

CELG Committee: General Scrutiny - 19 June 2014

Evidence Paper

The Housing and Regeneration Department has an essential contribution to make to Welsh Government's Programme for Government. Our housing and regeneration programmes are improving the quality of life in some of our most disadvantaged communities. Improving Planning Services and boosting housing supply both have an economic as well as social impact. My number one priority is therefore to tackle the shortage of homes by ensuring that people have access to quality, affordable housing thereby helping to tackle poverty, improve health and wellbeing, and support jobs and growth. I am also continuing to work with local authorities and housing associations to mitigate the impact of UK Government's welfare reforms on the poorest and most vulnerable in our communities.

This paper sets out the areas that I have identified for priority action and the subsequent funding that has been allocated to deliver them.

1. Increasing Housing Supply and the Choice of Housing

In only two years of this administration, 4,474 additional affordable housing units have been delivered across Wales - 60 per cent of the target previously set for this term of Government.

I was therefore very pleased to be able to announce, on 4 March, an increased target of 10,000 new affordable homes for this term of Government. In order to ensure we achieve this important target I have put in place a housing supply delivery pact with Community Housing Cymru, setting out commitments from both Welsh Government and the housing association sector. I welcome this deepening of our partnership with housing associations in Wales. As a government we will continue to target government grant on the development of new affordable homes. In 2014-15 the Social Housing Grant Programme stands at £58.301million (per the final budget published in December 2013).

We are also supporting the development of market housing. The launch of Help to Buy – Wales in January 2014 was an essential component of this support. By April 2016 the scheme is expected to support the sale of 5,000 homes across Wales. We have seen keen demand for the shared equity product and now have over 60 developers fully registered with the scheme and offering Help to Buy – Wales shared equity loans as part of their developments.

By increasing the supply of new build properties Help to Buy - Wales will support thousands of jobs as well as training and apprenticeship opportunities and stimulate growth in this important sector of our economy. In developing the scheme we have also been keen to ensure that our initiative works for smaller housebuilders as well as for the volume home builders.

At an earlier meeting the Committee asked about the arrangements for repaying the financial transaction funding made available for help to Buy Wales to the Treasury. The repayment arrangements are still being negotiated and I will report these arrangements to the Committee once that process has been concluded.

We have also launched our Housing Finance Grant which will lead to the construction of more than 1,000 new affordable homes over the next 2 years which will in turn tackle poverty and improve community health and well being. Collaboration with housing associations has been key to this innovative funding mechanism. The scheme uses new funding sources amounting to approximately £125 million. The Welsh Government will provide annual revenue funding of £4 million to 19 housing associations over 30 years in order to assist the repayment of this private finance. As part of the evaluation of the initiative, community benefits are to be gathered following the completion of each development – including for example the number of jobs sustained and apprenticeships created.

Last year the Committee asked me about monitoring the scheme and delivering value for money, and progress on building 1,000 properties. We monitor each development on a quarterly basis. We request evaluation data for each site completion to report on value for money, including community benefits. 26 schemes have been approved to date. We have had one site completion with 15 new affordable homes funded by the Housing Finance Grant. Schemes are on track to be completed by Christmas 2015.

The Housing Finance Grant is just one more example of our commitment to deliver innovative and new schemes to support our housing partners to invest in affordable housing. I have also agreed a number of pilot schemes that will allow housing associations to develop new ways to use capital grant and explore the best use of existing affordable housing and land. In addition, the Innovative Finance Conference on 15 May was a great success and highly regarded by the more than 200 housing professionals attending. The conference was an opportunity to put the right people together to realise new funding streams for Wales' housing sector and encourage organisations to turn ideas into reality. The event allowed local government and registered social landlords to see at first hand a range of innovative finance models to fund the development of housing in Wales which will support economic growth and employment in this sector.

Elsewhere, Houses into Homes continues to be successful in targeting empty properties to be brought back into use. So far, £20 million has been distributed to local authorities who in turn provide interest-free loans to owners to improve their empty properties to sell or rent within two or three years. Based on applications received, this first round of funding will see at least 900 units of accommodation being turned into much needed homes.

As these loans are repaid the funds will become available to provide more loans, thus targeting more empty properties. The scheme will play a key role in helping to meet our

target of returning 5,000 empty properties into use by the end of this Assembly term in 2016. We are currently on target with 2,100 brought back into use in the first two years.

As part of the suite of measures I have announced to boost housing supply I am also revising Technical Advice Note 1 - Joint Housing Land Availability Studies (JHLAS). This is intended to facilitate an increase in the supply of market housing. The JHLAS is the principal mechanism for monitoring the supply of housing land through the planning system. The review will make the monitoring of housing land supply more closely integrated with the Local Development Plan system. Officials are working with an advisory group of house-building and local planning authority representatives on the review and expect to consult on it over the summer.

