

Communities, Equality and Local Government Committee

Date: 16 October 2013

Time: 11:00 – 12:30

Title: Evidence paper on the Draft Budget: 2014 - 15
Minister for Housing and Regeneration

Introduction

1. This paper provides background financial information to the Committee regarding the spending plans of the Minister for Housing and Regeneration as outlined within the Draft Budget 2014 - 15.
2. Annex A gives a breakdown of the Draft Budget, by Action, and by BEL within each Action.

Background and Summary

3. The draft budget figures for the Housing and Regeneration MEG may be summarised as follows:

Spending Programme Area	Supplementary Budget 2013-14 £'000	Draft Budget 2014-15 £'000	Indicative Plans 2015-16 £'000
Revenue:			
Housing Policy	150,736	146,615	147,874
Homes & Places	17,295	15,348	14,852
Planning	7,874	6,806	6,806
TOTAL REVENUE	175,905	168,769	169,532
Capital:			
Housing Policy	11,641	1,641	1,641
Homes & Places	278,384	349,729	347,329
Planning	0	0	0
TOTAL CAPITAL	290,025	351,370	348,970
TOTAL DEL BUDGET*	465,930	520,139	518,502

* These figures do not include Annually Managed Expenditure budgets. Details are provided below.

Budget changes

4. Compared to the supplementary budget for 2013-14 the indicative plans for 2014-15 and 2015-16 show the total MEG allocation for Housing and Regeneration has increased by **£54.2m in 2014-15** and **£52.5m in 2015-16**. The changes comprise:

	Draft Budget 2014-15 £'000	Indicative Plans 2015-16 £'000
Revenue:		
Supporting People	-2,699	-6,340
Homelessness	-750	4,150
Home Improvement Agencies	-500	-500
Social Housing Management Grant	-172	-172
Policy Research and Evaluation	50	0
Regeneration	-1,997	-2,443
Planning	-1,068	-1,068
Total Revenue	-7,136	-6,373
Capital:		
Increase the Supply and Choice of Quality Affordable Housing	1,380	-8,320
Increase the Supply and Choice of Quality Market Housing	69,000	71,000
Implementation of Strategic Regeneration Areas	695	5,995
Achieve Quality Housing	270	270
Empty Properties Programme	-10,000	-10,000
Total Capital	61,345	58,945
Total	54,209	52,572

Budget Priorities

5. I have undertaken a review of my budgets in order to ensure that allocations are fully aligned to deliver the priorities set out in the Programme for Government. I have had to prioritise my revenue expenditure to afford a degree of protection to the Supporting People Programme and ensure that the revenue resources available to me are directed towards those in our society who need our help the most. This expenditure is also key to helping reduce pressure on the health and social service budgets by allowing people to remain at home for longer. This

creates much more than just financial benefits due to the benefits of the support that people can receive as they are able to remain in and contribute to their communities for longer.

6. This has meant I have reduced my Planning and Regeneration revenue budgets by greater than a proportionate reduction to protect these sensitive Supporting People areas. Combined with additional support from central reserves of £5m I have been able to limit the reduction on this budget to only £2.7m in 2014-15.

Programme for Government Commitments and Key Policies

7. The Department has a wide ranging remit, with responsibility for developing and implementing policies on housing, regeneration, and planning functions.
8. The Department has a number of main aims reflected across the Programme for Government and this Draft Budget shows how we will deliver in 2014-15 and beyond on the Welsh Government's priorities on tackling poverty and creating the right conditions for jobs and growth. We will ensure that people have high-quality, warm and secure homes to live in, and effective services to ensure that people have the support they need to live independently. The impact of some of our interventions in this area are likely to be felt over the longer-term as we make changes to planning legislation, expand our stock of social housing and support the building of new market homes.
9. We will continue to regenerate key settlements and communities and revive our seaside towns through our new Regeneration policy 'Vibrant and Viable Places'.

Increasing the Supply and Choice of Housing

10. We are working to help promote jobs and growth in Wales by supporting house-building through reforms in the planning system to speed up how land can be released. I have created a new Additional Homes Unit to explore how more public sector land can be released. The draft budget proposes a **£5m** pilot scheme to explore how we can free up more land to support affordable housing.
11. I recently announced on 24 September the Housing Finance Grant. This is reflected in the draft budget by **the £4m Housing Finance Grant to support increased investment in social housing** to deliver over 1,000 new properties over the next two years.
12. The draft budget proposes a further **£5m for Social Housing Grant in 2014-15 and a further £15m in 2015-16** to build more affordable housing. This brings the total Social Housing Grant budget to £53.8m in this draft budget for 2014-15. Social Housing Grant is used to support local authority strategic housing priorities which means that all schemes funded with grant have been prioritised by the

local authority in terms of housing need i.e. we are assured that our grant is being used to build the right types of homes in the right places. In terms of cost all schemes are assessed against our value for money criteria i.e. Acceptable Cost Guidelines and all schemes are required to meet our design standards (Development Quality Requirements - DQR).

