

**National Assembly for Wales**  
Public Accounts Committee

Progress in Delivering the Welsh Housing  
Quality Standard  
September 2012



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## Public Accounts Committee

### Powers

The Public Accounts Committee was established on 22 June 2011.

The Public Accounts Committee is not part of the Welsh Government. Rather, the role of the Public Accounts Committee is to ensure that proper and thorough scrutiny is given to the Welsh Government's expenditure.

The Committee's powers are set out in the National Assembly for Wales' Standing Orders, with its specific functions of the Committee are set out in Standing Order 18 (available at [www.assemblywales.org](http://www.assemblywales.org)). In particular, the Committee may consider reports prepared by the Auditor General for Wales on the accounts of the Welsh Government and other public bodies, and on the economy, efficiency and effectiveness with which resources were employed in the discharge of public functions.

The Committee also has specific statutory powers under the Government of Wales Act 2006 relating to the appointment of the Auditor General, his or her budget and the auditors of that office.

### Current Committee membership



**Darren Millar (Chair)**  
Welsh Conservatives  
Clwyd West



**Mohammad Asghar (Oscar)**  
Welsh Conservatives  
South Wales East



**Mike Hedges**  
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**Julie Morgan**  
Welsh Labour  
Cardiff North



**Gwyn R Price**  
Welsh Labour  
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**Jenny Rathbone**  
Welsh Labour  
Cardiff Central



**Aled Roberts**  
Welsh Liberal Democrats  
North Wales



**Lindsay Whittle**  
Plaid Cymru  
South Wales East

The following Member was also a member of the Committee during this inquiry:



**Leanne Wood**  
Plaid Cymru  
South Wales Central

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## The Committee's Recommendations

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The Committee's recommendations to the Welsh Government are listed below, in the order that they appear in this Report. Please refer to the relevant pages of the report to see the supporting evidence and conclusions:

**Recommendation 1.** We recommend that the Welsh Government publicly sets out - utilising the regulatory framework and following consultation with the WLGA and other relevant bodies - how it will:

- identify and promote good practice in engaging tenants; and
- challenge landlords that are not performing well in such.

(Page 14)

**Recommendation 2.** We recommend that the Welsh Government enables the introduction of independent, external verification of landlords' reported compliance with the WHQS.

(Page 24)

**Recommendation 3.** We recommend that the Welsh Government ensures that any external verification of landlords' compliance with the WHQS includes consideration of landlords' interpretation of acceptable fail criteria.

(Page 27)

**Recommendation 4.** We recommend that the Welsh Government places a requirement on landlords to demonstrate that they have gone through a process of identifying and prioritising wider environmental improvements to the immediate surrounding area of a property.

(Page 31)

**Recommendation 5.** We recommend that the Welsh Government sets out a clear intended timetable for its negotiations with HM Treasury on reforming the HRA system. As part of this, the Welsh Government should also clarify how and when other appropriate organisations may be engaged in taking forward reform of the HRA system.

(Page 43)

**Recommendation 6.** We recommend that the Welsh Government produces guidance for landlords on how to maximise the potential benefits of making refurbishments to properties to meet the WHQS.

(Page 45)

**Recommendation 7.** We recommend that the Welsh Government develops guidance on how landlords can effectively communicate with tenants, including:

- informing tenants of compliance/non-compliance with the WHQS;
  - appropriate language to communicate the concept of an 'acceptable fail.'
- (Page 47)

**Recommendation 8.** We recommend that the Welsh Government develops guidance to ensure landlords' data collection highlights the reasons for acceptable fail classifications. (Page 47)

**Recommendation 9.** We recommend that the Welsh Government assesses- in discussion with landlords- the cost implications and practicality of landlords being required to update individual tenants on the compliance of their home with the WHQS. (Page 47)

**Recommendation 10.** We recommend that the Welsh Government ensures that external validation of landlords' compliance with the WHQS also takes health and safety regulations into full consideration. (Page 49)

**Recommendation 11.** We recommend that the Welsh Government provides the Public Accounts Committee with an update on progress against the Auditor General's recommendations before the end of December 2012, including how it is taking forward wider lessons learnt from the report. (Page 52)

