxpayer £430 million**

- 2.49** Where local authorities transfer their housing stock, they may receive a lower payment for the stock (based on its value) from the new landlord than the related housing revenue account debt. The terms of that debt are defined by the Welsh Government's stock-transfer guidelines and include any premiums due to the early redemption of loans. To date all 11 large-scale stock transfers in Wales have resulted in the local authority being left with an overhanging debt. The payments made by HM Treasury to fund clearance of these debts have totalled £430 million, ranging between £10 million and £119 million per transfer ([Figure 9](#)).

### **The cost of tenant ballots and other preparations for stock transfer has, to date, amounted to at least £46 million**

- 2.50** Where tenants vote in favour of stock transfer, the new LSVT associations are responsible for the pre-ballot preparation costs and the subsequent costs associated with transferring ownership of the housing stock, including legal and consultancy costs. Although paid by the new LSVT associations, these costs essentially represent the first call on the dowry funding provided by the Welsh Government. Figures supplied by the Welsh Government and, in some cases, updated by the local authorities and LSVT associations concerned, indicate that these costs have amounted to around £43 million for the 11 transfers to date. For future transfers, the Welsh Government has introduced a cap on the cost of the transfer process, with pre-ballot costs limited to £1 million and the whole transfer process being capped at £5 million. Four of the previous transfers reported final pre and post-ballot costs in excess of £5 million.

**Figure 9 - Overhanging debt payments by HM Treasury to support large-scale local-authority stock transfers**



**Note**  
 These figures include the calculated debt and any related premiums due to the early redemption of loans.  
 Source: Data supplied by the Welsh Government.

**2.51** In addition to the pre and post-ballot costs, the costs of administering the tenant ballots, including in some cases related statutory consultation, are still met by the individual local authorities concerned. Based on figures supplied by nine of the 11 authorities that have transferred their housing stock, we estimate that these costs have amounted to at least £500,000.

**2.52** The reported pre and post-ballot costs do not necessarily reflect the full costs incurred by local authorities to facilitate transfer, or the full costs involved in the development of the new LSVT associations. For example, Conwy County Borough Council made a one-off payment of just under £1.8 million to ensure that staff transferring to the new landlord, Cartrefi Conwy, were able to retain their former pension arrangements on a fully funded basis.



**2.53** There can also be shared future liabilities arising from the transfer agreement. For example, Ceredigion County Council and the new landlord, Tai Ceredigion, agreed to share the anticipated cost of £3.6 million in order to bring a number of sewage-treatment works serving local housing estates up to the standard required so that these facilities can be adopted by Dŵr Cymru.

**2.54** In the event of a no vote, since 2009 the Welsh Government has met the full cost of ballot preparations. The preparatory costs for the Vale of Glamorgan Council's ballot in April 2011 amounted to £778,000. Before 2009, preparatory costs were shared between the local-authority landlord and the Welsh Government. The Welsh Government contributed £357,000 to the £907,000 preparatory cost for Wrexham County Borough Council's ballot in 2004 and met half of the £1.2 million preparatory cost for the City and County of Swansea Council's ballot in 2007. These figures exclude the cost of administering the ballots themselves, which was met by the three local authorities and totalled £80,000.

## **The Welsh Government has not acted swiftly or effectively enough to monitor progress and ensure that work to achieve the WHQS was being prioritised by landlords**

**While the Welsh Government set out expected planning milestones for landlords, it is unclear whether the original 2012 deadline was ever realistic**

**2.55** The Welsh Government's original guidance on the WHQS in 2002 (for local authorities) and 2003 (for housing associations) set out a series of expected planning milestones (Figure 10). However, the Welsh Government did not have robust information to be able to quantify the extent or costs of the improvements in housing quality that were needed to meet the WHQS when it set the 2012 deadline<sup>37</sup>. Also, the aim of achieving the WHQS within 10 years was more ambitious than the comparable aims for social housing in England and Scotland.

**2.56** The initial 10-year period to achieve the WHQS (2002-2012) mirrored the length of time set by the UK Government to achieve the Decent Homes Standard in England (2000-2010). This was despite the challenge being greater in Wales: the WHQS was more challenging than the Decent Homes Standard, a greater proportion of social housing in England already met the Decent Homes Standard at the outset and the process of local-authority stock transfer in England was already more developed. The Scottish Government set a target date of 1 April 2015 for achievement of the Scottish Housing Quality Standard, which represented

<sup>37</sup> The research commissioned by the Welsh Government, and published in January 2005, on the early experience of Valleys to Coast housing association (paragraph 2.7) concluded that it was difficult to see how the WHQS was going to be implemented by 2012 across Wales as a whole.

**Figure 10 - Milestones set out for landlords by the Welsh Government to support achievement of the WHQS**

Target date	Action required
<b>By 1 September 2002<sup>1</sup></b>	<ul style="list-style-type: none"> <li>Establish the current state of the housing stock relative to the WHQS based on the best available information.</li> <li>Estimate the investment needed to achieve the WHQS.</li> <li>Assess the work programmes necessary to meet the WHQS.</li> </ul>
<b>Between 1 September 2002 and end 2006<sup>2</sup></b>	<ul style="list-style-type: none"> <li>Gather comprehensive information on the whole of the housing stock.</li> <li>Complete tenant consultation on the draft programme.</li> <li>Finalise and implement a programme for the repair and improvement of the stock.</li> <li>Update the business plan to include the tenant consultation results and the repair and improvement programme.</li> </ul>
<b>End 2012</b>	<ul style="list-style-type: none"> <li>Review and monitor the programme as a part of the business-planning process.</li> <li>Confirm that all housing stock meets the WHQS.</li> </ul>

Notes

- 1 This initial milestone was included in the 2002 guidance for local authorities but not in the 2003 guidance for housing associations.  
 2 In revised guidance, published in July 2008, while landlords were still expected to have gathered comprehensive information on the whole of the housing stock, the milestone date for completing tenant consultation, finalising and implementing a repair and improvement programme and updating business plans was presented as the end of 2007.

Source: *The Welsh Housing Quality Standard: Guidance for Local Authorities on the Assessment Process and Achievement of the WHQS*, Welsh Government, April 2002.

*The Welsh Housing Quality Standard: Guidance for Registered Social Landlords (RSLs) on the Assessment Process and Achievement of the Standard*, Welsh Government, November 2003.

*The Welsh Housing Quality Standard: revised guidance for landlords on interpretation and achievement of the Welsh Housing Quality Standard*, Welsh Government, July 2008.

10 years from the point at which landlords were expected to have submitted plans outlining how they would achieve it.

**The Welsh Government did not set interim targets for progress towards compliance with the WHQS and, until 2010, had not sought to measure landlords’ progress on a consistent basis**

**2.57** In contrast to the position in England and Scotland, the Welsh Government did not introduce interim targets for progress towards compliance with the WHQS in advance of the original 2012 deadline<sup>38</sup>. Officials believed that

to have done so could have had an adverse effect on landlords’ plans. For example, interim targets might have encouraged landlords to prioritise improvements in those homes that only needed a small amount of work to achieve the WHQS, and avoid tackling their worst properties.

**2.58** Nevertheless, if defined appropriately, such targets could have provided benchmarks against which the Welsh Government could have monitored on a regular and consistent basis the progress being made by landlords. In the event, the Welsh Government did not seek to measure landlords’ progress

<sup>38</sup> For the Decent Homes Standard in England, and from a 2001 baseline, the UK Government set interim targets for the number of non-decent homes to fall by a third by 2004, by 45 to 50 per cent by 2006 and by 65 to 70 per cent by 2008. In Scotland, landlords were encouraged to set their own milestones in terms of working towards the Scottish Housing Quality Standard but, from 2006-07 onwards, have had to report progress annually to the Scottish Housing Regulator.



on a consistent basis until 2010. Interim targets may also have encouraged swifter improvements in the quality of stock-condition data to support landlords' planning arrangements.

**The Welsh Government has, reasonably, focused on the particular challenges facing local authorities and LSVT associations, but it has not been effective in ensuring that work to achieve the WHQS was being prioritised by all landlords**

**2.59** The Welsh Government review of the *Better Homes* strategy in November 2006 showed that 10 of the 22 local authorities had not confirmed their plans to achieve the WHQS. Of those local authorities that had finalised their plans, one stock transfer had been completed, four authorities had decided to retain their stock and seven were preparing for stock transfer. Despite the clear lack of progress in some areas, the review did not reassess the feasibility of the target to achieve the WHQS by 2012. Although the review raised concerns about local authorities that were not undertaking options appraisals, it did not consider the need for any remedial action. By contrast, in England, the Department for Communities and Local Government announced in 2006 that the complexities of the programme meant that the target would be revised downwards so that 95 per cent of social housing was expected to meet the Decent Homes Standard by 2010.

