

Huw Lewis AC / AM
Y Gweinidog Tai, Adfywio a Threftadaeth
Minister for Housing, Regeneration and Heritage



Llywodraeth Cymru
Welsh Government

Darren Millar AM
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
Cardiff
CF99 1NA

24th January 2013

Dear Darren,

**UPDATE TO PUBLIC ACCOUNTS COMMITTEE ON PROGRESS AGAINST THE
AUDITOR GENERAL'S RECOMMENDATIONS IN DELIVERING THE WELSH HOUSING
QUALITY STANDARD (PAC REPORT (4) 24-12 RECOMMENDATION11)**

Please find enclosed copy of the Welsh Ministers response to the above recommendation which will be laid before the Table Office.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'Huw Lewis'.

Huw Lewis AC / AM
Y Gweinidog Tai, Adfywio a Threftadaeth
Minister for Housing, Regeneration and Heritage

Update Report for PAC on Recommendation 11

Jan 2013

WELSH GOVERNMENT RESPONSE to PAC on:

Recommendation 11: We recommend that the Welsh Government provides the Public Accounts Committee with an update on progress against the Auditor General's recommendations before the end of December 2012, including how it is taking forward wider lessons learnt from the report.

WAO Report Recommendations	Target Date	Status
<p>General lessons for policy development, monitoring and evaluation</p>	<p>Complete</p>	<p>These are lessons that are applicable to Welsh Government (WG) as a whole.</p>
<p>1. There are lessons from the development and delivery of the WHQS</p>	<p>Complete</p>	<p>Response to 1 (a)-(d) - Agree. The recommendations will be taken into account as part of ongoing work across the Welsh Government</p>

<p>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:</p>		<p>to develop and deliver policy more effectively. Staff developing a policy are expected to document the case for it step by step, including the case for change, the options considered, the details of the preferred option, how it will be delivered and how it will be evaluated. At each stage, consideration should be given to how the policy fits the Government's priorities, the expected impacts, the costs both for Welsh Government and for delivery partners, the delivery mechanisms and the arrangements for managing development and delivery. This approach properly applied, and combined with HM Treasury's <i>Five Case Model</i>, should address the WAO recommendations.</p>
<p>a. having a clear idea of the baseline position and likely cost implications of its policy aims before establishing realistic targets for their achievement;</p>		<p>See above</p>
<p>b. where it is dependent on third-party organisations to achieve its policy objectives, ensuring that:</p> <ul style="list-style-type: none"> • those organisations are not constrained in terms of their capacity (including financial 		<p>See above</p>

<p>capacity) to deliver”</p> <ul style="list-style-type: none"> • 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; 		
<p>c. giving clear consideration to the merits of establishing interim targets; and</p>		<p>See above</p>
<p>d. putting in place robust arrangements to monitor progress, demonstrate overall</p>		<p>See above</p>

<p>value for money and share good practice.</p>		
<p>Monitoring and reporting compliance with the WHQS</p> <p>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:</p>		
<p>a. introduce annual monitoring of landlords' compliance with the WHQS from 31 March 2012 onwards;</p>	<p>Complete</p>	<p>Building on the pilot monitoring introduced in 2010, an annual statistical monitoring return has been introduced. The first return was published by Welsh Government on 15 October 2012. The second release is planned for October 2013.</p> <p>The statistical release titled: <i>Welsh Housing Quality Standard</i></p>

			(WHQS) as at 31 March 2012 is available at the following link: http://wales.gov.uk/topics/statistics/headlines/housing2012/121015/?lang=en
b. assess the consistency of landlords' interpretation of the acceptable fail criteria and the circumstances in which the criteria are being applied;	Dec 2013		The planned evaluation of WHQS - referred to in the response to the PAC's other recommendations - will cover this issue. WG officials will be collecting data on acceptable fails from 2012/13 which will inform any necessary amendments to published guidance.
c. request that landlords describe the evidence base that supports any data they supply;	Complete		Landlords will be asked to supply details of the evidence base that supports the data they provide as part of the annual monitoring landlords compliance
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';	Oct 2013		The WHQS data collection system introduced in 2010 and made more robust for 2012, now includes a requirement on landlords to report the numbers of properties that have achieved WHQS but also include at least one component that is classified as an acceptable fail. The data collection planned for 2013 will be enhanced to record the

		number of WHQS compliant properties with acceptable fails by main reason (i.e. cost of remedy; timing of remedy; residents' choice; physical constraint).
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;	Complete	This requirement was included in the monitoring return published on 15 October 2012.
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	Complete	This has been published on the StatsWales website in January 2013 https://statswales.wales.gov.uk/Catalogue/Housing/Social-Housing-Quality
g. validate landlords' returns by,	Nov 2013	As part of the WHQS Evaluation Framework, work is being

<p>for example:</p> <ul style="list-style-type: none"> • 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. 		<p>commissioned to investigate how landlords' are validating that they are meeting WHQS requirements. This will report in autumn 2013.</p> <p>Since the discontinuation of the Living in Wales property survey, there are a number of unmet demands for evidence of house condition. Work is underway to identify the evidence requirements across the Welsh Government. This will also explore other potential sources of data, costs and funding options.</p>
<p>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:</p>		
<p>a. landlords expectations should</p>	<p>Complete</p>	<p>Continued annual monitoring of WHQS progress will ensure that the</p>