## Background

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1. This report sets out our consideration of the various concerns and issues arising from the Auditor General's report *Progress in delivering the Welsh Housing Quality Standard*, which was published on 13 January 2012.
2. The Auditor General's report examined whether landlords had made good progress to improve the quality of social housing in line with the requirements of the Welsh Housing Quality Standard (WHQS). The Welsh Government introduced the WHQS in 2002 as a minimum standard for homes and set a target that all social housing should comply with the WHQS requirements by the end of 2012.
3. The core elements of the WHQS are that homes:
  - are in a good state of repair;
  - are safe and secure;
  - are adequately heated, fuel efficient and well insulated;
  - contain up-to-date kitchens and bathrooms;
  - are well managed (for rented housing);
  - are located in attractive and safe environments; and
  - as far as possible suit the specific requirements of the household, for example, catering for specific disabilities
4. The Auditor General's report notes that from the outset, the Welsh Government has identified the wider benefits that could flow from work to achieve the WHQS. These included job creation and area regeneration, as well as improved health, well-being, safety and security. Enhanced tenant consultation and participation in housing management were also seen as important outcomes.
5. The report concluded that many tenants have seen substantial improvements in the quality of their housing, although the original aim that all social housing would achieve the Welsh Housing Quality Standard (WHQS) by 2012 will not be met.
6. The report also concluded that the Welsh Government has not acted swiftly enough to support and monitor progress and has not put an effective framework in place to demonstrate value for money from the significant investment that is planned to achieve the WHQS.

7. The Auditor General and Wales Audit Office staff briefed us and responded to our questions on the report at our meeting of 17 January 2012. We subsequently took oral evidence from:

- The Welsh Government;
- The Tenants Participatory Advisory Service Cymru (TPAS);
- The Welsh Local Government Association (WLGA), including representatives from Carmarthenshire County Council and the Vale of Glamorgan Council;
- The Chartered Institute of Housing Cymru (CIH);
- Community Housing Cymru (CHC).

8. A variety of issues arose during the course of our short inquiry, which we have considered in relation to three key themes, detailed in the following chapters:

- Achievements in delivering the WHQS against targets;
- Weaknesses in the Welsh Government's leadership and monitoring;
- The future of the WHQS.

# 1. Achievements in delivering the WHQS against targets

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## Improvements in the quality of social housing

9. The Auditor General's report notes that, while there is no definitive baseline against which to assess progress, there have been some clear improvements in the quality of social housing in Wales since the introduction of the WHQS in 2002. Figures provided by landlords to the Welsh Government in 2010 indicated that 26 per cent of social housing had met the WHQS in full by 31 March 2010.<sup>1</sup>

10. Landlords' projections in 2010 showed that 60 per cent of homes (around 133,000) were expected to meet the WHQS in full by March 2013 and 79 per cent by March 2017.<sup>2</sup> Indeed, some landlords have reported recently to the Welsh Government that they now expect to achieve full compliance with the WHQS sooner than previously stated.<sup>3</sup>

11. However, the Auditor General's report highlighted considerable variations between landlords' projections. In particular, the report detailed that:

“According to landlords' projections... around 46,000 homes were not expected to comply in full with the WHQS [by March 2017]. Almost all (95 per cent) of these homes were owned by one of the five local authorities where tenants had voted against stock transfer or where a ballot was planned but yet to take place.”<sup>4</sup>

12. The Wales Audit Office informed us that:

“we are not saying in the report that these councils are not investing in improving their stock and maintaining areas of their housing. However, we are saying that, with regard to projecting full compliance with the standard, they are a long way off and, in some cases, unable to really identify when—if

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<sup>1</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Paras 1.3 – 1.11.

<sup>2</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, paras 1.35 – 1.42.

<sup>3</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, figure 6 on page 30 and Appendix 5.

<sup>4</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, paras 1.38

indeed it is at all possible within their current financial framework—they might achieve it.”<sup>5</sup>

13. Several witnesses made positive comments about the rate of improvements in the quality of housing that had been made since the introduction of the WHQS. For example, the WLGA commented that:

“given the constraints that authorities have been operating within, 60% compliance of all social housing stock by 2013 is a good achievement.”<sup>6</sup>

14. We note that many councils are improving how they meet the WHQS and are in the process of developing plans to meet the standard by 2013 and beyond. Written evidence provided by the Welsh Government stated that it is:

“...working with these landlords to improve progress and [that it] recognises that there is a need to take stock of the situation in those authorities where tenants have voted against stock transfer. We will also be working with housing associations through the new Regulatory Framework to agree acceptable delivery outcomes in respect of WHQS.”<sup>7</sup>

15. We welcome the range of positive improvements that have been rendered in the quality of housing since the introduction of the WHQS.