**2.60** In June 2007, the *One Wales* document stated that local authorities could apply for an extension to the 2012 deadline if they could demonstrate that this would enable them to meet the WHQS and if they could demonstrate community support for the extension<sup>39</sup>. To date, the Welsh Government has agreed just two extensions for local authorities: for Carmarthenshire County Council to the end

of 2014-15; and Powys County Council to the end of 2017-18. Extensions beyond 2012 have also been formally approved for the six LSVT associations created since the start of 2009. There is no similar agreement in place for other landlords that do not expect to achieve full compliance with the WHQS by 31 March 2013.

**2.61** It is not clear what sanctions the Welsh Government could or would impose on landlords that do not achieve the WHQS by the target date and where formal extensions have not been agreed. However, the Welsh Government did introduce new criteria for the Major Repairs Allowance in 2008, which stated that local authorities had to have a viable business plan to meet and maintain the WHQS, or to be otherwise committed to working with the Welsh Government to ensure the best use of available resources. The Welsh Government has not imposed this sanction, but it believes that the new criteria have sharpened the focus of some local authorities in terms of looking afresh at options for achieving the WHQS. Withholding the Major Repairs Allowance would have made it even more difficult for local authorities to deliver WHQS-related improvement work.

**2.62** In September 2011, the Welsh Government requested an update from each landlord to establish their latest projected timescale for achieving full WHQS compliance and, if applicable, an explanation of the reasons for non-compliance. This is with a view to, in time, agreeing further formal extensions where appropriate. Annual reports are already expected of LSVT associations in receipt of annual dowry funding, setting out the progress they are making in terms of delivering on the promises made to tenants as part of the stock-transfer process, including in terms of achieving the WHQS.

<sup>39</sup> *One Wales: a progressive agenda for the Government of Wales*, Welsh Government, June 2007.

- 2.63** Since introducing the WHQS, Welsh Government officials have had a close dialogue with local-authority officers in terms of their options for achieving it, particularly in the context of planning for stock transfer. However, it is not clear that the Welsh Government has had a similarly close dialogue with housing associations, nor with some of those local authorities that opted at an early stage to retain their housing stock.
- 2.64** A focus on those local authorities that identified they were unable to fund achievement of the WHQS, and subsequently with LSVT associations, was perhaps inevitable and necessary given the relative scale of the issues involved. For other housing associations, the Welsh Government did not see achieving the WHQS as requiring anything substantially different from the Development Quality Requirements for existing and rehabilitated dwellings. Nevertheless, the gap in regulatory activity in the wake of the 2008 Independent Review of Affordable Housing and staff turnover have also contributed to a lack of continuity in the Welsh Government's relationships with and scrutiny of housing associations. There is, for example, no clear evidence of the Welsh Government taking action to address the concerns raised by our previous housing-association inspection work about the slow rate of progress some associations were making towards achieving the WHQS. This is despite the fact that putting plans in place to support achievement of the WHQS by 2012 was part of the previous regulatory code for housing associations.
- 2.65** Between 2007 and 2010, annual guidance from the Welsh Government on the submission of 30-year business plans for housing associations also indicated that the plans should have supported achievement of the WHQS by 2012. Based on their original monitoring returns in 2010, only a quarter of non-LSVT housing associations were projecting full compliance by 31 March 2013. The updated information supplied by landlords since September 2011 indicates that half of these housing associations now expect to achieve full compliance by 31 March 2013.
- 2.66** Some housing association officers told us that they have been open in their discussions with Welsh Government officials in recent years about their prospects for achieving the WHQS by 2012. And that they had taken the lack of any further intervention from the Welsh Government as tacit acceptance of their plans. Some responses to our survey and feedback during our visits to landlords also suggested that news of the extended deadlines offered to some landlords, albeit mainly in the context of recent stock transfers, may have caused other landlords to question the importance that the Welsh Government was placing on the original 2012 deadline.
- 2.67** It is also clear that some housing associations have, within available resources, chosen to prioritise their attention and investment on new-build programmes rather than work to achieve the WHQS in existing homes. However, the increased rental income then available by increasing the size of the housing stock can help fund WHQS-related improvement and maintenance works in the more medium to long-term. In June 2007, the Welsh Government set a target of providing 6,500 new affordable homes over the following four years. In October 2011, the Welsh Government published figures showing that



that target had been exceeded by 40 per cent, with 9,091 additional affordable housing units being delivered between 1 April 2007 and 31 March 2011. Most (85 per cent) of these units were delivered by housing associations<sup>40</sup>.

## **There is positive evidence of wider social, economic and environmental benefits from work to achieve the WHQS but some landlords have focused on this more strongly than others and there is no clear framework for measuring success**

**The Welsh Government has increasingly promoted the wider benefits that could flow from work to achieve the WHQS, particularly through its development and funding for the 'i2i – inform to involve' project**

- 2.68** From the outset, the Welsh Government identified the wider benefits that could flow from work to achieve the WHQS. These included job creation and area regeneration, as well as improved health, well-being, safety and security. Enhanced tenant consultation and participation in housing management were also seen as important outcomes.
- 2.69** In recent years, the Welsh Government has increased its emphasis on these wider benefits. In particular, the Welsh Government has promoted a focus on sustainable procurement and the relationship between housing investment and community regeneration. In *Improving Lives and Communities*, the Welsh Government quoted HM Treasury estimates that every million pounds invested in housing repair and maintenance generates work for 32 workers over the course of a year.

**2.70** Since 2006, the Welsh Government's development and funding for the 'i2i – inform to involve' project has provided a range of support to the process of achieving the WHQS, including wider benefits realisation. The work of i2i has included developing the policy of encouraging targeted recruitment and training through the inclusion of 'social clauses' as core requirements of procurement contracts to promote the recruitment and training of workers from a targeted area and/or the long-term unemployed. Targeted recruitment and training are partly enabled by the scale of investment that allows landlords to develop long-term relationships with suppliers. For example, Newydd Housing Association (Cadarn Housing Group) told us that by entering into longer-term contracts for improvement work, it was able to encourage contractors to create apprenticeship opportunities. Through i2i, the Welsh Government has also promoted efforts to try to ensure that Wales's small and medium-sized companies can benefit from WHQS-related expenditure.

**2.71** i2i has produced a series of other toolkits and guidance for landlords and tenants, including guidance for Communities First partnerships to help them maximise the benefits from work to achieve the WHQS. Other outputs from the i2i project include guidance for landlords on business planning processes and arrangements for using consultants, and working with tenants to establish what they want from the WHQS. Additional advice and guidance are available from other organisations that are supported financially by or are part of the Welsh Government, for example the Tenants Participation and Advisory Service Cymru, Value Wales and Constructing Excellence Wales.

<sup>40</sup> *Affordable Housing Provision in Wales, 2010-11*, Welsh Government, October 2011.

**2.72** The Welsh Government has also sought to raise awareness of the need to minimise the potential environmental impact of work to achieve the WHQS in terms of waste. Through Constructing Excellence in Wales, the Welsh Government commissioned research from the Building Research Establishment that suggested that achieving the WHQS would create 400,000 cubic metres of waste, enough to fill 110,000 skips, with a waste-disposal cost estimated at £25 million. While not referring specifically to housing, the Welsh Government's national waste strategy *Towards Zero Waste*<sup>41</sup> set targets for reducing the amount of waste produced by the construction industry, including reducing the amount going to landfill by 75 per cent by 2019-20, compared to 2007.

### **Some landlords have a stronger focus on the wider benefits agenda than others**

**2.73** In 2010, the then Deputy Minister for Housing and Regeneration established a Task and Finish Group to examine how the social, economic and environmental impacts of public investments in housing and regeneration, including work to achieve the WHQS, could be maximised (paragraph 2.35). The group's conclusions emphasise that there is no shortage of advice for landlords on sustainable procurement related issues. However, their report acknowledges that, despite some examples of excellent practice, take-up of this advice is patchy. The group's recommendations included references to:

- a** the Welsh Government's role in promoting awareness of existing resources and good practice, and in establishing improved monitoring and evaluation of the wider benefits from this investment;

- b** the need to ensure that even with restricted funds, landlords commit to a procurement approach that recognises that cheapest does not equal best value in the long run;
- c** establishing clear national leadership on sustainable procurement skills for housing and regeneration and an all-Wales housing procurement network; and
- d** closer engagement between the social housing sector, the sector skills council and the Welsh European Funding Office to ensure skills shortages are understood and addressed.

**2.74** The Welsh Government's Housing Directorate has been discussing with Value Wales the best means of responding to the group's recommendations. In March 2010, the Welsh Government, through Value Wales, relaunched an approach to the measurement of community benefits from procurement decisions. In doing so, the Welsh Government aimed to widen the focus beyond jobs and training to include issues relating to the supply chain, education, workplace equality, environmental improvement and helping disadvantaged communities<sup>42</sup>.

**2.75** Broadly, the Task and Finish Group's findings reflect our own analysis, based on the information we have received from landlords and other stakeholders. For example, although most landlords indicated in their survey responses that wider benefits such as job creation and training opportunities had been quite important influencing factors in their work to achieve the WHQS (albeit that some of these programmes were still at an early stage), less than two-thirds claimed to have had a strong focus on these issues.

