

Dyfodol Cynaliadwy
Sustainable Futures

Cyfarwyddwr Cyffredinol • Director General

Public Accounts Committee
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Llywodraeth Cymru
Welsh Government

Mr Darren Millar
Chair
Public Accounts Committee
National Assembly for Wales
Cardiff Bay
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14 June 2013

Dear Mr Millar

PROGRESS IN DELIVERING THE WELSH HOUSING QUALITY STANDARD

Thank you for your letter of 3 May inviting me to attend the Committee on 25 June. I am happy to confirm my attendance. Kath Palmer, Deputy Director of Homes and Places and Lisa Dobbins of the Housing Quality Standards team will be accompanying me.

You asked for further evidence on some key issues including:

1. Practical examples of how Welsh Government has applied the general lessons for policy development, monitoring and evaluation identified in the Auditor General's report

Our *Houses into Homes* scheme is an excellent example. It was launched in April 2012 with £10 million of new capital investment and provides interest free loans to owners of long-term empty dwellings to bring them back into use for sale or rent.

It is a model of collaboration. All local authorities are involved, working in six regional groupings. This enables sharing of expertise and best practice to maximise the number of empty dwellings brought back into use either by loans, or by using other powers available to them.

A three year evaluation was commissioned prior to the programme's launch and includes interim reporting points. It is examining how the scheme works, what it delivers and its impacts.

By the end of 2012-13, the full £10 million had been drawn down for loans, providing around 450 units of accommodation and, in the process, supporting local building jobs and training opportunities.

A further £10 million has been allocated to the scheme this financial year following a rigorous appraisal and assessment of a business case by the Finance Minister's department.

2. *The scope likely costs and timetable of the proposed WHQS evaluation exercise, including the scale and coverage of the work that will be involved in verifying WHQS compliance.*

The contract for the evaluation was let on 11 June 2013 to Altair Consultants at a cost of £19,750. They will be reporting in November 2013. The scope of the project is to look at:

- How landlords judge and communicate that they are implementing or have met the Standard in accordance with guidance;
- The extent of external independent verification of compliance amongst landlords;
- How landlords have applied the 'acceptable fails' criteria and establish good practice;
- The cost implications and practicality of landlords being required to update individual tenants on the compliance of their homes with WHQS; and
- The extent to which community benefits have been achieved by WHQS improvement programmes.

The scope reflects issues raised by the Committee and the Auditor General and particular addresses the concerns about being sure that the Standard is being met. This first phase of the evaluation will determine what further action is needed, if anything.

3. *The basis of the Welsh Government's previous comments about the robustness of the WHQS data collection exercise undertaken in 2012 compared with the previous exercise in 2010 and progress with the development of the 2013 data collection.*

The 2010 collection was a pilot survey undertaken by policy staff within the then Housing Division. The 2012 data collection was carried out by Welsh Government's Knowledge and Analytical Services (KAS) Division leading to greater robustness through improvements to the data collection form, the guidance and the introduction of primary validation within the data collection form. This was in addition to the secondary validation carried out by the KAS's Data Collection team, who are very experienced in collecting and validating housing information.

The data form for the 2013 collection is currently being finalised and the Committee will be pleased to note that it has been developed to collect further information on acceptable fails. The updated form will be issued in early July for completion by 9 October 2013.

4. *Whether guidance on the Environmental Statement of the WHQS has now been published*

All landlords retaining their stock now have to submit an annual report, demonstrating how they have identified and prioritised wider environmental improvements to the immediate surrounding area of your properties and their progress to date.

The Tenant Participation Advisory Service (TPAS) Cymru wrote the current guidance on the interpretation of the environmental standard. They are revising it and plan to publish it this autumn. When it is complete the Welsh Government will write to all landlords reinforcing its importance. TPAS advise that the seminars they run on the standard are popular with landlords. The next one is in early July.

5. *Progress with the Welsh Government's negotiations with HM Treasury about reform of the HRAS system, including how the Welsh Government is engaging with the social housing sector to inform those negotiations.*

Negotiations are continuing with Treasury to find a mutually acceptable way forward, to ensure that the settlement is fiscally neutral. Although negotiations with Treasury are confidential, officials have been in contact with the WLGA and a small number of local authority Chief Finance Officers (in the strictest confidence) regarding the latest proposal.