16. However, despite the improvements made since the introduction of the WHQS, the Auditor General’s report is clear that the Welsh Government’s original objective of all homes meeting the WHQS by the end of 2012 (which the Welsh Government have since re-defined as meaning by March 2013) will not be met. This is clearly disappointing.

17. The Auditor General’s report notes that the Welsh Government’s aim of achieving the WHQS within 10 years was more ambitious than the comparable aims for social housing in England and Scotland.<sup>8</sup> The Welsh Government acknowledged in its evidence that:

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<sup>5</sup> National Assembly for Wales, Record of Proceedings (RoP), Public Accounts Committee, 17 January 2012, Para 24

<sup>6</sup> RoP, Public Accounts Committee, 24 April 2012, Para 19

<sup>7</sup> PAC(4) 05 12 (paper 1), Welsh Government, written evidence, page 4

<sup>8</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Summary of report, Para 29

“Clearly, the 2012 target was over-ambitious in hindsight—I do not think that there can be any doubt whatsoever about that.”<sup>9</sup>

18. While the progress made in improving the quality of housing since the introduction of the WHQS is obviously welcome, we are disappointed that greater progress has not been delivered. We believe that progress towards the Welsh Government’s original target has been limited by weaknesses in the Welsh Government’s leadership and monitoring, which we consider further in chapter 2.

19. The Auditor General’s report also notes that many homes which did not meet the WHQS in full, did meet some elements of the Standard, with the greatest shortfall overall being standards of bathrooms and kitchens.<sup>10</sup>

20. The Welsh Government asserted that while:

“... achieving the full standard is clearly desirable... actually making improvements towards that standard so that tenants see improvements in the quality of their homes is also important.”<sup>11</sup>

21. This assessment was concurred with by CIH Cymru, which observed that:

“Obviously, 10 years after the standard was set, 60% compliance is, in one sense, not a good news story. However, within that, there has been tremendous progress.”<sup>12</sup>

22. Similarly, TPAS observed that:

“...the emphasis on the target date of 2012 and full compliance is, to some degree, not essential at this stage in the game from a tenant’s point of view”<sup>13</sup>

23. The Auditor General’s report noted that there were arguments for and against of an elemental- rather than whole house- approach to delivering the WHQS. For example, an elemental approach can ensure

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<sup>9</sup> RoP, Public Accounts Committee, 20 March 2012, Para 7

<sup>10</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, paras 1.12 – 1.16.

<sup>11</sup> RoP, Public Accounts Committee, 20 March 2012, Para 7

<sup>12</sup> RoP, Public Accounts Committee, 24 April 2012, Para 15

<sup>13</sup> RoP, Public Accounts Committee, 6 March 2012, Para 10

that all tenants benefit from some improvement work sooner than might otherwise be the case.<sup>14</sup> However, such an approach may also involve less significant but more protracted disruption for tenants.<sup>15</sup>

24. TPAS Cymru informed us that it does not necessarily take homes being fully compliant with the WHQS to satisfy tenants, and the very fact that some improvements to homes are being made is a positive thing from most tenants' perspectives. They commented that:

“Some element of the standard having been met has made some tenants very happy, and the feeling that things are happening and coming along has been very important.”<sup>16</sup>

25. We recognise that measuring whole house compliance does not tell the whole story in terms of the improvements that have been delivered in the quality of social housing since the introduction on the WHQS.

26. However, we are concerned that the Welsh Government lacked baseline data on the quality of houses across Wales when it originally set a target of delivering the WHQS by 2012. Consequently, when setting this target, it failed to appreciate the scale of improvements that would be required, and set an overly ambitious target as a result of this failure.

27. We consider that there was rationale behind the Welsh Government's extension of its target to March 2013, as this was the end of the financial year, although we believe clarity could have been provided on this issue at an earlier stage.

