

# WLGA Evidence

## National Assembly for Wales Public Accounts Committee Inquiry: WAO report into the WHQS

**24 April 2012**



1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales, and the three national park authorities. The three fire and rescue authorities and four police authorities are associate members.

2. It seeks to provide representation for local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services which add value to Welsh Local Government and the communities they serve.

3. The WLGA welcomes this opportunity to contribute to the National Assembly for Wales Public Accounts Committee inquiry into the Wales Audit Office report on 'Progress in delivering the Welsh Housing Quality Standard' (WHQS). We are pleased the report confirms that good progress is being made on improving the quality of social housing in Wales and a significant number of tenants have benefited from the improved standards.

4. The report also recognises that levels of improvement to homes varies across landlords and sectors, and progress has been slower in some areas than others. It is for example clear that progress in bringing homes up to WHQS has been much faster where social housing stock is relatively new or where there is access to investment and improvements have generally been slower where the housing stock is older or access to investment has been more restricted.

### **Progress on bringing social housing up to WHQS**

5. Social housing currently provides 16% of homes in Wales and accommodates many vulnerable households. It is therefore extremely important that social housing is high quality and energy efficient. The estimate that 60% of social housing will reach the standard by March 2013, and 79% by March 2017 is therefore welcome, but further progress is clearly necessary if all social tenants in Wales are to have access to good quality homes within a reasonable timescale.

6. The WHQS is a higher standard than the equivalent standards in Scotland and England and sets high standards for individual homes, and also requires properties to be well managed and located in attractive and safe environments. Improving homes to the WHQS standard over a 10 year period has clearly been an ambitious target and the ability of social landlords to meet the target has inevitably been highly dependent on the availability of significant levels of investment, particularly where properties are older and in poorer condition.

7. Despite the challenges involved in securing the necessary investment the WHQS policy has clearly been very effective at increasing investment in the social housing sector over the last decade, particularly over the past 5 years. Although no robust figure exists for the investment to date on WHQS, it is clear that past expenditure has been considerable and likely to be in excess of £1.5 billion. It is estimated that over the period April 2011– April 2017 a further £2.5billion will be invested in WHQS work. The benefits of this investment are substantial with many of the most disadvantaged communities experiencing a range of wider benefits beyond improvement of individual homes.

8. Carmarthenshire for example, which set it's own higher standard in 2004, undertook a health impact study (Poortinga (2009)) which evidenced a dramatic improvement in health and fuel poverty outcomes for tenants following the upgrading of their homes:

<b>Issue</b>	<b>% of tenants affected prior to upgrading</b>	<b>% of tenants affected following full upgrading</b>
Fuel Poverty	41%	17%
Cardovascular health (High blood pressure)	20%	12%
Poor Respiratory health	48%	33%

Mental Health ( reported depression)	21%	7%
Health service use ( more than 4 GP visits pa )	26%	14%

9. WHQS investment also has the potential to deliver significant benefits in terms of employment and training opportunities for local communities. Social landlords have embraced this 'WHQS plus' approach and have incorporated a clear focus on economic regeneration within their WHQS programmes. The i2i project has assisted social landlords to maximise these economic benefits by providing a procurement approach which includes targeted recruitment and training. A recent i2i report (March 2012) reported that 2,581 job and training opportunities have already been created by the 26 social landlords which have adopted this approach.

10. The WHQS programme has also provided a context for social landlords to increase tenant engagement in the management and regeneration of their homes and communities. This involvement has contributed to the success of investment programmes and community regeneration work, and will also make a significant contribution to the future sustainability of regeneration and investment in WHQS.

11. Local Government has been closely involved along with Welsh Government and other partners in developing a monitoring framework for WHQS. The initial focus has been on the improvement of individual properties, however we hope that the framework will be extended to monitor progress in delivering the wider benefits of WHQS including health, reduced fuel poverty, employment and training and regeneration.

## **Challenges**

12. Progress in bringing social homes up to WHQS appears from the limited evidence available appears to have been initially slow, but has accelerated over the last 5 years. However social landlords with older stock and authorities with a need for a significant level of investment have faced considerable challenges. Some of the challenges have been generated by the limitations of the WHQS policy itself while others are the result of external factors, particularly the availability of investment. It is essentially that every opportunity is now taken to address the barriers which have restricted progress.

13. One significant challenge has been the lack of options available to authorities that do not have the resources to bring their homes up to WHQS within a reasonable period. Over the past decade six authorities have recognised that they do not have the resources to achieve WHQS within a reasonable timescale. They have subsequently transferred their stock to a housing association following a ballot of their tenants. However a further 5 Authorities that are finding it difficult to meet WHQS within a reasonable timescale have been unable to transfer stock and access investment because the majority of tenants have not supported the transfer.