<sup>41</sup> *Towards Zero Waste*, Welsh Government, June 2010.

<sup>42</sup> *Community benefits: delivering maximum value for the Welsh pound*, Welsh Government, March 2010.



Similarly, only around half of landlords claimed to have had a strong focus on improved community morale and community safety.

**2.76** Local authorities and LSVT associations were generally more likely than other housing associations to claim a strong focus on the wider benefits of achieving the WHQS. These differences are unsurprising given the wider regeneration responsibilities of local authorities and the larger scale and geographic concentration of local-authorities' and LSVT-associations' housing stock. Nevertheless, there are examples of other housing associations working to deliver these wider benefits, whether in their own right or through housing-association consortia arrangements. For example, Linc Cymru inserted social clauses in their building contracts to ensure that work was undertaken by local employees. As a result, the successful contractor opened an office in Cardiff and employs local staff to manage and undertake the work.

**2.77** Tenant-focused concerns have provided the strongest motivation for landlords. Eighty per cent or more of the landlords responding to our survey stated that their work to achieve the WHQS was driven by a strong focus on increased tenant choice and participation, improved health and well-being, or improving tenants' satisfaction with their homes.

### **Local authorities continue to have an important role to maximise the wider benefits of housing investment even if they no longer perform a landlord function**

**2.78** Local authorities have a continuing strategic housing function to perform, even if they no longer own and manage any housing following stock transfer (**Box 3**). These strategic functions, the importance of which is emphasised in the Welsh Government's stock-transfer guidelines, should include working with local housing associations to help co-ordinate and secure the maximum benefit from housing-related investment. Even before most of the recent stock transfers in Wales, the Welsh Government and the Chartered Institute of Housing Cymru had expressed concerns about the low priority given by local authorities to their strategic housing functions and the low level of resources available to fulfil this role. Local authorities have had to re-evaluate their approach to their retained housing functions as they prepare to transfer their stock and lose their landlord roles. Many local authorities have lost staff who previously carried out these strategic functions to the new LSVT associations.

**2.79** In their responses to our survey, none of the 11 local authorities that retained housing stock pointed to their having any arrangements in place to routinely monitor the progress other landlords in their area were making towards achieving the WHQS. However, several authorities emphasised that there were opportunities for informal dialogue through established housing-related groups and, at an operational level, there are examples of liaison between local authorities and housing associations in the development and implementation of their work programmes. Carmarthenshire County Council indicated that it was looking to introduce monitoring against

### Box 3 - Local authorities' strategic housing functions

The prime role of a local authority in relation to housing is as a strategic housing authority. However, in practice, the landlord function has tended to dominate thinking about housing in many authorities. The strategic role of the local housing authority is to join up housing-related activity in a coherent housing policy that addresses the key issues in the local housing market. It also ensures that these activities connect with, and contribute to, the achievement of wider corporate, regional and national policy aims.

Strategic functions includes overseeing housing conditions and supply to ensure that sufficient affordable housing is available; co-ordinating and delivering social housing grant; responsibility for homelessness, housing advice and housing allocation; supporting people; private sector renewal; and the administration of housing benefit.

Source: 'Surviving Transfer: the strategic housing function and retained activities', *i2i – inform to involve*, April 2008.

the WHQS, including issues relating to wider benefits realisation, as part of a new Community Housing Agreement. Similarly, the Vale of Glamorgan Council said that one of the tasks of its recently established Strategic Housing Forum, bringing together landlords in the area, would be to jointly monitor progress in achieving the WHQS.

- 2.80** In those local authorities where stock transfer has taken place, arrangements for monitoring progress towards the WHQS by the relevant LSVT association are clearer cut and are linked with overseeing the delivery of commitments made to tenants as part of the stock-transfer process (**Case Study 4**). However, some of these reporting arrangements are still to be fully established.

### Case Study 4 - Delivering the strategic housing role at Gwynedd Council before and after stock transfer to Cartrefi Cymunedol Gwynedd

From its inception, Gwynedd Council established a Housing Policy and Strategy unit and has maintained the unit following the transfer of its housing stock.

The Gwynedd Housing Partnership was established in 2008 to deliver the objectives of its Local Housing Strategy and related programmes, including work to achieve the WHQS. Partnership members included the Council and the three principal housing associations operating in the county at that time, as well as representatives from Snowdonia National Park, local estate agents and the representatives of private-sector landlords. Subgroups also included representatives from the private and third sectors and local residents. Following stock transfer in 2010, the new landlord, Cartrefi Cymunedol Gwynedd, joined the partnership.

The partnership is reviewing the Local Housing Strategy and will assess whether to adopt a Community Housing Agreement, which would include achievement of the WHQS and the relevant parts of the Community Strategy. It is also implementing a common housing register for all social-housing landlords to co-ordinate housing applications and allocation.

Following stock transfer in 2010, the local authority is monitoring the new landlord's performance against service level agreements established in the transfer agreement. Senior managers meet Cartrefi Cymunedol Gwynedd on at least a quarterly basis and council committees are receiving reports about the new landlord's arrangements and performance, not just in terms of delivering improved housing but also in terms of wider benefits realisation.

In advance of stock transfer, the Council commissioned research from Bangor University which highlighted the potential local economic, regeneration and employment impacts of transfer if, in contracting the work necessary to meet the WHQS, the new LSVT association demonstrated a clear commitment to support the local economy.



**Although there is no clear framework for measuring success, there is a growing body of evidence about the wider benefits flowing from work to achieve the WHQS**

**2.81** As part of its monitoring exercise in 2010, the Welsh Government asked landlords to provide evidence of the effects of work to achieve the WHQS on tenants' health, crime, poverty or employment and training. Prior to this, it had not set out any specific expectations for landlords in terms of monitoring and evaluating these wider benefits. Landlords reported limited evidence of the effects of their work programmes, although there are examples of positive outcomes reported to the Welsh Government or highlighted in other sources ([Appendix 4](#)). Some landlords indicated plans for future evaluation work as their programmes of work continue and reach a conclusion.

**2.82** The general lack of hard evidence of these wider benefits provided by landlords reflects the position identified previously for housing associations in our 2009 *Lessons from inspection* report. However, it is clear that the lack of hard evidence does not reflect the effort and focus that landlords have given to achieving wider benefits, whether in the way in which they have taken forward plans for achieving the WHQS or in their other activities. For example:

**a** Carmarthenshire County Council told us that the consultation with tenants, particularly hard-to-reach groups, resulting from work to develop local environmental plans, had enabled officers to signpost housing advice, including financial advice, to more households.

- b** Linc Cymru told us that it had employed two Money Advice officers in a pro-active move to provide information and services to tenants on a range of matters including fuel poverty and income maximisation, problems that were increasingly affecting its tenants.
- c** The Genus Housing Association consortium has published an impact report setting out its overall successes in achieving economic, social and environmental impacts<sup>43</sup>. These included the creation of 50 jobs for unemployed people, 2,800 long-term jobs for local people, and savings of 2,300 tonnes in CO<sub>2</sub> emissions through the installation of insulation, double glazing and new boilers.
- d** The Integrate Housing Association consortium has been using targeted recruitment and training as a core requirement of contracts for over two years and, at the end of 2010, had supported 160 trainees as a result of its procurement activity. The consortium's efforts on targeted recruitment and training, and the work of its members, have been supported by a Welsh Government funded post intended specifically to promote this agenda.
- e** Cartrefi Cymunedol Gwynedd has developed a procurement model that seeks to provide opportunities for large contractors, small contractors and its own workforce. The Association has created additional internal capacity, in the form of 'construction facilitators', to provide support to smaller local contractors and its internal workforce to develop their processes in order to comply with contract requirements and ensure that training and

<sup>43</sup> Genus *Making an Impact, Shaping the Future*, Genus Consortium, 2010.

skills development for the local workforce is delivered. The Association has also liaised with Coleg Menai and Construction Skills Wales to discuss the opportunities for further training and to ensure that the type of apprenticeships offered provide multi-skilling qualifications to complement traditional building-trade qualifications.

- f** Work undertaken to meet the WHQS requirements in terms of attractive and safe environments is also relevant to the voluntary housing management standard for tackling anti-social behaviour introduced by the Welsh Government in 2008. Currently seven landlords are registered as meeting the standard while another four are registered as working towards it<sup>44</sup>.

**2.83** Although not easy to quantify, the process of planning for and delivering work to achieve the WHQS has increased tenant involvement in housing-management issues, something which is now at the core of the new regulatory framework for housing associations. The extent of tenant engagement was endorsed during meetings we held with tenant representatives, and most landlords were able to provide clear examples of how tenants had been involved in decisions about the development and delivery of landlords' programmes of work (**Case Studies 5 to 7**).

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<sup>44</sup> *Wales housing management standard for tackling anti-social behaviour*, Welsh Government, July 2008.