## **Realising wider benefits from WHQS-related work**

### ***Increased tenant engagement in housing management***

28. The Auditor General's report found that, although not easy to quantify, the process of planning and delivering work related to the WHQS has increased tenant involvement in housing management issues, something which is at the core of the new regulatory

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<sup>14</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Case study 1

<sup>15</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, para 1.14

<sup>16</sup> RoP, Public Accounts Committee, 6 March 2012, Para 10

framework for housing associations.<sup>17</sup> The report contains examples of tenant engagement in WHQS-related work from Newydd Housing Association, Bron Afon Community Housing and Cartrefi Conwy.<sup>18</sup>

29. CIH concurred with this assessment, commenting that:

“...the WHQS programme has been a big boost to tenant involvement and engagement... the Carmarthenshire housing standard was formed in partnership between the authority and its tenants and is the result of a lot of intensive work.”<sup>19</sup>

30. TPAS Cymru concurred that tenant engagement had increased, although:

“...there is a huge iceberg of people who are not involved, who do not take much notice and who are not well-informed about what is going on. However, having improvements done to your home is a prime motivator of people’s interest. Therefore, that is a gold-plated vehicle for landlords to engage with tenants, to give them information and to involve them in different ways.”<sup>20</sup>

31. The Head of Public Housing Services of the Vale of Glamorgan Council informed us that mechanisms were in place to enable tenants to be engaged. They stated that:

“...we send a lot of information to all of our tenants, but I do not know how effective that is...Before we start work on a particular property, we meet the tenant six weeks in advance with the contractor and the kitchen designer, and we will discuss fully with the tenant their aspirations and what we can achieve”<sup>21</sup>

32. The Welsh Government emphasised that landlords are encouraged to provide tenants with information on progress towards meeting the WHQS and that a number of landlords use newsletters to inform tenants of planned work and approach individual tenants to keep them updated. We heard that the WHQS monitoring task group

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<sup>17</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, para 2.83

<sup>18</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, case studies 5 – 7 on page 57.

<sup>19</sup> RoP, Public Accounts Committee, 24 April 2012, Para 54

<sup>20</sup> RoP, Public Accounts Committee, 6 March 2012, Para 10

<sup>21</sup> Rop, Public Accounts Committee, 24 April 2012, Para 57

would discuss the practicalities of individual tenant engagement further. The Welsh Government stated that:

“Tenants have a fundamental right to know how their landlords propose to meet the required standards, and by when, but we must recognise that there is quite an onerous burden here if landlords are to be required to contact every tenant with regular updates.”<sup>22</sup>

33. We were pleased that the evidence of both the Auditor General’s report and our inquiry suggested that a major benefit of the WHQS had been that it was a mechanism by which to increase tenant participation and engagement. We believe that such engagement needs to be sustained and improved, with the sharing and use of good practice assisting with this process.

34. Going forward, we note that tenant engagement is at the heart of the new regulatory framework for housing associations, and that there is the potential for local authorities to also commit themselves voluntarily to the delivery outcomes identified in the regulatory framework.

35. In chapter 3 of this report we have considered how homes’ compliance with the WHQS can be reported more effectively to tenants.

**We recommend that the Welsh Government publicly sets out - utilising the regulatory framework and following consultation with the WLGA and other relevant bodies - how it will:**

- identify and promote good practice in engaging tenants; and
- challenge landlords that are not performing well in such.

### **Economic, environmental and health benefits**

36. The Auditor General reported that in 2010, the then Deputy Minister for Housing and Regeneration established a Task and Finish Group to examine how the social, economic and environmental impacts of public investments in housing and regeneration, including the work to achieve the WHQS, could be maximised.<sup>23</sup> The Auditor General’s report stated that:

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<sup>22</sup> RoP, Public Accounts Committee, 20 March 2012, Para 39

<sup>23</sup> Wales Audit Office, Progress in Delivering the Welsh Housing Quality Standard, Para 2.35

“The group’s conclusions emphasise that there is no shortage of advice for landlords on sustainable procurement related issues. However, their report acknowledges that, despite some examples of excellent practice... take-up of this advice is patchy.”<sup>24</sup>

37. We noted that the Welsh Government has increasingly promoted the wider benefits that could flow from substantial investment to achieve the WHQS. The Auditor General’s report found that these benefits have:

“...included job creation and area regeneration, as well as improved health, well-being, safety and security.”<sup>25</sup>

38. CIH asserted that the delivery of the WHQS had proven an effective tool in investing in Wales’ wider economy, commenting that:

“The Welsh Government launched a report in 2010, ‘Tracking the benefits of construction investment’. The report stated that, on average, for every £1 spent on construction, £1.76 was recycled in the local economy. There was a WHQS example in that report that showed that £2.33 was reinvested in the local economy through the WHQS by using such things as supply chain development clauses, targeted equipment and training clauses and the Can Do Toolkit.”<sup>26</sup>

39. We welcome the evidence in the Auditor General’s report that a wide range of benefits are realised by the WHQS to Wales’ economy, environment and health.