2. Housing Services

Through the Supporting People Programme I am investing over £134 million to help over 70,000 people remain in their own homes. Housing Associations – and our work with them - are pivotal to the success of this programme. They provide houses, temporary supported housing and tenancy support to many vulnerable people across Wales.

I am also committed to assisting Care & Repair Cymru to find the best way to manage the reduction in the budget whilst protecting the front line services the agencies provide. In turn, they have been working closely with the agencies to try and find ways of reducing their operating costs by looking at sharing services, pooling resources and looking at the viability of some agencies merging to form larger agencies with reduced management, administration and infrastructure costs. This process is ongoing and is expected to continue towards a successful outcome with fewer agencies by the start of 2015-2016.

We have made further funding available in 2014/15 to tackle homelessness and to enable preparation for the implementation of the new homelessness provisions in the Housing Bill from April 2015. This funding has enabled continuation of work to mitigate the impact of housing benefit cuts where local authorities have made this a priority. We are working closely with the local authority Homelessness Network to support local authorities to strengthen their work in preventing homelessness. We have introduced a new statistical return to measure the effectiveness of homeless prevention in each area and how it is being achieved.

3. Improving Housing Standards and Quality

The Welsh Housing Quality Standard (WHQS) is at the heart of our commitment to improving the existing stock of social housing. 60 per cent of social housing in Wales – that's nearly 134,000 homes – achieved the WHQS at 31 March 2013, up from 42 per cent a year earlier. This means that thousands of our poorest families now live in safe, secure homes. Current statistical returns supplied by landlords suggest that by May 2016 at least 75 per cent of their housing stock will comply with the standard. We will be monitoring these returns carefully.

All social landlords are now required to evaluate the large volume of community benefits achieved from their procurement activity through the Value Wales Measurement Tool and to report the resulting outcomes. This will allow more accurate reporting of the jobs and training opportunities delivered through housing investment. Social landlords are in total investing around £500 m per annum improving the social housing stock, with £108 m of this provided by Welsh Government.

Housing investment supports job opportunities and growth across Wales and I want to ensure that all housing associations, regardless of size or location, look for every opportunity to achieve positive outcomes for their communities to ensure that those communities receive maximum benefit from the investment they make. Capturing these outcomes is vital and I have asked all housing associations to ensure we evidence the achievements consistently.

The Committee has asked about evaluation of the WHQS. The Altair report "Welsh Housing Quality Standard – Verification of progress in achieving the standard" was published on 13 May 2014. Officials are considering the recommendations and I will respond to the report's findings in due course.

In addition I have established a Review Group to look at Development Quality Requirements in relation to new homes. I expect the Review to balance the important need for quality and the benefits to society and the public purse with our overall aim of delivering more homes for people in need. I want to ensure that the standards we endorse are fit for purpose.

As the Committee will be aware, I announced in January that we would run a £1m pilot programme installing fire sprinklers into new social housing in Wales. I am pleased that we received good quality bids and we will be running 16 separate projects with ten Housing Associations, installing sprinklers into around 230 new social housing units. We will be commissioning consultants to monitor the learning and experience of the fire sprinkler designer and installer, the builder, the Building Control Body, the relevant water company, and the Housing Association. This will include looking at the costs of sprinklers. We will publish a final report detailing the lessons learnt in Autumn 2015, in preparation for the requirement for fire sprinklers to be installed into all new and converted houses and flats in Wales from 1 January 2016. The project is being overseen by a Steering Group, which includes representatives of house builders, the Home Builders Federation, a Housing Association, and the fire sprinkler industry.

Amendments to Part L of the Building Regulations on conservation of fuel and power will come into force on 31 July 2014. These changes mean that new houses will be 8 per cent more energy efficient when compared to current building regulations, for non domestic new buildings the improvement is 20 per cent. The changes reflect the 'fabric first' principle aimed at reducing energy demand first. The building fabric such as walls, floors and roofs will need to meet certain standards in order to comply. This will ensure that all new houses are fit for purpose and perform to a high standard which will require less heating or cooling in the long term.

We believe that for new housing the changes will have a close to cost neutral effect on building costs when compared with the sustainable buildings planning policy (TAN22). However, we will provide a regulatory backing for emission reductions which are currently sought through planning guidance. We will review Part L again in 2016 as the next step in our progression towards the EU target of nearly zero energy buildings by 2019 for all new public buildings and 2021 for all new buildings.