13. Support for market housing is also a key contributor to economic growth in Wales. The draft budget includes proposals for funding of **£69m for the Help to Buy Wales** scheme in 2014-15 rising to £71m in 2015-16 which will provide a key stimulus to the house building industry in Wales and create jobs and promote economic growth. Evaluation and benefits realisation has been built in as the scheme has been developed.

Improving Quality of Housing

14. Ensuring people have warm and secure houses is a key contribution my portfolio can make to the tackling poverty in Wales. I have been able to continue to invest **£108m per annum for the Major Repairs Allowance and Dowry Fund**. This budget funds major repairs for local authority housing and dowry payments for former local authority housing that has transferred to new stock transfer landlords. Both of these funding streams help to achieve the Welsh Housing Quality Standard (WHQS), the broad objective of which is to ensure that the social housing stock in Wales is fit for the 21st Century. This work also helps create and support jobs and training opportunities and support the economy.
15. MRA Evaluation takes place annually (with a mid-year review) involving scrutiny of 30-year business plans showing an achievement date for WHQS. Our Knowledge and Analytical Services commission a monitoring statistical return on progress in achieving WHQS which we publish annually in October. We have also just let the contract for the evaluation of WHQS in June 2013 to Altair Consultants and will be reporting in early 2014. The scope of the project includes to review how landlords judge and communicate that they are implementing or have met the Standard in accordance with guidance and the cost implications and practicality of landlords being required to update individual tenants on the compliance of their homes with WHQS.

Improving Housing Services

16. The Supporting People Programme is a key policy that provides support and assistance to some of the most vulnerable people in our society. We have been set a challenging financial envelope within which to deliver for the people of Wales but despite this I am able to invest **£133m a year** in delivering housing related support to vulnerable people through the Supporting People Programme. The impact of welfare reform and the pressures our health and social services are under mean it is critical that we continue to invest in services that allow people to remain at home for longer. We are able to support over 50,000 people

per year through the programme. Professor Sir Mansel Aylward reviewed the grant programme in 2010 and officials are reviewing implementation of recommendations in 2013-14. The programme uses a national board to advise the Minister on the effectiveness of the programme and the board monitors regional commissioning arrangements as part of its remit. This is complimented by a specialist Governance Team that monitors local and regional commissioning arrangements. I am also considering developing further longitudinal research on effectiveness of programme to ensure we continue to target funds where they are needed the most and the programme continues to provide the services that the vulnerable people who access the funding require.

17. The prevention of homelessness remains a key priority for the Welsh Government and although the budget has been reduced by £0.75m we are still able to invest **£6.4m in this key area**. This funding will continue to provide support to the homelessness elements of the Housing Bill. Officials reviewed the Homelessness Grant in 2013/14 to ensure it is aligned with policy and new legislation. The Homelessness Strategies Working Group, made up of external stakeholders from WLGA, voluntary Sector and LA's monitors the implementation of the homelessness 10 year plan to ensure the plan remains on track and will deliver for these vulnerable people.
18. We have continued to protect our investment in allowing people to remain in their own homes by continuing our capital investment in the Rapid Response Adaptations Programme at **£1.6m** per annum. We have also been able to protect the revenue funding we provide to the Care and Repair agencies who deliver this work and other core advice related services of **£4.1m**. This programme is currently being reviewed in 2013-14 to ensure our work with our delivery partners is being well managed and directed and is achieving value for money.

Regeneration of town centres and seaside towns

19. We have prioritised our regeneration programme for 2014-15 through Vibrant and Viable Places. Our new strategy will see us focus our interventions in a discrete number of town and coastal communities across Wales. We are working closely with our delivery partners to ensure this funding is targeted at key settlements across Wales and used to lever significant investment from across the public and private sectors to maximise the impact our interventions will make. This new approach is supported by funding of **£30m** per year for three years. Monitoring and evaluation is a key part in how we will administer this new policy to ensure we are spending our limited resources in the areas that need it most and in a manner that maximises the impact of our interventions. Monitoring and evaluation arrangements were one of the key requirements used when determining which bids were successful in getting through the stage one sift.
20. We also have a commitment to the seven strategic regeneration areas where we have focused our regeneration interventions over the past few years. We will

invest a further **£5m to honour our commitments** to these areas and ensure all the projects we have committed to are completed.