40. However, we concur with the findings of the Auditor General’s report that:

“Although there has been substantial investment in work to achieve the WHQS, it is difficult to identify total expenditure

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<sup>24</sup> Wales Audit Office, Progress in Delivering the Welsh Housing Quality Standard, Para 2.73

<sup>25</sup> Wales Audit Office, Progress in Delivering the Welsh Housing Quality Standard, Summary, Para 4

<sup>26</sup> RoP, Public Accounts Committee, 24 April 2012, Para 128

and opportunities to deliver improvement work in a more efficient or economic way may have been missed.”<sup>27</sup>

41. We believe that a more consistent approach is required to measure the wider benefits of the WHQS across Wales. We consider that greater consideration could be given to these potential benefits- in terms of Wales’ economy, environment and health- when Government is embarking on housing projects.

42. We agree with the recommendation of the Auditor General that the Welsh Government should enable a more consistent approach in monitoring the wider benefits of the WHQS across Wales. We anticipate this will assist the Welsh Government in sustaining such benefits.

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<sup>27</sup> Wales Audit Office, Progress in Delivering the Welsh Housing Quality Standard, Summary, Para 20

## 2. Weaknesses in the Welsh Government's leadership and monitoring

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### Target setting

43. The Auditor General's report questioned whether the original deadline of achieving the WHQS by 2012 was ever realistic, given that the Welsh Government did not have robust information about the condition of social housing when it established the WHQS and set the 2012 target date for its achievement.<sup>28</sup> The report comments that the Welsh Government lacked:

“...the information necessary to be able to quantify the extent, or the likely costs, of the improvements needed to meet the standard when it set the 2012 target for achievement.”<sup>29</sup>

44. The report notes that after introducing the WHQS, and its target of delivering such by the end of 2012, the:

“...Welsh Government estimated in February 2003 that the total cost to local authorities could have been in excess of £2.5 billion. At that time, only one local authority (Powys County Council) believed it could fund the work required from resources available at that time. Even then, the Council recognised that the level of investment required might have proved to be higher than anticipated. The estimated shortfall across all local authorities was around £1.5 billion.”<sup>30</sup>

45. In the context of this lack of data, the Wales Audit Office's report suggests that the Welsh Government's target was aspirational, rather than realistically achievable. The Auditor General commented that he saw it as:

“...an aspirational target that was set in 2002, along with one or two other strategies where I have taken stock of the various ranges of policies in Wales. It is as though a date and a direction of travel were set. We are pointing out that those aspirational targets, including this target—and I am not

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<sup>28</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 1.29

<sup>29</sup> RoP, Public Accounts Committee, 17 January 2012, Para 9

<sup>30</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.18

challenging the need for those targets—were set on the basis of some very weak data.”<sup>31</sup>

46. TPAS Cymru concurred with this assessment, commenting that:

“There were aspirational targets. It was a case of it knowing what standard it wanted, asking how long it was going to take and putting a figure on it. Having put a figure on it, it remained apparently hard and fast for quite a long time. I think that the reason for that was in order to give no wriggle room and to exert pressure on local authorities to get moving on this.”<sup>32</sup>

47. CHC also agreed that the target was ambitious and aspirational, but asserted that the Welsh Government was correct to set such a target because:

“...it encouraged activity and encouraged RSLs and local authorities to consider investment options for the future along with their tenants.”<sup>33</sup>

48. We consider that there are merits in setting clearly ambitious targets, such as the aim of delivering the WHQS by the end of 2012, as this did encourage swift action to be undertaken. However, such an approach is not without risks: if parties conclude that they are never going to hit a target, they may either put maximum effort into getting as close to it as possible, or put minimum effort into something they know they cannot achieve. We believe that interim and bespoke targets- as suggested by the Auditor General’s report- may help to address such risks.

49. We are also conscious that there is an inconsistency between the process of setting aspirational targets, and seeking to provide an outcome-focussed government, which is judged by its delivery of Specific Measurable Attainable Relevant Timely (SMART) targets.