4. Regeneration

Our Vibrant and Viable Places Framework sets the policy for the regeneration of town centres in Wales. Our vision is that everybody in Wales should live in well connected, vibrant, viable and sustainable communities with a strong local economy and good quality of life.

The VVP Framework outlines our national objectives and has been aligned with the Communities First programme – Prosperous Communities, Learning Communities and Healthier Communities. Through the Programme we will support activities to achieve outcomes such as an improved level of economic activity and more jobs; a skilled and confident existing and future workforce; and healthy and cohesive communities, able to grow and work together. We will monitor our progress with outcome indicators that are outlined in the Framework.

This Framework is supported by over £100 million for targeted regeneration investment over the next three years, drawing in substantial additional investment from other sources. This £100 million main pot will be supported by a £7 million tackling poverty pot for a further seven settlements in our most deprived areas.

Housing led Regeneration is a key element of our Vibrant and Viable Places Framework. Housing associations and community mutuals are key economic players in Wales, not only as landlords and developers, but in their wider role as investors in the regeneration of local communities.

The Town Centre Loan Fund will reduce the number of vacant, underutilised and redundant sites and support the diversification of town centres. The scheme will encourage more sustainable uses for empty sites and premises, such as residential, leisure and for key services.

A pilot scheme of £5 million for release in 2014/15 will provide loan funding to support town centre regeneration and develop vibrant and viable places. The funding is to be recycled over a 15 year period with return to the Welsh Government suggested in years 11-15. The funding is to be shared between a limited number of local authorities for the pilot initiative. Ceredigion, Powys, Pembrokeshire and Monmouthshire - the four local authorities that are not in receipt of VVP funding - are to be considered for this pilot initiative.

I am considering launching a campaign in support of our High Streets this autumn and we have written to every local authority outlining our plans and seeking partnership working. Local authorities have been asked to outline their support, key settlement involvement and suggested events and activities. We plan to facilitate a national brand and resources for all stakeholders to use to highlight our High Streets. Local authorities, local Chambers of Commerce or business owners will be able to deliver events to raise the profile and importance of high streets and the important role they play in vibrant communities.

I intend to hold a Regeneration Summit, the key theme of which will be the regeneration of town centres and high streets in Wales and will focus on the Vibrant and Viable Places programme and the Business Improvement Districts (BIDs) initiative. It will also take a look at key examples of the many local and self-funded projects taking place in town centres throughout Wales. Sub themes are proposed to include housing led regeneration, regulation of town centres and social community. The summit will provide an opportunity to share best practice and support regeneration across Wales.

The Planning research report *'Town Centres and Retail Dynamics: Towards a Revised Retail Planning Policy for Wales'* was published in April. The report was commissioned by the Welsh Government following recommendations to review retail planning policy made by the Enterprise and Business Committee in January 2012 in their report *'Regeneration of Town Centres'*. The research report identifies key retail statistics in Wales, considers the affect of retail development on town centres, and assesses the appropriateness of current national retail planning policy. The report makes a number of recommendations which are being considered and will help inform any potential future review of retail planning policy and advice in Wales.

5. Legislation

The Housing (Wales) Bill

The Housing (Wales) Bill has completed Stage 2 and is now in Stage 3 of the scrutiny process. The CELG Committee scrutinised the Housing Bill at Stage 2 and the contribution made by the Committee and stakeholders has created an improved Bill which will deliver significant benefits. These include ensuring the private rented sector is fit for purpose; access to services to help prevent homelessness and ensure more households are in secure accommodation; and that local authorities are able to apply

additional council tax charges in relation to empty properties and second homes to help alleviate pressures on communities and help turn more houses into homes. I look forward to Stage 3 and the final Stage 4 when I hope the Bill will receive approval from the National Assembly for Wales.

Renting Homes Bill

Renting Homes will provide much-needed reform of the rented housing sector. Based upon recommendations from the Law Commission in 2006, it will provide a simplified system of secure and standard contracts. These two contracts will replace, almost entirely, the numerous types of tenancy and licence currently in existence. These contracts will provide clarity and consistency in many areas allowing Landlords and occupiers to benefit from a clear and practical framework for renting a home. The legislation will include

- making provision for one secure contract based on the local authority secure tenancy and one standard contract similar to assured shorthold tenancy (expected to be used mainly by the private sector);
- requiring landlords to provide written contracts, and providing the Welsh Ministers with powers to issue model contracts;
- statutory 'prohibited conduct terms' within contracts covering anti-social behaviour and domestic abuse;
- standardising succession rights;
- standardising eviction for rent arrears;
- enabling landlords to legally recover possession of abandoned properties without requiring a court order;
- ensuring accommodation is fit for human habitation.
- preventing retaliatory eviction; and
- establishing a legal framework for supported housing.