### Case Study 5 - Tenant engagement in work to achieve the WHQS at Newydd Housing Association (Cadarn Housing Group)

In 2007, Newydd consulted tenants to identify their priorities for repair and improvement. At that time, the most pressing priority for tenants was improvements to kitchens and bathrooms, but based on its stock-condition survey data the management decided that it was necessary to complete roofing works first. The full works programme is now due to be completed by 31 March 2015.

In 2009, Newydd's Management Board established a Tenants Maintenance Panel made up of tenant representatives and facilitated by the Association's Maintenance Manager. The Panel is consulted annually about the maintenance strategy and priorities and meets quarterly as a forum to raise tenants' issues and complaints.

Tenants told us that there were now clear channels of communication throughout the Association and that they felt very involved in scrutinising performance. Tenant representatives told us that they were very satisfied with the work that was being done and that this represented a much greater investment in their homes than they had seen before the WHQS. They told us that they were content that the programme for replacing kitchens and bathrooms would extend until 2015, as they understood that the landlord was spreading the investment over several years for both financial and capacity reasons.

### Case Study 6 - Tenant engagement in work to achieve the WHQS at Bron Afon Community Housing

Following stock transfer from Torfaen County Borough Council, the Association has embedded its relationship with its tenants in relation to WHQS improvements through its Quality Design Forum. Tenants have been actively involved in shaping the prioritisation of the improvement programme and, drawing on tenant feedback, the Association has tested and reviewed the way in which the programme is delivered.

The Association has recognised that when undertaking 'whole-house' internal improvements it does not need to decant tenants from their homes. To help tenants remain in their homes additional support plans are developed and tailored to their needs and may include: food vouchers; transport to lunch clubs; or social activities for children. The cost of this support service is factored into the unit cost of delivering the WHQS improvement work. Tenants have been given the commitment that improvements to their homes will be completed over a three-week period.

### Case Study 7 - Tenant engagement in work to achieve the WHQS at Cartrefi Conwy

Cartrefi Conwy, established in 2008 following stock transfer from Conwy County Borough Council, has sought to involve tenants closely in the development of priorities for improvement through its WHQS Improvement Working Group.

Tenants have been closely involved in the process of selecting the contractors for major works: determining selection criteria, analysing submissions and interviewing contractors. This involvement aimed to ensure that the selected partners were best placed to deliver against the tenants' priorities.

The working group also considers quarterly indicators of contractor performance. To date, tenants have recorded high levels of satisfaction with the work undertaken.

## Glossary

**Arms Length Management Organisation (ALMO)** - A company set up by a local authority to manage and improve all or part of its housing stock. The housing stock remains in the ownership of the local authority but the ALMO takes responsibility for day-to-day management.

**Building Research Establishment** - A non-profit making organisation that provides consultancy and research to the building industry.

**Chartered Institute of Housing** - A professional organisation for people who work in housing. It provides training and research, and lobbies on behalf of its members.

**Community Housing Cymru** - A registered charity representing housing associations in Wales.

**Constructing Excellence in Wales** - An umbrella body, funded by the Welsh Government, whose remit is to improve the construction process in Wales and ensure the principles of rethinking construction outlined by the Egan and Latham reports become mainstream industry practice.

**Development Quality Requirements** - Development Quality Requirements set out minimum standards for new, existing and rehabilitated homes owned by housing associations. These requirements were introduced by the then housing regulator in Wales, Tai Cymru, in 1996.

**Dowry funding** - The Welsh Government will provide funding to LSVT associations in circumstances where the stock being transferred by a local authority is in such poor condition that it has a negative value (the cost of improvement work is more than the anticipated rental income).

**Inform to involve (i2i)** - A project established in 2006 with funding from the Welsh Government. Now managed by the Chartered Institute of Housing Cymru, it provides WHQS advice and support to landlords and promotes housing-led regeneration.

**HouseMark/HouseMark Cymru** - HouseMark was established in 1999 by the Chartered Institute of Housing and the National Housing Federation. It provides consultancy and performance improvement support to social-housing landlords.

**Housing associations** - Housing associations are independent, not-for-profit organisations that provide low cost general needs and/or specialist housing. In Wales, housing associations are regulated by the Welsh Government.

**Housing-association consortia** - There are six housing-association consortia in Wales. Some, but not all, have been established on a regional basis.

**Housing Health and Safety Rating System** - Local authorities can take action against houses that contain risks to health and safety under this statutory regime.



**Housing Revenue Account Subsidy system** - Controlled by HM Treasury but administered in Wales by the Welsh Government and based on local-authority landlords' notional income and expenditure in their ring-fenced housing revenue account. If the account is judged to be in deficit then landlords can receive a subsidy. However, if it is in surplus, local authorities have to pay a negative subsidy back to the Treasury through the Welsh Government.

**LSVT associations** - We use this term in our report to differentiate those housing associations created following the large-scale voluntary transfer of housing stock from local authorities.

**Major Repairs Allowance (MRA)** - Introduced in 2004, the MRA is a Welsh Government grant to local authorities which can be spent on any capital expenditure from its housing-revenue-account assets. This can include work to achieve the WHQS.

**Private Finance Initiative (PFI)** - In a typical PFI deal, the public sector enters a long-term contract to design, build, operate and (often) maintain an asset.

**Tai Cymru** - Prior to devolution, Tai Cymru was the regulator for housing associations in Wales. It was absorbed into the Welsh Government in 1999.

**Tenant Participation Advisory Service (TPAS) Cymru** - Works to encourage effective tenant participation through support and disseminating good practice. It also represents tenants with policy makers and partner organisations.

**Value Wales** - A division of the Welsh Government that works with the Welsh public sector to promote professionalism and improve the value for money obtained from procurement activities.

**Welsh Local Government Association** - Represents the interests of local government and promotes local democracy in Wales. It represents the 22 local authorities in Wales. The four police authorities, three fire and rescue authorities and three national park authorities are also associate members.

## Appendix 1 - Our methodology

### Literature review

We have reviewed a wide range of Welsh Government policy, strategy, research and guidance documents in the course of this work as well as relevant research and guidance material from other sources, including: i2i – inform to involve, HouseMark Cymru, TPAS Cymru, Community Housing Cymru and the Welsh Local Government Association.

We also examined research and statistics about the progress being made by landlords to improve the quality of social housing elsewhere in the UK. In particular, in determining the scope of our work we took account of the National Audit Office's January 2010 report on the Decent Homes Standard in England. That report concluded that it was not possible to estimate total expenditure on the Decent Homes programme, nor to assess if it provided value for money. Lessons for the future for the UK Government included those related generally to the policy design in terms of:

- the benefits of having a clearer idea of the cost of a policy or strategy before implementing it;
- how far mechanisms can be put in place to monitor the cost-effectiveness of a policy during its implementation, while mindful of wider government aims to reduce the information burdens and costs of monitoring on local authorities and other delivery partners;
- the need to collect information more routinely on wider benefits such as tenant satisfaction or job creation;
- whether the UK Government could have encouraged better devolved delivery by

disseminating best practice and data on how other landlords were performing rather than relying on other bodies and networks to do this; and

- the impact of key policy decisions – which in the case of the Decent Homes programme included the decision not to provide additional funding if local authorities retained their stock.

### Analysis of information returns from social housing providers

As well as reviewing data returns submitted by landlords to the Welsh Government in 2010 (Appendix 5), we issued a survey to local-authority and housing-association landlords in Wales in January 2011. The survey explored issues relating to: the Welsh Government's leadership on the WHQS; landlords' arrangements for maintaining information on housing-stock condition; plans for achieving the WHQS, the way in which tenants and leaseholders were being engaged in that work and perspectives on potential risks to delivery; and landlords' focus on delivering wider benefits from WHQS-related work.

We also issued a separate short survey to local authorities that had transferred their housing stock to a newly formed LSVT association. That survey gave local authorities the opportunity to comment on issues relating to the Welsh Government's leadership on the WHQS and it explored aspects of their relationship with the new LSVT association and other housing associations in their area.

We received survey responses from 11 of the 12 local authorities that were landlords in January 2011. All of the 10 local authorities that had transferred stock by January 2011 responded.



All 10 of the LSVT associations that existed in January 2011 responded to our survey. NPT Homes replied following stock transfer from Neath Port Talbot County Borough Council in March 2011. We also received responses from 27 of the other 30 housing associations surveyed.

### Visits to social housing providers

We visited 11 landlords in the period between January and March 2011. These visits provided opportunities to explore in greater detail the issues raised by landlords' survey responses and their data returns to the Welsh Government. We visited the following landlords:

- *LSVT associations:* Tai Ceredigion; Cartrefi Conwy; RCT Homes; Bron Afon Community Housing.
- *Other housing associations:* Bro Myrddin Housing Association; Cardiff Community Housing Association; Family Housing Association; Linc Cymru; Newydd Housing Association (Cadarn Housing Group).
- *Local authorities:* Isle of Anglesey; Wrexham.