<p>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;</p>		<p>Standards, post achievement, will be maintained.</p>
<p>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;</p>	<p>Dec 2013</p>	<p>Welsh Government will look to all landlords to report progress against WHQS as part of their normal business planning process.</p>
<p>c. the Welsh Government should consider with landlords the benefits and practicalities of bringing together into one consolidated annual return some</p>	<p>Dec 2013</p>	<p>Welsh Government is working with landlords through the Housing Information Group to consider 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</p>

<p>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</p>		
<p>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.</p>	<p>Dec 2013</p>	<p>The response to the PAC's recommendations confirmed that this forms part of work being commissioned to investigate how landlords' are validating that they are meeting WHQS requirements. This will report in autumn 2013.</p>
<p>Promoting and evaluating the achievement of wider benefits from WHQS-related</p>		<p>On 6 December the Finance Minister published the Wales Procurement Policy Statement (WPPS). The WPPS advocates utilising public procurement creatively as a strategic tool to help deliver economic benefits to the people and communities of Wales including employment, training and supply-chain opportunities.</p>

<p>work</p> <p>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 £2.2 billion to meet and maintain the WHQS between April 2011 and March 2017, the Welsh Government should:</p>		<p>The adoption of 'community benefits' is one of the nine principles of the WPPS. It recognises public procurement as a major lever to change the way business is done in Wales, using Welsh Government expenditure to stimulate growth and maximising the creation and retention of jobs in Wales. Housing expenditure through the achievement of WHQS has already made a significant impact and the Welsh Government and Local Government have committed to adopt the policy for all public sector contracts over £2 million where such benefits can be realised. This is reflected in the Local Government Compact for Change. Similarly, Community Benefits have also been included in the NHS Standing Orders.</p>
<p>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;</p>	<p>2013-14</p>	<p>The Welsh Government is continuing to work with landlords to maximise the social and economic benefits associated with housing improvement programmes and will be looking at ways of improving the promotion and capture of wider benefits from the remaining WHQS-related work. All contracts over £2 million in the housing and regeneration sectors will in the future contain community benefit clauses and the Welsh Government will use grant conditions where necessary to achieve this.</p> <p>The recommendations of the Task and Finish Group although fully accepted when published have not been collated into a clear action</p>

		<p>plan reflecting the ongoing staff and financial pressures. However current advice and guidance continues to be made available to the Housing and Regeneration sectors by Value Wales and a Community Benefits Task and Finish Group was established by the Finance Minister in 2012. The main aim of the group is to strengthen the social and economic benefits delivered through public procurement in Wales and it contains representation from housing and regeneration sectors. Once the findings of the group are published a composite action plan will be produced to include the report on housing and regeneration sustainable community investment recommendations and resources will be applied to take this forward.</p>
<p>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</p>	<p>2013/14</p>	<p>The Value Wales Measurement Tool enables better output and outcome tracking. It supports organisations to evaluate the benefits of procurement contracts, assess the value of re-investment in local communities, track the opportunities that are created to help disadvantaged people back into employment & training as well as benefits to local supply chains. Welsh Government will work with the housing and regeneration sectors to ensure Measurement Tools are completed for all contracts with a value greater than £2 million. Value Wales will collate this information across all sectors allowing value for money assessments to be undertaken.</p>

<p>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.</p>	<p>2013-14</p>	<p>Strengthening the strategic housing function of local authorities is a commitment in the Housing White Paper. Legislative and non-legislative action is being considered and we are taking this forward in conjunction with the Welsh Local Government Association. Identifying and sharing good practice, support and training for local authorities, and promoting collaboration between authorities are features of the work.</p>
<p>Possible changes to the WHQS</p> <p>5. The Ministerial Task and Finish Group's June 2008 review of affordable housing in Wales and the 2010 housing strategy, <i>Improving Lives and Communities</i>, 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</p>	<p>Complete</p>	<p>At the moment there are no plans to amend the Standard: the focus is on ensuring that all social landlords meet the existing one by 2020. The current economic climate and the impact on landlords' business plans and funding are a significant concern too. Whilst the economic climate is of concern, landlords' business plans are being monitored annually.</p> <p>The concerns of the WAO are recognised and the decision will be kept under review.</p>

<p>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.</p>		
<p>Identifying solutions for homes not anticipated to meet the WHQS by March 2017</p> <p>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.</p>		<p>The latest statistical release published in October indicates that landlords are continuing to make good progress towards WHQS, particularly when considering the progress made in improving individual elements; for example almost two-thirds of social housing now has acceptable kitchens and three-quarters now have central heating.</p>

<p>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:</p>		
<p>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</p> <p>b. explore the full range of policy options available to help overcome the barriers to achievement of the WHQS.</p>	<p>Dec 2013</p>	<p>A Ministerial Task Force has been established to address progress in achieving WHQS in RSLs and local authorities whose business plans demonstrate they cannot meet the Standard by 2020. This includes those who are due to meet the Standard close to 2020 and may be at risk of non compliance. The Task Force will work with social landlords to look at all potential options including financial and governance models and will ensure the costs of each option are fully taken into account. The Task Force will report its initial findings in Spring 2013.</p> <p>There has been significant expenditure in Wales on achieving the standard. It has been estimated that approximately £1.6 billion has been invested in bringing peoples homes up to the standard to date.</p> <p>The Major Repair allowance budget of £108m that funds the achievement of the WHQS has been protected for the next 2 years.</p>