50. We believe a potential solution to this inconsistency would be for the Welsh Government to provide greater clarity on whether targets are ‘aspirational’ or ‘realistic,’ bearing in mind that this may vary for different parties. For example, those RSLs which were already established in 2002 were arguably in a stronger position to deliver the

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<sup>31</sup> RoP, Public Accounts Committee, 17 January 2012, Para 28

<sup>32</sup> RoP, Public Accounts Committee, 6 March 2012, Para 8

<sup>33</sup> RoP, Public Accounts Committee, 20 March 2012, Para 79

WHQS, than those subsequently established as a result of stock transfer, or housing associations which balloted tenants on stock transfer and received a 'no vote.' Clarity on whether targets are 'aspirational' or 'realistic' may also have implications for how they are utilised: a 'realistic' target may appropriately be included in housing regulations; whereas we believe an 'aspirational' target should not.

51. Moreover, the Auditor General's report details that the Welsh Government's review:

"...of the *Better Homes* strategy in November 2006 showed that 10 of the 22 local authorities had not confirmed their plans to achieve the WHQS... Despite the clear lack of progress in some areas, the review did not reassess the feasibility of the target to achieve the WHQS by 2012. Although the review raised concerns about local authorities that were not undertaking options appraisals, it did not consider the need for any remedial action."<sup>34</sup>

52. We were particularly disappointed that this review did not trigger the Welsh Government to undertake action to address a lack of progress by a significant number of local authorities in delivering the WHQS. In making this comment, we note that the Auditor General's report acknowledges that:

"It is not clear what sanctions the Welsh Government could or would impose on landlords that do not achieve the WHQS by the target date and where formal extensions have not been agreed. However, the Welsh Government did introduce new criteria for the Major Repairs Allowance in 2008, which stated that local authorities had to have a viable business plan to meet and maintain the WHQS, or to be otherwise committed to working with the Welsh Government to ensure the best use of available resources. The Welsh Government has not imposed this sanction, but it believes that the new criteria have sharpened the focus of some local authorities in terms of looking afresh at options for achieving the WHQS. Withholding the Major Repairs Allowance would have made it even more

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<sup>34</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.59

difficult for local authorities to deliver WHQS-related improvement work.”<sup>35</sup>

53. The Welsh Government concurred that the sanction of withholding the Major Repairs Allowance (MRA) was ineffective, commenting that:

“...it is stating the obvious to say that, if that action was taken, then, in many ways, we would be making it more difficult for authorities to hit their targets.”<sup>36</sup>

54. Clearly, we would not wish the Welsh Government to withhold the MRA from underperforming local authorities. We also recognise that some local authorities have faced financial obstacles as a result of tenants’ expressing their democratic preferences, and should not be penalised for such. In effect, we consider that a distinction can be drawn between:

- local authorities which identified that stock transfer would be needed to finance the WHQS’ delivery, and balloted tenants which resulted in “no” votes; and
- local authorities which did not have a clear plan for financing the WHQS’ delivery and chose not to ballot tenants on stock transfer.

55. Given that the sanction of withholding the MRA would have been counter-productive, we are concerned that the Welsh Government lacked a practical sanction with which it could address local authorities which lacked credible business plans for financing the WHQS, and which chose not to ballot tenants on stock transfer.

## **Guidance**

56. The Auditor General’s report concludes that while there has been “broad agreement with the aims of the WHQS... aspects of what it means in practice have been unclear.”<sup>37</sup> The Auditor General’s report also highlights that the Welsh Government did not act swiftly enough to support and monitor progress in delivering the WHQS.

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<sup>35</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.61

<sup>36</sup> RoP, Public Accounts Committee, 20 March 2012, Para 10

<sup>37</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Summary of report, Para 17.

57. The Auditor General suggested that delays in providing guidance on the WHQS significantly delayed progress towards its delivery. The Auditor General's report concluded that:

“...the Welsh Government issued guidance for local authorities in April 2002, and for housing associations in November 2003. The guidance required landlords to finalise their plans to achieve the WHQS by the end of 2006. In 2004, landlords raised concerns about interpretation of the WHQS, but it was not until 2008 that the Welsh Government produced revised guidance in collaboration with HouseMark Cymru.”<sup>38</sup>

58. We concur with the Auditor General that the delay in the Government issuing revised [or clear] guidance was a contributory factor in the pace of the development of plans to achieve the WHQS, which subsequently had an impact on the delivery of the WHQS.