21. We also support a number of key regeneration interventions such as Cardiff Harbour Authority and the draft budget indicates we will spend over **£6m to honour our commitment** to these activities in 2014-15.

Preventative Spend

22. My main area of preventative spend is the Supporting People Programme and the draft budget shows that despite a challenging settlement from the UK Government I have prioritised this area of spend and will provide **£133.8m** of funding in 2014-15. This is a key programme that allows people to remain at home for longer and frees up pressure on the health service and social services.
23. The funding in the draft budget for **Independent Living of £4.6m** in 2014-15 is also preventative spend. This funding provides the physical adaptations people need to remain in their homes and not have to go into hospital or care homes.
24. In total the draft budget indicates proposals to spend 82% of my revenue budget in preventative spend areas.

Legislation

The Housing Bill

25. The Housing Bill is intended to be introduced into the National Assembly later this Autumn for scrutiny. When the Bill is introduced it will be accompanied by an Explanatory Memorandum (which will include a regulatory impact assessment) setting out the financial implications of the all the provisions contained within the Bill.

Planning Reform Bill

26. The wider financial implications of the Planning Reform Bill will be addressed in the regulatory impact assessment which will be published when the Bill is introduced to the National Assembly before the summer recess in 2014. However, the Consultation Paper due to issue in December will touch on the potential financial implications of the reforms.
27. The purpose of the Planning Reform Bill and the consultation is to consider a planning system which is positive in outlook and enables development, helping to deliver in a sustainable way the homes, job and infrastructure that Wales requires.

28. To help to achieve this aim the draft Planning Reform Bill and Consultation Paper is to redefine, in light of devolution, the respective roles and responsibilities of organisations involved in delivering planning services and to make improvements to the development plan and development management system to improve performance and realise the full potential to help to deliver Welsh Government policy objectives

Building Regulations

29. The transfer of Building Regulations Powers to Wales in December 2011 has resulted in increased demands upon the Welsh Government by the Building Regulations Team.

30. The Building Regulations Team is responsible for a multitude of functions which include the health, safety and welfare of people in and around buildings, delivering the Domestic Fire Safety (Wales) Measure, which the Minister for Housing and Regeneration has agreed to implement as a priority based on the will of the Assembly, and ensuring that the Building Regulations in Wales are up-to-date and fit for purpose.

31. As an indication of the costs associated with the devolution of the Building Regulations, the current Part L review and the development of the Domestic Fire Safety Measure have received a budget allocation of more than £3.2 million since 2010, including staff costs.

32. The funding for building regulations in the coming year will be managed so as to ensure delivery of the Welsh Government's policy agenda. The recent incorporation of building regulations within Planning Division assists management of the budget.

Annually Managed Expenditure

33. Annually Managed Expenditure budgets comprise a credit amount - of £71m in 2014-15 – representing the amount, calculated on a formula basis, which Welsh Local Authorities have to repay to the Treasury in respect of the Housing Revenue Account Subsidy (HRAS) system. In England, Local Authorities have bought themselves out of the system. The Welsh Government has agreed an exit strategy which will bring significant savings for the local authorities in Wales. We are currently finalising the details with HM Treasury.

HOUSING AND REGENERATION MAIN EXPENDITURE GROUP (MEG) - BEL TABLE 2013-14											
REVENUE BUDGET - Departmental Expenditure Limit											
SPA	Actions	BEL	BEL Number	2013-14 Supplementary Budget New Plans June 2013	2014-15 Baseline	Changes	Draft Budget 2014-15	Changes	Draft Budget 2015-16	Activities Supported	
Housing Policy	Supporting People	Supporting People Grant	1011	136,558	136,558	-2,699	133,859	-3,641	130,218		
	Homelessness	Homelessness	1120	7,181	7,181	-750	6,431	4,900	11,331		
	Independent Living	Home improvement Agencies		1100	4,691	4,691	-500	4,191		4,191	
		Rapid Response Adaptation Programme		1285	432	432		432		432	
		Independent Living			5,123	5,123	-500	4,623	0	4,623	
	Policy Development and Implementation	Policy Development and Implementation		1161	173	173		173		173	
		Policy Research and Evaluation		1181	57	57		57		57	
		Social Housing and Management Grant		1220	1,644	1,649	-177	1,472		1,472	
		Policy Development and Implementation			1,874	1,879	-177	1,702	0	1,702	
	Total Housing Policy				150,736	150,741	-4,126	146,615	1,259	147,874	
Homes and Places	Achieve quality Housing	Welsh Housing Quality Standards	1162	274	274		274		274		
	Increase the Supply and Choice of Affordable Q	Housing Enablers	1286	95	95		95		95		
		Support for Social Housing	984	4,000	4,000		4,000		4,000		
		Increase the Supply and Choice of Housing		4,095	4,095	0	4,095	0	4,095		
	Policy research and evaluation	Affordable homes		1014	115	115	-115	0		0	
		Policy research and evaluation		1181	14	14	348	362		312	
		Social Housing Management Grants		1220	183	183	-183	0		0	
		Policy research and evaluation			312	312	50	362	0	312	
	Regeneration	Implementation of Strategic Regeneration Areas		4151	4,614	4,597	-770	3,827	-446	3,381	
		Manage Delivery of Legacy Regeneration Areas		4162	8,000	8,000	-1,210	6,790		6,790	
Regeneration				12,614	12,597	-1,980	10,617	-446	10,171		
Total Homes and Places				17,295	17,278	-1,930	15,348	-446	14,852		
Planning	Planning Policy Development, Planning Inspectorate and Regulation	Planning Expenditure	2250	7,090	7,090	-1,068	6,022		6,022		
	Construction Unit	Home Safety/Construction	1261	784	784		784		784		
Total Planning				7,874	7,874	-1,068	6,806	0	6,806		
Total Revenue - Housing and Regeneration					175,905	175,893	-7,124	168,769	813	169,532	