In addition to these specific visits, we have drawn on information from our previous and ongoing audit work in local government and our previous involvement in the inspection of housing associations in Wales between 2005 and 2008.

### Workshops with tenant representatives

We sought tenants' views directly by facilitating discussions about the WHQS at meetings of tenants representatives organised through TPAS (Tenant Participation Advisory Service) Cymru.

### Other key sources of evidence

We gathered other information from:

- Interviews with managers and staff of the Welsh Government's housing department to understand how policy to achieve WHQS is developed, implemented, monitored and supported.
- Attending a monitoring group established by the Welsh Government on monitoring the WHQS in an observer capacity.
- Interviews with other key stakeholders including Community Housing Cymru, the Welsh Local Government Association, Chartered Institute of Housing, the Building Research Establishment, TPAS Cymru, the Welsh Tenants Federation and i2i – inform to involve.

## Appendix 2 - The WHQS and similar quality standards across the United Kingdom

Figure 11 compares the different quality standards and related targets that have been introduced for social housing across the United Kingdom since the start of 2000. The Welsh Government has emphasised that the WHQS is more challenging than the minimum standards set elsewhere, specifically in terms of 'attractive and safe environments' and 'suited to the specific requirements of the household'. The Decent Homes Standard and the Scottish Housing Quality Standard are also less demanding in some of their detailed requirements, for example, the energy efficiency rating required is lower in England, Northern Ireland and Scotland. As a further example, the WHQS requires kitchens less than 15 years old or in good condition, whereas Decent Homes suggests a 20-year lifespan for kitchens. There are also differences in terms of how compliance with the different standards is measured.

In 2001, the Welsh Government's *Better Homes* strategy aspired that all people in Wales should be able to live in good quality homes, based on the general principles that now underpin the WHQS. And the original guidance on the WHQS for local authorities in 2002 emphasised that it had been developed to provide a common target standard for the physical condition of all housing in Wales. While the original 2012 target date related specifically to social housing, the guidance for local authorities indicated that separate guidance would be issued to deal with privately owned housing. However, in the 2010 strategy, *Improving Lives and Communities*, the Welsh Government states that the WHQS does not apply to the private sector, but that the need for improvement is similar.

In England, the Department for Communities and Local Government set a target that, in line with the Decent Homes Standard, 70 per cent of vulnerable households in the private sector should be in decent accommodation by 2010. The National Audit Office has reported that, as at the end of 2008, good progress had been made towards achieving the Decent Homes standard across private-sector housing in England<sup>45</sup>. However, it was not possible to quantify accurately the extent of progress or the cost of financial support provided by local authorities in grants to the private-rented sector to support Decent Homes work because that finance is not ring fenced. In Scotland, the Housing Minister made clear that the Scottish Housing Quality Standard applied equally to the private sector and that landlords and owner-occupiers should consider whether to bring their homes up to standard. While no specific targets were set, local authorities were required to take account of the WHQS when allocating funds for private sector renewal and other housing-related grants.

In Wales, the money available from local authorities to private owners and tenants for improvement has been falling in recent years. In 2009-10, local authorities provided £59 million to private owners and tenants, just over half of which was in form of mandatory disabled facilities grants. This represented a seven per cent fall from the previous year and is almost half of the £104 million given out by local authorities in 2006-07<sup>46</sup>.

<sup>45</sup> *The Decent Homes Programme*, National Audit Office, January 2010.

<sup>46</sup> *Private sector renewal activity 2007-08*, Welsh Government, February 2009.  
*Private sector renewal activity 2009-10*, Welsh Government, September 2010.



**Figure 11 - Comparing the WHQS with similar quality standards in England, Scotland and Northern Ireland**

	<b>Wales</b> WHQS <sup>1</sup>	<b>Scotland</b> Scottish Housing Quality Standard (SHQS) <sup>2</sup>	<b>England</b> Decent Homes Standard <sup>3</sup>	<b>Northern Ireland</b> Decent Homes Standard <sup>4</sup>
<b>Established in</b>	2002	2004	2000	2004
<b>General requirements</b>	<p>The home:</p> <ul style="list-style-type: none"> <li>• is in a good state of repair;</li> <li>• is safe and secure;</li> <li>• is adequately heated, fuel efficient and well insulated;</li> <li>• contains up-to-date kitchens and bathrooms;</li> <li>• if rented accommodation, it is well managed;</li> <li>• is located in attractive and safe environments; and</li> <li>• as far as possible, suits the specific requirements of the household (eg specific disabilities).</li> </ul>	<p>The home:</p> <ul style="list-style-type: none"> <li>• is compliant with the statutory tolerable standard – that is, fit for human habitation with basic facilities such as toilet and washing facilities and is wind and watertight;</li> <li>• is free from serious disrepair;</li> <li>• is energy efficient;</li> <li>• has modern facilities and services; and</li> <li>• is healthy, safe and secure.</li> </ul>	<p>The home:</p> <ul style="list-style-type: none"> <li>• meets the statutory minimum standard for housing;</li> <li>• is in a reasonable state of repair;</li> <li>• provides reasonably modern facilities and services; and</li> <li>• provides a reasonable degree of thermal comfort.</li> </ul>	<p>As per the Decent Homes Standard in England.</p> <p>Although in respect of the statutory minimum standard for housing, the Housing Health and Safety Rating System has not yet been adopted in Northern Ireland.</p>
<b>Targets for social housing</b>	<p>One hundred per cent of homes to comply by the end of 2012.</p> <p>Subsequently interpreted as the end of the 2012-13 financial-year (ie, 31 March 2013).</p>	<p>One hundred per cent of homes to comply by April 2015.</p>	<p>Ninety-five per cent of homes to comply by the end of 2010.</p> <p>This target was revised downwards in 2006 from 100 per cent.</p>	<p>One hundred per cent of homes to comply by the end of 2010.</p> <p>This target date is currently being revised.</p>

	<b>Wales</b> WHQS <sup>1</sup>	<b>Scotland</b> Scottish Housing Quality Standard (SHQS) <sup>2</sup>	<b>England</b> Decent Homes Standard <sup>3</sup>	<b>Northern Ireland</b> Decent Homes Standard <sup>4</sup>
Established in	2002	2004	2000	2004
<b>Failure to meet the target</b>	<p>A property will fail to meet the WHQS if any individual element does not meet the requirement. However, guidance in 2008 introduced the concept of an acceptable failure to meet the WHQS if the cost, timing or physical constraints made it impossible or if the tenant chose not to have the work done.</p> <p>A property could be assessed as an acceptable fail on one or more elements.</p>	<p>The SHQS contains 55 elements and a property fails if two or more 'secondary disrepair' elements fail or if any other single element fails. However, new guidance issued in March 2011 made it clear that elements of the SHQS can be considered as exempt if it is too difficult or costly to achieve the required standard. Tenants can also choose not to have work done.</p> <p>The guidance makes clear that exemptions should be exceptional and landlords should make every effort to persuade tenants to have the necessary work undertaken.</p>	<p>Homes should meet all four overall criteria listed above. However, landlords are not expected to make a home decent if this is against a tenant's wishes as work can be undertaken when the dwelling is next void. These properties are not counted as non-decent until they are void.</p> <p>There is some flexibility in interpreting the requirements of the Standard, notably in the requirement for reasonably modern facilities and services. A home is deemed non-compliant if it lacks three or more of the following:</p> <ul style="list-style-type: none"> <li>• a kitchen which is 20 years old or less;</li> <li>• a kitchen with adequate space and layout;</li> <li>• a bathroom which is 30 years old or less;</li> <li>• an appropriately located bathroom and WC;</li> <li>• adequate external noise insulation; and</li> <li>• adequate size and layout of common entrance areas for blocks of flats.</li> </ul>	

Notes

- <sup>1</sup> *The Welsh Housing Quality Standard: Revised Guidance for Social Landlords on Interpretation and Achievement of the Welsh Housing Quality Standard*, Welsh Government, July 2008.
- <sup>2</sup> *Scottish Housing Quality Standard Technical Guidance for Social Landlords*, Scottish Government, March 2011. [www.scotland.gov.uk/Topics/Built-Environment/Housing/16342/shqs/guidance](http://www.scotland.gov.uk/Topics/Built-Environment/Housing/16342/shqs/guidance) (accessed in November 2011).
- <sup>3</sup> *A Decent Home: Definition and guidance for implementation*, Department for Communities and Local Government, June 2006.
- <sup>4</sup> *Decent Homes Standard*, Northern Ireland Executive, Department for Social Development, 2010. [www.dsdni.gov.uk/index/hsddiv-housing/ha\\_guide/haghm-contents/haghm-housing-maintenance-contents/haghm-housing-maintenance-decent-homes-standard.htm](http://www.dsdni.gov.uk/index/hsddiv-housing/ha_guide/haghm-contents/haghm-housing-maintenance-contents/haghm-housing-maintenance-decent-homes-standard.htm) (accessed in November 2011).