## **Monitoring and reporting**

### ***Monitoring landlords' delivery of the WHQS***

59. The Auditor General's report recommends that action is needed to improve data collection on landlords' compliance with the WHQS.<sup>39</sup> The report notes that:

“The Welsh Government did not set interim targets for progress towards compliance with the WHQS and, until 2010, had not sought to measure landlords' progress on a consistent basis.”<sup>40</sup>

60. We were particularly disappointed that despite setting targets in 2002-03 the Welsh Government did not seek to measure landlords' progress in delivering the WHQS, on a consistent basis, until 2010. We believe much earlier monitoring would also have enabled concerns around data quality in the delivery of the WHQS to have been addressed at an earlier stage. This was clearly a significant weakness in the Welsh Government's leadership in taking forward the delivery of the WHQS.

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<sup>38</sup> Wales Audit Office, *Progress in Delivering the Welsh Housing Quality Standard*, Para 18

<sup>39</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Recommendation 2

<sup>40</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Summary of report, Para 30

### ***Quality of landlord's data***

61. The Auditor General's report also points to clear differences in the quality of the stock condition data held and gathered by landlords, noting that some found it easier than others to provide the information requested by the Welsh Government in 2010.<sup>41</sup> The report notes that there were:

“...differences in the sophistication of landlords' property databases and their ability to report progress against the WHQS, at least in the format requested by the Welsh Government. Some landlords expressed strong confidence in the data they had submitted to the Welsh Government but, for others, the information submitted represented their best estimates drawn from available stock-condition surveys and/or property database sources.”<sup>42</sup>

62. The Welsh Government acknowledged that although its monitoring had recently improved:

“... it is still fair to say that the data collection that we undertake is partial and not as robust as I would like it to be... we will be introducing another monitoring exercise and we are involving our statistical colleagues, to ensure that the information that we gather is more robust.”<sup>43</sup>

63. CHC concurred that:

“...we have been working with Welsh Government officials on getting a more robust approach to data collection. As part of that exercise, additional guidance will be given to the sector on how to complete those data so that the risk of creating ambiguities is reduced. Going back to the earlier point on consistency, we feel that that data collection exercise will afford more consistency across the sector, which will enable the Welsh Government to make an assessment in terms of progress on meeting the WHQS.”<sup>44</sup>

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<sup>41</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Paras 1.23-1.25

<sup>42</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 1.25

<sup>43</sup> RoP, Public Accounts Committee, 20 March 2012, Para 22

<sup>44</sup> RoP, Public Accounts Committee, 20 March 2012, Para 106

64. We welcome the Welsh Government's stated intention to improve its data collection and monitoring, and consider that this must become a significantly more robust exercise. CHC asserted that previous inconsistencies in landlords' data were due to some landlords simply being ahead of others in monitoring their stock condition, combined with a lack of:

“...clear guidance from the Welsh Government in terms of how to interpret the standards, and some organisations were further ahead than others in terms of their data collection and interpretation of the standards.”<sup>45</sup>

65. The Auditor General's report similarly suggests that differences in the quality of landlords' data were due to a lack of guidance from the Welsh Government, commenting that:

“The Welsh Government issued guidance for local authorities in April 2002, and for housing associations in November 2003. The guidance required landlords to finalise their plans to achieve the WHQS by the end of 2006. In 2004, landlords raised concerns about interpretation of the WHQS, but it was not until 2008 that the Welsh Government produced revised guidance in collaboration with HouseMark Cymru.”<sup>46</sup>

66. The Wales Audit Office commented in oral evidence that when this guidance came out in 2008, the Welsh Government had already asked landlords to develop business plans for achieving the standard.<sup>47</sup>

67. The Auditor General's report also noted that some of the WHQS' requirements remain open to “subjective interpretation, for example if a kitchen or bathroom is in ‘good condition’.”<sup>48</sup> Noting that such subjective interpretations could therefore vary amongst landlords, we questioned that:

“There is no external auditing of the standard at all. It is all self-assessment by the landlords... if you have a standard and you are self-assessing against it, and there is no external verification of that, how can the Welsh public, and how can

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<sup>45</sup> RoP, Public Accounts Committee, 20 March 2012, Para 89

<sup>46</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Summary of report, Para 18

<sup>47</sup> RoP, Public Accounts Committee, 17 January 2012, Para 19

<sup>48</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 1.26

tenants be confident that their house is meeting the standard simply because someone goes around saying, 'You are meeting the standard because I said so'? A consistent benchmark is really important."<sup>49</sup>

68. In response to this comment, the vice-chair of United Welsh Housing Association noted that:

"...we have now included WHQS as part of our auditing framework so that we will have an external validation and, hopefully, an independent view of how we progress to meet WHQS."<sup>50</sup>

69. We welcome this evidence, and consider such action to represent good practice. However, more generally, as the WHQS is open to subjective interpretation, we are concerned that landlords' self-reported compliance with the WHQS may not be wholly reliable. Consequently, we are concerned that the Welsh Government's overarching data on existing compliance, or projections for future compliance, may not be reliably accurate.