14. The difficulties that many authorities face in relation to financing WHQS are largely a result of the current financing arrangements for council housing. The review of the Housing Revenue Account subsidy (HRAs) system undertaken recently in England has evidenced that council housing has historically been underfunded by 28%. A similar level of underfunding exists in Wales and this has inevitably undermined the ability of councils to invest in their homes over many years.

15. The HRAs financing arrangements currently require Welsh Authorities with housing stock to pay £73m of 'negative subsidy' annually to the UK Treasury. This is diverting a significant level of rental income away from investment in the housing stock and any increase in rent paid by tenants does not increase the funding available for investment in the stock. The HRAs system has been dismantled in England from April 2012 and English councils are now able to retain their rental income for investment in the stock in exchange for taking on an additional level of debt. This has improved the ability of councils to take a long term strategic approach to their housing business and will increase the investment available to bring homes up to WHQS. In the longer term it will also allow Authorities to build additional council homes.

16. We understand that discussions between Welsh Government and UK treasury regarding dismantling the HRAs in Wales are underway and we hope that they will result in an early settlement that will bring the HRAs to an end. The detail of any settlement has to be agreed but we are hopeful that ending the HRAs arrangements is likely to make a significant impact in the medium to long term on the ability of Authorities to bring properties up to WHQS and sustain properties at that standard into the future.

17. Clearly reaching WHQS requires significant levels of investment, particularly where the stock is older and is suffering from structural problems. This makes the task of reaching WHQS much more challenging for local authorities and transfer housing associations whose stock predates 1989. While the stock transfer associations are able to access private investment this is not an option for the Local Authorities whose ability to borrow is constrained. It is therefore important that the future arrangements for financing council housing and the uncertainty this is generating is resolved as a matter of urgency for the 11 Authorities with housing stock.

## **Moving forward**

18. The WLGA supports the recommendations of the WAO report and overall we consider their implementation will help to ensure good progress is made in bringing homes in Wales up to WHQS.

19. We support the proposal that further work should be undertaken on the monitoring framework and will continue to work with Welsh Government and partners to improve this. There is widespread recognition that the benefits of investment to bring properties up to WHQS reach far beyond the improvement of property standards. We therefore hope that the WHQS monitoring framework will be extended to include these wider benefits.

20. It is important that the WHQS policy acknowledges that for a wide range of reasons it is not possible for every property to be brought up to WHQS. A definition of an 'acceptable fail' is useful in order that the policy is implemented as consistently as possible. It will also be useful for there to be a debate about the related matter of 'hard to treat' properties where there is a question about the economic viability of bringing some individual properties up to standard.

21. The report's recommendations also refer to the need for the 'WLGA to review the way in which Local Authorities are fulfilling their strategic housing functions ...including the way in which they are working with social landlords to maximise the benefits of WHQS related improvement work.' The WLGA is working with Authorities in a range of ways to

support improvement in the strategic housing role and we will incorporate monitoring progress with WHQS within this work. Where the housing association has resulted from stock transfer, the transfer agreement and the target date for achieving WHQS provides a framework for regular monitoring of progress on WHQS of housing associations partners. Authorities also meet with other housing associations on a regular basis and although the discussions will generally focus on the delivery of new affordable housing, they will also address progress with WHQS.

22. As an increasing proportion of social housing reaches WHQS it is important that a discussion takes place about the future WHQS and any potential changes to the standard in order to minimise uncertainty. As we approach March 2013 and an increasing proportion of the stock has been brought up to WHQS it is important that the question of how WHQS can be sustained in the future is considered.

23. Clearly there is a need to address the difficulties faced by social landlords that are unable to bring all their homes up to WHQS until after 2017. The number of homes affected is estimated to be 21% of stock, with 95% of these properties owned the five local authorities where tenants have rejected transfer. It is important that there is clarity for these landlords and their tenants about the policy options available. The future of the HRAs arrangements is very important and will have a major impact on the options available to the 11 authorities with housing stock, and particularly for the authorities that do not have the necessary resources to achieve the standard for some time. Reaching a settlement with the Treasury which will allow Authorities to retain their rental income will also address the uncertainty around the proposed new rent policy and the level of borrowing which individual authorities will be in a position to incur.

24. Finally it is important that lessons are learnt from the report's findings in relation to the development and implementation of national policy, and these lessons are applied to other policy areas.