6. *The scope and progress of the work of the Ministerial Task Force that had been established to address progress in achieving the WHQS for particular landlords.*

The Task Force was set up last September and is looking at the three landlords without acceptable business plans and the four whose achievement date is after 2015/16, putting them at greater risk of not meeting the 2020 date.

The process has been extremely positive and we are grateful to the members of the Task Force who have done this on an unremunerated basis. Also to the landlords involved for their commitment to the process and their willingness to participate. The Task Force is due to report to the Minister for Housing and Regeneration before the Summer Recess.

7. *An explanation for the timescales associated with implementing certain actions. In particular:*

- ***Why it is likely to take two years since the publication of the Auditor General's report to complete discussions with landlords on the practicalities of consolidating various data returns (recommendation 3c); and***
- ***Why the Auditor General's recommendation on examining progress against previous commitments related to achieving WHQS (3b) could not have already been discharged as part of business planning processes in 2012-13.***

The timeframes in this section to complete action by December 2013 reflect the need to consider recommendations arising from the current review of the Regulatory Framework by the Regulatory Board for Wales. We do not want to put new arrangements in place only to have to change them again. The report is due imminently.

8. *The nature of the resource constraints that have delayed the response to recommendations arising from previous Ministerial Task and Finish Group on housing and regeneration sustainable community investment and the implications of these constraints for other areas of housing policy.*

The constraints in public expenditure arising from the recession and the UK Government's austerity measures, means that the Welsh Government has had to prioritise its resources including staff, and think differently about how it delivers its priorities.

Delivering community benefits is a vital one and why Welsh Ministers are so keen on ensuring the delivery of WHQS. Although it is not been possible to deliver the recommendations as intended in the report we have nevertheless been working closely with Value Wales to take a joined up approach to ensure delivery of community benefits through the housing agenda.

9. *How, beyond the delivery of the Value Wales community benefits measurement tool for contracts with a value greater than £2m, the Welsh Government has clarified its expectations of all social landlords regarding data collection on the overall value for money and wider benefits achieved from WHQS related expenditure. In July 2012 you indicated that the Inform to Involve project was developing a framework to sit behind use of the community benefits tool, and which would capture the wider benefits achieved outside of procurement.*

We have written to all landlords requiring them to adopt a community benefit approach to all contracts over £2 million and for any contract where it is possible for a benefit to be realised. There is already strong evidence of good practice in the sector in terms of value for money and wider benefits. We need to be sure we capture information in a robust way. The new data will be available in 2014.

This work is part of a wider programme of support provided by Value Wales set out in the Finance Minister's 'Wales Procurement Policy Statement' in December 2012 and includes free support. The Statement made clear that the adoption of the community benefits approach is not optional and that legislation is an option.

10. *Whether the Welsh Government has seen any significant changes in landlords' business planning assumptions regarding their future WHQS-related expenditure, as a consequence of some of the uncertainties highlighted in the Auditor General's report (including changes to housing benefit). The Committee would also welcome an update on the work of the steering group that you indicated previously was being established to address the issues raised by housing benefit changes.*

Landlords are making allowances in their plans for bad debt arising from welfare reform to ensure that WHQS can be met. Our Housing Regulation Team has carried out sensitivity testing in relation to bad debts. If bad debts and arrears are higher than modelled then Registered Social Landlords will have to take mitigating action. Most have indicated this will be achieved by reducing services as their key priority is to maintain the viability of their organisations.

You asked about the steering group. This originally focussed on Housing Benefit but with the agreement of its members, it was reformed as the Support and Exceptions Working Group (Wales). This reflected increasing concern about the impacts of wider welfare benefit reforms. The group considers the design and delivery of support needed to help claimants to adapt to Universal Credit. It now has input from organisations who are involved in money advice services, credit unions etc. Its secretariat is provided by the Department of Work and Pensions.

On the group's recommendation the Welsh Government is now setting up another to assess the impacts on the social rented sector (tenants and landlords) of the welfare reforms. It will identify and share good practice within the sector to deal with the reforms. This information will also usefully inform the work of the Housing Regulation Team. The inaugural meeting is planned for 4 July 2013.

I look forward to having the opportunity to discuss these issues with you on 25 June.

A handwritten signature in black ink, appearing to read 'Gareth Jones'. The signature is stylized with a large, sweeping initial 'G' and a long horizontal line extending across the middle of the name.

Gareth Jones
Director General – Sustainable Futures