

Pwyllgor Cymunedau, Cydraddoldeb a
Llywodraeth Leol

Communities, Equality and Local Government
Committee

Cynulliad
Cenedlaethol
Cymru
National
Assembly for
Wales



Carl Sargeant AM
Minister for Housing and Regeneration

Bae Caerdydd / Cardiff Bay
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29 October 2013

Dear Minister

Welsh Government draft budget proposals, 2014-15

Thank you for attending the Committee on 16 October 2013 to answer questions on the Welsh Government's draft budget proposals for 2014-15.

The Committee would like to draw your attention to the matters set out below, and looks forward to receiving your response, where appropriate, as soon as possible.

We note that the Finance Committee's consideration of the draft budget is structured around the four financial scrutiny objectives of affordability; prioritisation; value for money; and budget processes. We have applied these objectives to our considerations and have identified the relevant objective against each of the matters set out below. A copy of this letter goes to the Finance Committee to inform its overarching consideration of the draft budget and it will also be published on our website.

1. Welsh Housing Finance Grant Scheme *(Scrutiny objectives: value for money and prioritisation)*

We welcome the introduction of the Welsh Housing Finance Grant Scheme ('the Scheme') aimed at supporting increased investment in social housing. We note that this Scheme represents an overall investment of £120 million by the Welsh

Government over a 30 year period. As part of this, we welcome the commitment of £4 million for 2014-15.

We asked how you will monitor the extent to which the Scheme represents value for money and what outputs you were seeking to achieve. In terms of value for money, you told us this “exercise is built in upfront and not just at the end in terms of assessment”. You went on to say that your anticipated output “will be around 1000 properties – that is what is expected for the lifetime of the programme. This will, of course, add to the 7500 target in terms of housing requirements that we have put in our manifesto.”

We also asked you about the Welsh Government’s long term commitment to the Scheme, and welcomed your statement that “there is collective Government responsibility in terms of the investment made (...), so the £2 million from my department and the £2 million from the finance department are manageable for future years, I believe, post this Government too.”

Given the scale of the investment and the long term financial commitment involved, we believe it is essential that you put in place arrangements to monitor and evaluate the extent to which the Scheme is delivering value for money. **We would like you to report back to the Committee on these matters within the next 12 months. At the same time, we would like you to provide an update on progress made against your target of building 1000 properties over the next two years.**

2. Local Housing Need

(Scrutiny objectives: prioritisation and value for money)

We asked you about the mechanisms in place to ensure that local authorities are correctly identifying local housing need. On this point, we were pleased to hear that you have written to all local authorities earlier this year “making them very aware of a new statutory duty in terms of making local housing market assessments on a two-year basis” and that, in your opinion, local authorities “are under no illusion as to what I expect from them now.”

We believe you should ensure on-going monitoring and evaluation in relation to affordable housing, particularly those developments supported with capital grants, to ensure it is being delivered in the most appropriate areas and given its importance.

3. Help to Buy Cymru

(Scrutiny objectives: value for money and affordability)

We welcome the budget allocation of £69 million in 2014-15 for the Help to Buy Cymru equity loan scheme. We note your evidence that the funding for the Scheme is ring-fenced as financial transactions funding which can only be used for loan and equity investments and must be repaid to the Exchequer.

We asked you for more detail about the repayment arrangements, including the timescales for this. You told us the detail of the Scheme will be clearer when you make your announcement later this year.

In terms of the payback arrangements, you told us that “a key part of the due diligence that we have to do before this Scheme can be successfully launched is to be very clear on the payback terms. They need to be negotiated with the Treasury because ... there will be an expectation that a sum of money goes back to HM Treasury in 2037.” You acknowledged this was a long payback period and said you were “taking very seriously” the payback calculations.

We welcome your statement that you are “confident that we will be able to launch this Scheme, and will be making an announcement on it prior to Christmas.” **We would be grateful to receive more information on the timetable for the launch of the Scheme as soon as possible.** Further to this, given the long payback period, we are keen to ensure that adequate arrangements are in place for the funding to be repaid. **You agreed to provide more detail on the payback terms of Financial Transaction Funding being made available for the Help to Buy Cymru equity loan scheme when these terms have been negotiated with HM Treasury.** We look forward to receiving this information in due course.

4. Supporting People

(Scrutiny objectives: prioritisation, value for money and affordability)

We note that, in your paper, you state that 82 per cent of your revenue budget is allocated to areas of preventative spend and that the Supporting People (SP) programme is one of these areas. In our budget considerations last year, we said we felt that this programme would be under increasing demand over the next year as a result of the economic climate. We are, therefore, pleased that an agreement could be reached to enable some mitigation of the planned reductions in the allocation for the SP programme. We note that prioritising the SP programme was at the expense of the regeneration and planning budgets.

As part of our consideration of the budget last year, we also wanted you to ensure that robust systems were in place to ensure maximum value for money in the SP programme. With this in mind, we note your statement that you are considering developing further longitudinal research into the effectiveness of the programme to ensure it is providing the necessary services. **We would be very interested to hear more detail on this in due course.**

We were also interested to hear that you will be writing to boards that support the SP programme across Wales asking them to review their budgets to see if improvements can be made. **We would like to hear from you as to whether this is part of a more systematic review of potential future savings and reform.**

5. Housing Revenue Account Subsidy

(Scrutiny objective: affordability)

With regard to exiting the Housing Revenue Account Subsidy (HRAS), you told us “we have worked out the numbers and have an agreement with local authorities in terms of what their levels of debt will be.” You said the effect of exiting the Scheme would be to release over £30 million back into the system.