## Appendix 3 - Examples of uncertainties that could affect landlords' plans to meet and maintain the WHQS

### Uncertainties about future income

#### Housing benefit and other welfare benefit reform

Landlords will be affected by changes to the value of, and eligibility for, housing benefit that are being introduced by the UK Government between April 2011 and March 2014. We found that some landlords are increasing provision for bad debt, expecting that arrears will increase when tenants have to meet a greater proportion of rent themselves and as the effect of other welfare benefit changes take hold.

Landlords also expect that arrears and collection costs could increase if, as currently under discussion, there are changes in the circumstances in which direct payments can be made to landlords.

Any uncertainty about income from housing benefit may also make borrowing more difficult.

#### Reliance on Welsh Government funding commitments

Local authorities and LSVT associations also rely to varying degrees on the core funding they receive from the Welsh Government in the form of the major repairs allowance and dowry funding respectively (Box 2). Although the Welsh Government told us that this funding will continue to be available, several LSVT associations still saw this as a key risk for the future. Their concern is that any reduction in payments would compromise the financial models on which the transfers took place, could trigger renegotiations of private finance and make future borrowing more difficult. Local authorities' ability to meet the WHQS would similarly be threatened if assumptions about MRA funding are not met or the level at which the MRA is paid were reduced.

#### Changes to Housing Revenue Account Subsidy arrangements

The Welsh Government has been working with the UK Government to negotiate reform of the Housing Revenue Account Subsidy system, which has seen around £73 million paid back each year by local authorities, via the Welsh Government, to HM Treasury. In England, the UK Government is planning to introduce a new self-financing model for local-authority landlords from April 2012, which will see the end of the Housing Revenue Account Subsidy system.

There had been concerns that Wales was disadvantaged by the system when the Major Repairs Allowance was set up in England in 2001. However, following correspondence with the Chief Secretary to the Treasury, the Welsh Government has recently accepted that it is difficult to sustain that argument. While the Welsh Government has indicated that it intends to continue to negotiate with the UK Government on the best way forward for Wales, timescales for any possible changes in the system here are, as yet, unclear.

#### Future rent policy

The Welsh Government has consulted on a review of social rents. The consultation included a proposal to introduce a national target rent but to allow landlords in high-rent areas to charge closer to the market rent for their homes. There is also a proposal to encourage landlords to provide more energy-efficient homes by allowing them to charge higher rents where tenants offset higher rents against lower fuel bills. The consultation suggested that landlords will be protected against falls in revenues, at least in the short term, but some landlords are unlikely to gain substantially, especially if their stock is concentrated in a low-rent area.

## Uncertainties about future expenditure

### Assumptions about the volume or cost of work required

As well as assumptions about prices for improvement work, existing work programmes and financial projections are based on available stock-condition data, some of which is of poor quality (paragraphs 1.22 to 1.28). Some LSVT associations have expressed particular concerns about the quality of the data gathered to support their local stock-transfer processes.

Monmouthshire Housing Association has found that the number of bathrooms in need of replacement exceeded expectations based on its original stock-condition survey by around 15 per cent, and that this had had an impact on the Association's overall progress towards the WHQS. And, following some pilot testing on void properties, Tai Ceredigion had identified differences in the actual costs of replacement heating appliances and rewiring compared with its initial planning assumptions (the actual costs exceeded expectations by 32 per cent although the costs of some other work proved to be lower than expected).

By contrast, in December 2010, Bro Myrddin Housing Association reported that the estimated cost of work required to meet the WHQS had reduced from an initial assessment of £2.4 million to £1.4 million as more detailed stock-condition data became available.

### Changes to the WHQS minimum requirements

Landlords have expressed concerns about the impact on their current plans of and potential changes to the WHQS's minimum requirements, as suggested in the Welsh Government's 2010 housing strategy, *Improving Lives and Communities* (paragraphs 2.12 to 2.14).

### Interest rate increases

In recent years, landlords have benefitted to varying degrees from lower than expected loan repayments. For some, this has provided windfalls to support investment in more major repairs and maintenance work than would otherwise have been possible. While unlikely in the short term, any substantial rises in interest rates, resulting in increased borrowing costs, would have a knock-on impact on landlords' business plans. We found examples of landlords in the process of increasing the proportion of their debt borrowed on a fixed rate in order to mitigate the impact of anticipated interest rate rises.

### Liaison with and cost recovery from leaseholders

Leaseholders are legally responsible for contributing to the cost of repairs to common areas such as roofs or communal space. Leaseholders can potentially face large bills from the work required to achieve the WHQS, although the improvements should also provide a benefit in terms of sustaining or increasing the value of their property. For landlords, there is a risk that either their work programmes will be slowed by attempts to negotiate with leaseholders or that they will be unable to recoup costs. We are aware that at least one landlord has faced legal challenge from leaseholders against it undertaking the work.

These issues predominantly affect local authorities and LSVT associations, and responses to our survey indicated that most did not see it as a particular concern. Most commonly, landlords responded that they were consulting leaseholders as they are required to do by law, although some were developing more substantial consultation with their leaseholders. For example, Swansea Council has surveyed leaseholders to establish their priorities for repair and improvement and has established a quarterly leaseholders' forum meeting. However, there was, for some landlords, an acknowledgement that they may yet face more difficulties recouping costs from leaseholders where they are still to undertake a significant amount of work to the exterior of their properties. In anticipation of such problems, Pembrokeshire County Council has worked with leaseholders to develop a sink fund to help them prepare for future expenditure. Tai Ceredigion intends to offer leaseholders flexible terms to pay for improvement work. While internal repairs are the leaseholders' responsibility, Carmarthenshire County Council and Bron Afon Community Housing told us that they had also offered leaseholders the opportunity of work at cost price where they were working on adjacent homes.



## Uncertainties about capacity to complete work plans

### **Organisational capacity**

Many landlords, and particularly the newly created LSVT associations, are still faced with ambitious work programmes to meet the WHQS in the agreed timespans. The Welsh Government receives annual reports on LSVT associations' progress against their work programmes and payment of dowry funding depends on them demonstrating satisfactory progress.

The seven most recently created LSVT associations have each agreed five-year programmes to bring their homes up to the WHQS, to fulfil the offer made to tenants as part of the transfer process. Experience in England has shown that five years was only the average time to complete work to the Decent Homes Standard following stock transfer.

Some LSVT associations have already stated in their annual reports that initial work – including tendering for contracts, obtaining planning consents and tenant consultation – has taken longer than expected, although they report being able to manage the delays so far. Tai Ceredigion made a conscious decision to build up its in-house capacity to manage the improvement programme before proceeding to agree its main works contracts. And Cartrefi Cymunedol Gwynedd has increased its internal capacity in the form of 'construction facilitators' to support its procurement strategy to manage its £136 million five-year improvement programme.

### **Contractor capacity**

From the outset, there have been questions about whether the construction industry has capacity to deliver the work required in order to meet the WHQS by 2012. This has become less of a concern as the timescales for landlords' main programmes of improvement work have not been as concentrated in the 2007-2012 period as first expected.

Some landlords have been affected when key suppliers have gone into administration. However, landlords have generally been able to manage these problems by being able to promptly recruit new contractors (Newport City Homes) or by employing staff from the previous supplier directly. For example, when one of its contractors went into administration in November 2009, Charter Housing Association brought in 44 of the contractor's locally employed staff to form its own direct labour department, with the result that work continued as planned.

## Appendix 4 - Examples of wider benefits from investment to achieve the WHQS

### Improved health and quality of life

A pilot health-impact study in Carmarthenshire has identified health benefits for tenants living in improved properties, for example:

- only seven per cent of tenants in improved properties reported being treated for depression compared to 21 per cent of tenants in unimproved properties;
- 66 per cent of tenants living in completed properties reported they were free from respiratory infections like coughs and colds compared with 52 per cent in unimproved properties; and
- 23 per cent of tenants in unimproved properties visited their GP more than four times in a three-month period compared with 14 per cent in completed properties<sup>1</sup>.

The Council intends to undertake repeat surveys in each year through to the completion of its programme of improvement work in 2014-15.

Valleys to Coast Housing Association commissioned a survey in 2010, which showed that, of 1,267 returns, 949 tenants (75 per cent) had benefited from WHQS-related work. Of those 949 tenants, 62 per cent pointed to improvements in their health and 74 per cent to an improved quality of life.

### Improved security and reduced fear of crime

Carmarthenshire County Council reported that measures such as security lighting should reduce crime, while introducing diversionary activities, such as skateboard parks and play areas, as part of environmental improvements should reduce anti-social behaviour. The Council reported that their tenants' survey found that 70 per cent of tenants reported that they felt safer than in the year previously.

Valleys to Coast housing association's survey in 2010 showed that, of the 949 tenants responding who had benefited from WHQS-related work, 60 per cent felt at less risk of crime than previously the case.

### Tackling fuel poverty

Carmarthenshire County Council's health-impact study also identified that 41 per cent of tenants living in unimproved properties reported difficulties paying utility bills in the previous 12 months, compared to only 17 per cent of tenants living in improved properties.