Draft Planning (Wales) Bill

On 4 December 2013 I issued the draft Planning (Wales) Bill and the supporting paper, *Positive Planning: proposals to reform the planning system in Wales*, for public consultation. Through my Positive Planning proposals I aim to see planning becoming an enabler of appropriate development that helps to provide the jobs, infrastructure, homes and communities that Wales needs. The twelve week consultation period closed on 26 February 2014 and has provided interested parties with an opportunity to have their say on my reform proposals. A summary of the consultation responses will be published in due course. The responses will allow refinement of the Bill before I introduce it to the National Assembly for Wales later this year.

Holiday Caravan Sites (Wales) Bill

Members will be aware, from my recent evidence to them, that the Welsh Government does not support the Holiday Caravan Sites (Wales) Bill as it stands. In our view, the Bill is not proportionate and if implemented is likely to place the tourism industry in Wales at a disadvantage compared to England. I await the Committee's findings with interest.

Mobile Homes (Wales) Act 2013

The Mobile Homes (Wales) Act received Royal Assent in November 2013 and is due to come into force on 1 October 2014. The Act contains five sets of regulations:

- Site Rules,
- Sales and Gifting,
- Pitch Fee Reviews,
- Written Statements and
- amendments to the Residential Property Tribunal Procedures and Fees Regulations.

A consultation on Site Rules, Sales and Gifting and Pitch Fee Review regulations has recently been completed and these regulations are to be laid shortly so that they come into force at the same time as the Act on 1 October.

My officials are currently working with local authorities in preparation for the implementation of the new Act, developing a standard site licence application form and a fees and fines tool kit which can be used by all authorities to ensure consistency and transparency. A series of engagement events have been planned across Wales and leaflets and factsheets are being produced for site residents, site managers and local authorities to ensure that all stakeholders are fully aware of their rights and responsibilities under the new legislation.

6. Governance

I attach the highest importance to high standards of corporate governance and to the need for advisory boards and working groups to reflect the communities they serve and to take decisions and, communicate with their stakeholders in as transparent a manner as possible. Over recent months I have placed a particular focus on ensuring that these boards and groups develop a diverse mix of members, specifically considering how they will address their balance of gender, age, race, disability and professional experience. With this approach I want to achieve better equality and representation and in addition groups which are open to new ideas and to constructive external challenge, which listen to their stakeholders and learn from their everyday experiences.

7. Budget

The budget for the Housing & Regeneration MEG for 2014-15 is summarised as follows:

	2013-14 Final Budget	2014-15 Final Budget £m
Revenue	172.6	169.3
Capital	331.7	366.3
Total DEL budgets	504.3	535.6

The 2013-14 figures reflect the position at the second Supplementary Budget, published in February 2014. The Final Budget figures for 2014-15 are as stated in the Final Budget published in December 2013.

2013-14 Position

The final outturn position for 2013-14 is under audit by Wales Audit Office and it is too early to publish full figures. However, draft figures show a Revenue spend of £172.4million and a Capital spend of £331.5million showing my department utilised 99.9% of the budget available.

Revenue Position

The revenue budget figure for 2014-15 is 3.8% lower than the baseline figure for 2013-14 and 1.9% below the Final Position for 2013-14. This reflects the pressure on revenue budgets across the Welsh Government. However, priority is being given to protecting as far as possible the Supporting People and Homelessness budgets given the funding these budgets provide to some of the most vulnerable people in our society.

Capital Position

The Housing and Regeneration capital budget has overall increased by £34.6million compared to the final position for 2013-14. The net increase to the capital budget for the year reflects:

- An increase of £34.5million funding for Help to Buy – Wales, our policy to help increase the supply of new houses in Wales.
- £15million to support the Intermediate Care Fund, additional funding directed at enabling people to remain in their homes for longer and free up pressure on the health and social service budgets.
- No allocation for the Houses into Homes scheme (£10million in 2013-14), our policy for bringing empty properties back into use now the recyclable loan scheme in local authorities has received £20million of funding and whilst the scheme is evaluated.
- A drop in funding of £5million for the Social Housing Grant which reflects additions and transfers to this budget normally allocated during first and second supplementary budgets in year.

The department continues to take full advantage of the financial transaction funding available. In 2014-15 the Department will use £79million of this type of capital funding comprising:

- £69million for Help to Buy Wales.
- £5million pilot for land for affordable housing
- £5million pilot for town centre regeneration