CAPITAL BUDGET - Departmental Expenditure Limit										
SPA	Actions	BEL		2013-14 Supplementary Budget New Plans June 2013	2013-14 Final Budget	Changes	Draft Budget 2014-15	Changes	Draft Budget 2015-16	Activities Supported
Housing Policy	Independent Living	Rapid Response Adaptation Programme	1285	1,641	1,641		1,641		1,641	
	Empty Properties Programme	Empty Properties Programme	983	10,000	0		0			
Total Housing Policy				11,641	1,641	0	1,641	0	1,641	
Homes and Places	Achieve Quality Housing	Major Repairs Allowance	1061	108,000	108,000		108,000		108,000	
		Housing General Support	1062	37,470	37,470		37,470		37,470	
		Renewal Areas	1063	11,267	11,537		11,537		11,537	
		Achieve quality housing		156,737	157,007	0	157,007	0	157,007	
	Increase the Supply and Choice of Affordable Q	Social Housing Grants (HSG)	982	66,153	57,533	-3,700	53,833	4,000	57,833	
		Land for Housing	?	0	0	13,700	13,700	-13,700	0	
		Extra care	1005	4,301	4,301		4,301		4,301	
		Increase the supply and choice of Quality Housing		70,454	61,834	10,000	71,834	-9,700	62,134	
	Increase the Supply and Choice of Market Hous	Help to Buy Wales	?	0	0	69,000	69,000	2,000	71,000	
				0	0	69,000	69,000	2,000	71,000	
	Regeneration	Implementation of Strategic Regeneration Areas	4151	38,905	34,600	5,000	39,600	5,300	44,900	
		Manage Delivery of Legacy Regeneration Areas	4162	1,400	1,400	0	1,400	0	1,400	
Local Authority Regeneration General Capital Funding		1380	10,888	10,888		10,888		10,888		
Total Regeneration			51,193	46,888	5,000	51,888	5,300	57,188		
Total Homes and Places				278,384	265,729	84,000	349,729	-2,400	347,329	
Total Capital - Housing and Regeneration				290,025	267,370	84,000	351,370	-2,400	348,970	

REVENUE BUDGET - Annually Managed Expenditure										
SPA	Actions	BEL	BEL Number	2013-14 Supplementary Budget New Plans June 2013	2013-14 Final Budget	Changes	Draft Budget 2014-15	Changes	Draft Budget 2015-16	Activities Supported
Housing	Achieve quality housing	Housing Revenue Account Subsidy	1300	-71,000	-71,000		-71,000		-71,000	
	Total Housing			-71,000	-71,000	0	-71,000	0	-71,000	
	Total AME - Housing and Regeneration			-71,000	-71,000	0	-71,000	0	-71,000	

REVENUE BUDGET - Departmental Expenditure Limit										
SPA	Actions	BEL	BEL Number	2013-14 Supplementary Budget New Plans June 2013	2013-14 Final Budget	Changes	Draft Budget 2014-15	Changes	Draft Budget 2015-16	
Housing and Regeneration and Heritage - Summary										
	Revenue DEL			175,905	175,893	-7,124	168,769	813	169,532	
	Capital DEL			290,025	267,370	84,000	351,370	-2,400	348,970	
	Total DEL			465,930	443,263	76,876	520,139	-1,587	518,502	
	Annually Managed Expenditure			-71,000	-71,000	0	-71,000	0	-71,000	
	Total - Housing and Regeneration			394,930	372,263	76,876	449,139	-1,587	447,502	