You told us you were in advanced discussions about exiting the Scheme, but that “in order to exit sooner rather than later we really need to have a voluntary agreement with the Treasury and local authorities ... otherwise we will have to go through a legislative process that is out of our hands.”

We note that you are “not confident” but “ambitious” that a voluntary agreement to exit the Scheme can be reached in the next financial year. It is our intention to keep this matter under review and, as such, **we ask that you provide us with an update on your progress in the next six months.**

6. Land

(Scrutiny objectives: prioritisation and value for money)

We welcome the establishment of the £13.7 million Land for Housing Scheme. In both our recent inquiries into Barriers to Homebuilding and the Provision of Affordable Housing, the issue of land availability was repeatedly raised as a barrier to the delivery of housing, both market and affordable. You told us that part of the reason for establishing a single Land for Housing Scheme was to ensure greater transparency around the budget.

In terms of releasing land for new housing, you told us about two “significant” pieces of work currently in progress, one looking at housing supply, the other (led by the Permanent Secretary) looking at the Welsh Government’s assets. You told us that the group looking at housing supply will consider land provision and the release of land, “whether that will be local authority, Welsh Government or health land”. You told us that £5 million of the Scheme would be financial transactions funding available to RSLs and local authorities to purchase land – but not land owned by the Welsh Government, and there would be an agreement as to how that money is paid back, although you had not worked out the fine detail of the transaction finance agreement yet. **We would welcome more detail on this matter in due course.**

7. Welsh Housing Quality Standard

(Scrutiny objectives: prioritisation and value for money)

We welcome the continued investment to improve the quality of social housing in Wales to ensure that homes provided by local authorities and housing associations meet the Welsh Housing Quality Standard (WHQS).

We note that the contract for the evaluation of WHQS has been let to external consultants and that the outcome of the evaluation is due in early 2014. **We ask that you feedback to the Committee on this in due course.**

On a related matter, **we would be interested in receiving further information from you on arrangements in place to monitor the effectiveness of spending through the Major Repairs Allowance and dowry payments over the longer term.**

Furthermore, **we would like more detail on the approval process for business plans for achieving and maintaining WHQS, including information on the extent to which the wider community benefits associated with improving**

housing standards are considered when approving plans and allocating funding.

8. Homelessness

(Scrutiny objectives: prioritisation and affordability)

We note the budget allocation for homelessness has been reduced by £0.75 million to £6.4 million for 2014-15 (10.4% or 12.1% in real terms).

We asked you about the impact of this reduced allocation, particularly for protected groups. You told us that, although there appeared to be one budget for the homeless, “the reality is that there is a range of things being funded through this budget and we are able to decide on the kind of projects that will be funded in future in order to decrease the effect on the protected groups.”

You said you accepted that the reduction in budget will have an impact on individuals whether they had protected characteristics or not, but went on to say “I cannot tell you what the impact will be ... in terms of the detail, because the reduction of services will have a variable impact.” You then said that you are trying to develop, with your partners, local authorities and the third sector, the way you do business on homelessness, changing the direction of travel from reactive spend to preventative spend to enable you to do more with less”.

We believe it is important to have a clear picture of the impact of the reduced budget allocation for homelessness to see if particular protected groups are more likely to be affected than others. Given that you accept there will be an impact on individuals as a result of the reduced allocation, but that you are unable to quantify this, we believe you should put in place a programme to monitor this impact, and **we would like you to report back to us with the findings within 12 months.**

Further to this, **we would like you to provide us with an update on how local authorities are monitoring the effectiveness of their homelessness prevention measures, having particular regard to the potential impact of UK Government welfare reforms.**

Finally, you mentioned that you are undertaking a review of grants provided under Section 180 of the Housing Act 1996. **We would like you to provide us with an outline of the timetable for this.**

9. Home Adaptations

(Scrutiny objective: prioritisation, value for money)

We note the revenue budget allocation for Care and Repair is being reduced by £500,000. Given the £35 million revenue allocation that was within the local government budget for the Intermediate Care Fund, we asked you whether Care and Repair would be able to access any of that revenue funding to make up for the reduction in its budget allocation. You told us you were “not committing to that”, and that you “have said to the organisation that I have yet to be convinced of the reason that we have 22 Care and Repair agencies across Wales”, but that you were still in discussions about this. **We would like you to report back to us**

on the outcomes of your discussions with Care and Repair and provide us with an update on how the Intermediate Care Fund will be utilised within your portfolio.

10. Legislation

(Scrutiny objectives: prioritisation, value for money, affordability)

We note that you are proposing to bring forward four pieces of primary legislation before the end of the current Assembly; two housing Bills and two planning Bills.

Specifically in relation to the Housing (Wales) Bill, we welcome the inclusion of an additional £4.9 million for 2015-16 indicative plans to support the implementation of the homelessness element of the Bill.

Further to this, you told us that, in terms of the provision for secondary legislation as a consequence of the Housing Bill, you were “confident that we will be able to manage that within the financial aspect of the Bill... However ... all of that detail will come through with all of the details of the Bill when I launch it later this year.”

We will be giving careful consideration to the financial information provided as part of the documentation to accompany each Bill and will write to you separately if we feel we need any further information.

Finally, you agreed to provide the following—

- More detail on the long-term impact that welfare reform is having on communities, when that information becomes available (You suggested this information would be available in 12 months’ time or less).
- Details of the progress of the eight Local Authorities that had not completed their registers of accessible homes at the time of your predecessor’s work on this last year.
- An amended budget paper with details of the intermediate care fund in the capital budget.

Yours sincerely



Christine Chapman AC / AM
Cadeirydd / Chair

cc. Jocelyn Davies AM, Chair, Finance Committee