### Reducing the environmental impact of construction work by reducing waste

Cartrefi Conwy developed a new approach to reducing waste created by their programme to replace 4,000 kitchens and bathrooms over three years in partnership with Crest Cooperative and their main building contractor. Salvaged materials (for example sanitary ware, kitchen units, timber and ceramic tiles) are broken down and, where possible, sold to local businesses or the public at affordable prices through Crest's retail outlet.

Between October 2009 and April 2010, Crest removed 700 tonnes of waste from site, much of which may otherwise have ended up in landfill. They currently recycle 65 per cent of items and reuse a further 30 per cent. The income generated supports Crest's training activities to raise awareness about the benefits of salvaging and recycling over disposal. This project is due to end in 2012 although Cartrefi Conwy hopes to continue working with Crest.



## Job creation and training

Landlord specific examples of reported outcomes in terms of job creation and training include:

- United Welsh Housing Association has used the Can Do Toolkit to deliver targeted recruitment and training opportunities as core requirements of all maintenance and development contractors. In total, the Association has reported creating 110 new opportunities for people furthest from the labour market, and intends to build on this by procuring external landscaping contracts from established and emerging social enterprises.
- Cartrefi Conwy has estimated that its partnership with Crest Cooperative has created more than 200 training placement and job opportunities, many for people with learning disabilities or who are long-term unemployed or ex-offenders.
- Carmarthenshire County Council has developed a partnership with Coleg Sir Gar and Carmarthenshire Construction Training Association Ltd, enabling it to influence traditional construction training in the area and make it more focused on the needs of the WHQS. Local contractors are encouraged to take on construction apprentices employed by Carmarthenshire Construction Training Association Ltd. This partnership has provided opportunities to host trainees on major programmes and involved local contractors. In 2011, it was reported that over 160 apprentices have spent time on the Carmarthenshire Homes Standard programme<sup>2</sup>.
- Valleys to Coast Housing Association has reported that 91 per cent of the work involved in its first set of four-year 'main improvement works' contracts (2004 to 2008) was delivered using local labour. The Association has also, between 2008-09 and 2009-10 created more than 500 weeks of work and training for its most disadvantaged residents and eight long-term jobs. Around 17 construction NVQs have been awarded and other training is available. The Association also uses local recruitment and training providers. Looking more widely at its entire investment programme, the Association has created 211 training opportunities and jobs through its procurement exercises<sup>2</sup>.

### Notes

1 *Feeling fine: healthier homes. Health impact study – first progress report*, Cardiff and Swansea Universities, Carmarthenshire County Council, Spring 2011.

2 *Keeping it local: maximising the Welsh £ - the Can do tool-kit two years on*, i2i – inform to involve, February 2011.

## Appendix 5 - Social-housing landlords' compliance with the WHQS

In March 2011, the Welsh Government reported for the first time on individual landlords' compliance with the WHQS. The Welsh Government's report was based on data supplied by landlords during 2010-11.

**Figure 12** highlights the reported compliance rate for 31 March 2010 and landlords' point-in-time projections of compliance for 31 March 2013 (following the original target for compliance by the end of 2012) and 31 March 2017.

The figures we have presented are, with the exception of the Isle of Anglesey County Council, consistent with those used to inform the Welsh Government's report. However, as noted in paragraphs 1.22 to 1.28 of this report, the data-collection exercise undertaken by the Welsh Government was the first of its kind and there are concerns about the quality of some of the underpinning data. Issues raised by some landlords when we shared with them the information presented in this report have reinforced these concerns.

Some landlords have reported recently to the Welsh Government that they now expect to achieve full compliance with the WHQS sooner than previously stated. The reasons for these changing projections have included recent investment decisions, improved stock condition data and reconsideration of the criteria for acceptable fails. Where necessary, we have referred to the latest position in the 'notes' for individual landlords. We have also highlighted relevant facts relating to stock-transfer processes and/or any extended deadlines for compliance with the WHQS that have been formally agreed by landlords with the Welsh Government.

As recognised in paragraphs 1.12 to 1.16, comparing landlords' rate of whole-house compliance with the WHQS does not necessarily show how far different landlords really are from achieving full compliance across all of their housing stock, in terms of the volume of improvement work still required. Landlords reported that many homes that did not meet the WHQS in full met some elements of the Standard, with the greatest shortfall overall being the standard of bathrooms and kitchens.



**Figure 12 - Social-housing landlords' progress towards the WHQS**

Landlord (Number of homes at 31 March 2010)	Percentage of homes meeting, or projected to meet, the WHQS in full			Notes
	31 March 2010	31 March 2013	31 March 2017	
<b>Local authorities</b>				
Isle of Anglesey (3,814)	30	80	100	In its monitoring report, the Welsh Government based its overall analysis for local authorities on figures showing that 71 per cent of the Council's properties complied in full with the WHQS at 31 March 2010 and that 100 per cent of properties would comply by 31 March 2013. However, the 2010 figure represented the overall percentage of all of the main elements of the WHQS that had been delivered across all 3,814 properties and not the percentage of homes complying with all of these elements. And the projection of full compliance by 31 March 2013 did not account for the fact that the Council had indicated that only 80 per cent of properties were expected to comply with the external works requirements. In any event, the Council is now projecting that all necessary work, including external work, will be completed by 31 March 2013.
Caerphilly (10,987)	1	10	20	Awaiting a tenant ballot on stock transfer in early 2012. The Council has indicated that it could now achieve the WHQS in full by 2019-20 in the event that tenants vote against stock transfer.
Carmarthenshire (9,125)	9	69	100	Agreed an extension to 31 March 2015 – the Council has projected 100 per cent compliance by that date.
Cardiff (13,719)	40	100	100	
Denbighshire (3,470)	50	100	100	
Flintshire (7,443)	0	5	10	Awaiting a tenant ballot on stock transfer in early 2012. The Council has revised these projections and now expects no more than 26 homes to meet the WHQS in full by 31 March 2017. The Council has revised its WHQS strategy following consultation with tenants. If tenants vote against stock transfer, the Council will be targeting its future investment on central heating, kitchens and bathrooms.

Landlord (Number of homes at 31 March 2010)	Percentage of homes meeting, or projected to meet, the WHQS in full			Notes
	31 March 2010	31 March 2013	31 March 2017	
Neath Port Talbot (9,276)	0	–	–	Housing stock transferred to NPT Homes in March 2011. In its monitoring report the Welsh Government included figures for Neath Port Talbot County Borough Council for 31 March 2013 and 31 March 2017 as part of its overall analysis for local authorities. However, we have included these projections as part of the figures for LSVT associations because the figures provided by the Council assumed compliance with the WHQS by 2016-17 and were clearly based on expectations in light of the tenant vote in favour of stock transfer in March 2010.
Pembrokeshire (5,701)	60	100	100	
Powys (5,454)	28	52	95	Agreed an extension to 31 March 2018.
Swansea (13,643)	0	0	0	Tenants voted no to stock transfer in 2007. In its monitoring report, the Welsh Government indicated that figures for the City and County of Swansea Council were not available. However, its overall analysis for local authorities was based on assumptions that none of the Council's properties complied in full with the WHQS, due to the Council still being in the process of identifying external works requirements.
Vale of Glamorgan (3,939)	1	12	25	Tenants voted no to stock transfer in April 2011. In its monitoring report, the Welsh Government indicated that figures for the Vale of Glamorgan Council would not be available until after the release of the results of the tenant ballot. However, its overall analysis for local authorities was based on these projections provided by the Council in advance of the tenant ballot. After reworking its business plan, the Council now anticipates being able to achieve full compliance with the WHQS by 31 March 2017.
Wrexham (11,538)	1	1	2	Tenants voted no to stock transfer in 2004.
<b>All local authorities (98,109)</b>	<b>15</b>	<b>42</b>	<b>51</b>	



Landlord (Number of homes at 31 March 2010)	Percentage of homes meeting, or projected to meet, the WHQS in full			Notes
	31 March 2010	31 March 2013	31 March 2017	
<b>Housing associations</b>				
Aelwyd (246)	29	100	100	Delivering all of the work required to achieve full compliance by 31 March 2013 depends on the Association's ability to secure loan funding at a reasonable rate of interest. If that is not possible, the Association anticipates delivering the improvements required as part of its normal works programme over the next two to three years.
Bro Myrddin (726)	32	73	100	Projecting 100 per cent compliance by 31 March 2015.
Bron Afon Community Housing Ltd (8,034)	5	76	100	Created by large-scale stock transfer from Torfaen County Borough Council in 2008. Now projecting 100 per cent compliance by 31 March 2013.
Cadwyn Housing Group (1,200)	34	83	100	Now projecting 100 per cent compliance by 31 March 2013. Electrical works that were previously identified as extending beyond this date are likely to relate to maintaining rather than meeting the minimum requirements.
Cantref (1,328)	24	78	97	Following recent investment decisions, and since accounting for acceptable fails, the Association is now projecting 100 per cent compliance by 31 March 2013.
Cardiff Community (2,624)	19	89	100	Projecting 100 per cent compliance by 31 March 2014.
Cartrefi Conwy (3,774)	40	100	100	Created by large-scale stock transfer from Conwy Council in 2008.
Cartrefi Cymunedol Gwynedd (6,304)	2	50	100	Created by large-scale stock transfer from Gwynedd Council in April 2010 (the position reported at 31 March 2010 is, therefore, representative of the condition of the housing stock inherited at the date of transfer). Agreed an extension to 2015 and projecting 100 per cent compliance by 31 March 2015. The Association was only able to confirm energy efficiency ratings for a small number of dwellings and the figures for whole-house compliance at 31 March 2010 assumed that most homes did not meet the WHQS energy efficiency requirements. The Association believed that, aside from the energy efficiency requirements, 15 per cent of properties complied with the requirements of the WHQS.

Landlord (Number of homes at 31 March 2010)	Percentage of homes meeting, or projected to meet, the WHQS in full			Notes
	31 March 2010	31 March 2013	31 March 2017	
Coastal (4,278)	32	88	100	Now projecting 100 per cent compliance by 31 March 2014.
Cynon Taf Community Housing (1,828)	50	96	100	Projecting 100 per cent compliance by 31 March 2014.
Family (2,225)	31	50	86	Following recent improvement works and a reassessment of its data, including updated figures on acceptable fails, the Association is now projecting 100 per cent compliance by 31 March 2013.
First Choice (138)	64	100	100	
Gwalia (4,508)	47	74	100	Now projecting 80 per cent compliance by 31 March 2013. Projecting 100 per cent compliance by 31 March 2015.
Hafod (3,180)	65	75	100	Projecting 100 per cent compliance by 31 March 2017.
Linc Cymru (3,467)	52	93	100	Now projecting 100 per cent compliance by 31 March 2013.
Melin Homes (2,667)	45	100	100	
Merthyr Tydfil (1,058)	16	56	100	Projecting 100 per cent compliance by 31 March 2016.
Merthyr Valley Homes (4,248)	18	80	100	Created by stock transfer from Merthyr Tydfil County Borough Council in 2009. Agreed an extension to 2015 and projecting compliance by 31 March 2014. The Association has since confirmed that it had 4,254 properties at 31 March 2010 but that the percentage figures quoted remain unaffected.
Mid Wales (1,351)	36	90	95	
Monmouthshire (3,602)	34	100	100	Created by stock transfer from Monmouthshire County Council in 2008.



Landlord (Number of homes at 31 March 2010)	Percentage of homes meeting, or projected to meet, the WHQS in full			Notes
	31 March 2010	31 March 2013	31 March 2017	
NPT Homes (9,276)	-	1	100	Created by stock transfer from Neath Port Talbot County Borough Council in 2011. Agreed an extension until March 2017. In its monitoring report the Welsh Government did not include figures for NPT Homes as part of its overall analysis for housing associations. We have included this data here for 31 March 2013 and 31 March 2017 because these figures, provided by the Council, assumed compliance with the WHQS by 2016-17 and were clearly based on expectations in light of the tenant vote in favour of stock transfer in March 2010. NPT Homes now expects to be able to report a higher rate of compliance at 31 March 2013.
Newport City Homes (9,115)	3	48	100	Created by stock transfer from Newport City Council in 2009. Agreed an extension to 2015 and projecting 100 per cent compliance by 31 March 2015.
Newport Housing Trust (426)	100	100	100	Newport Housing Trust's housing stock has been entirely rebuilt following the transfer of around 500 pre-fabricated homes from Newport City Council in 2001.
Newydd (Cadarn Housing Group) (2,388)	64	93	100	Now projecting 100 per cent compliance by 31 March 2015.
North Wales (2,140)	43	49	55	Now projecting 100 per cent compliance by 31 March 2015.
Pembrokeshire (2,030)	39	100	100	
Pennaf (3,751)	69	95	100	Projecting 100 per cent compliance by 31 March 2015.
RCT Homes (10,176)	54	100	100	Created by stock transfer from Rhondda Cynon Tâf County Borough Council in 2007.
Rhondda (1,475)	9	36	100	The data supplied to the Welsh Government took no account of acceptable fails. Including acceptable fails, the Association is now projecting 100 per cent compliance with the WHQS by 31 March 2014.
Seren (Charter Housing) (4,193)	80	100	100	

Landlord (Number of homes at 31 March 2010)	Percentage of homes meeting, or projected to meet, the WHQS in full			Notes
	31 March 2010	31 March 2013	31 March 2017	
Tai Calon (6,210)	0	50	100	Created by stock transfer from Blaenau Gwent County Borough Council in July 2010 (the position reported at 31 March 2010 is, therefore, representative of the condition of the housing stock inherited at the date of transfer). Agreed an extension to 2015 and projecting 100 per cent compliance by 31 March 2015.
Tai Ceredigion (2,227)	0	5	100	Created by stock transfer from Ceredigion County Council in 2009. Agreed an extension to 2015 and projecting 100 per cent compliance by 31 March 2015.
Tai Clwyd (1,716)	26	60	100	Projecting 100 per cent compliance by 31 March 2015.
Tai Eryri (1,539)	53	88	100	Projecting 100 per cent compliance by 31 March 2014.
Tai Hafan (96)	21	100	100	
Taff (1,184)	75	90	100	Now projecting 100 per cent compliance by 31 March 2013.
United Welsh (3,466)	46	83	91	Now projecting 100 per cent compliance by 31 March 2013.
Valleys to Coast (5,754)	33	74	92	Created by stock transfer from Bridgend County Borough Council in 2003. The position reported for 31 March 2017 is carried forward from the figures supplied for 31 March 2015. The Association is still developing its detailed projections for beyond March 2015.
Wales and West (8,128)	65	100	100	
<b>All housing associations (122,800)</b>	<b>35</b>	<b>73</b>	<b>98</b>	
<b>All social housing (220,909)</b>	<b>26</b>	<b>60</b>	<b>79</b>	

Source: Wales Audit Office analysis of base data supplied by landlords to the Welsh Government and updated information supplied to the Wales Audit Office by landlords in November 2011.

By virtue of paragraph(s) vi of Standing Order 17.42

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## Public Accounts Committee

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Meeting Venue: **Committee Room 3 – Senedd**

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Meeting date: **Tuesday, 21 February 2012**

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Meeting time: **09:10 – 11:00**

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Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales



This meeting can be viewed on Senedd TV at:  
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### Concise Minutes:

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#### Assembly Members:

**Darren Millar (Chair)**  
**Mohammad Asghar (Oscar)**  
**Mike Hedges**  
**Julie Morgan**  
**Gwyn R Price**  
**Jenny Rathbone**  
**Aled Roberts**  
**Lindsay Whittle**

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#### Witnesses:

**Helen Birtwhistle, Director, Welsh NHS Confederation**  
**Dr Andrew Goodall, Chief Executive of Aneurin Bevan Health Board**  
**Huw Vaughan Thomas, Auditor General for Wales, Wales Audit Office**  
**Mark Jeffs, Wales Audit Office**  
**Andy Phillips, Performance Specialist, Wales Audit Office**

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#### Committee Staff:

**Tom Jackson (Clerk)**  
**Daniel Collier (Deputy Clerk)**  
**Joanest Jackson (Legal Advisor)**

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## 1. Introductions, apologies and substitutions

1.1 The Chair welcomed Members and members of the public to the meeting.

1.2 Apologies were received from Leanne Wood for whom Lindsay Whittle was substituting.

## 2. A Picture of Public Services – Evidence from the NHS Confederation

2.1 The Chair welcomed Helen Birtwhistle, Director, Welsh NHS Confederation and Dr Andrew Goodall, Chief Executive of Aneurin Bevan Health Board.

2.2 The Committee questioned the witnesses.

**Action points:**

The Welsh NHS Confederation agreed to provide:

- Details of additional funds released from the recent Welsh Government's budget which will be allocated to Local Health Boards over the next three years.
- Further information on where significant savings and cost reductions have been made by individual health boards.

**3. Briefing from the Auditor General for Wales on the Wales Audit Office report Public participation in waste recycling**

3.1 The Committee received a briefing from Huw Vaughan Thomas, Auditor General for Wales and Andy Phillips, Performance Specialist on the Wales Audit Office report *Public Participation on Waste Recycling*.

3.2 The Committee discussed the Wales Audit Office report.

3.3 The Legal Advisor agreed to provide a note on the Welsh Government's legislative competence in waste recycling.

**4. Motion under Standing Order 17.42 to resolve to exclude the public from the meeting for the following business:**

Item 5.

**5. Consideration of options for handling the Wales Audit Office report on Public participation in Waste Recycling**

5.1 The Committee considered options for the handling of the Wales Audit Office report *Public Participation in Waste Recycling*.

**6. Paper to note**

6.1 The Committee ratified the minutes of its meeting on 31 January 2012.