70. In response to this concern, we note that the Auditor General's report recommended that the Welsh Government validate landlords' returns by either:

"...commissioning independent spot-checks on a sample of properties that are deemed to be fully compliant with the WHQS in order to check the consistency of landlords' interpretation of the WHQS requirements; or commissioning a stock-condition survey, such as the 2008 Living in Wales survey, to provide a comparison with landlords' returns."<sup>51</sup>

71. We concur with the Auditor General's recommendations.

**We recommend that the Welsh Government enables the introduction of independent, external verification of landlords' reported compliance with the WHQS.**

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<sup>49</sup> RoP, Public Accounts Committee, 24 April 2012, Paras 34 & 40

<sup>50</sup> RoP, Public Accounts Committee, 24 April 2012, Para 35. The vice-chair was giving evidence in their other role, on behalf of the WLGA.

<sup>51</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Recommendation 2

72. We consider that the Welsh Government could also report to us on its progress with plans for a fresh data collection this year, how it is seeking to improve the quality of the data collected on WHQS compliance, and the reporting of such data.

### ***Monitoring of acceptable fails***

73. In 2008, the Welsh Government introduced the concept of an ‘acceptable fail’, relating to circumstances where it is either impossible or not cost effective for a property to be brought up to the WHQS or where a tenant chooses not to have the work done. The Welsh Government’s revised 2008 guidance on the WHQS states that landlords should record all cases of acceptable fails so that future works can be appropriately planned and managed. The Auditor General’s report states that in 2010:

“...landlords had reported at least 11,000 acceptable fails, most commonly due to physical constraints or tenant choice.”<sup>52</sup>

74. However, the report noted that few landlords were able to provide the Welsh Government with detailed data on the application of the acceptable fail criteria.<sup>53</sup>

75. Moreover, the report suggested that feedback from landlords indicated that there was not a clear and consistent understanding amongst landlords of how acceptable fails should be interpreted and recorded.<sup>54</sup> In oral evidence, the Wales Audit Office commented that:

“we are not convinced—we do not have any great assurance—that landlords are interpreting those acceptable fail criteria consistently, and one of the steps that the Welsh Government could take in future monitoring is to ensure that they are. Going back to the issue of a level playing field, it would be helpful to ensure that all landlords are treating those criteria in the same way and that it is not the case that some are getting out of their responsibilities, if you like, simply by way of their interpretation of those criteria. The Welsh Government could challenge landlords more clearly on, first, how they are interpreting those

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<sup>52</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Summary of report, Para 13.

<sup>53</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 1.19

<sup>54</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 1.27

criteria, and, secondly, the extent to which they have applied those criteria in measuring compliance.”<sup>55</sup>

76. In response to this concern, the Welsh Government asserted that:

“We intend to gather more information... on things like acceptable fails. The information that we have had so far— certainly in the early days of the programme, after acceptable fails were introduced in 2008—is pretty patchy. Therefore, it did not provide us with the richness of information that we needed to ensure that we are influencing authorities and registered social landlords in the right way to ensure that they meet the standards... we need to know, in terms of data collection, what levels of acceptable fails exist throughout the different authorities and areas of Wales. It is only then that we will be able to see, perhaps, some large disparities or outliers, or whatever they may be, start asking landlords more detailed questions about how they assess acceptable fails, and then see whether or not we can inject a level of consistency.”<sup>56</sup>

77. When we asked whether there was a possibility that landlords might deliberately misinterpret the acceptable failure criteria, TPAS Cymru commented that:

“No evidence has been reported to us through any of our networks or through the tenant organisations, or any anecdotal evidence, that it has been exploited by landlords... [a more familiar situation is that a] contractor had to try to make the landlord recognise that the person did not want those works to be carried out, or perhaps could not cope with them. So, the drive was from the technical staff to achieve the technical standard. So, we have not seen any evidence that it has been abused.”<sup>57</sup>

78. We welcome the Welsh Government’s stated intention to more accurately monitor landlords’ assessment of acceptable fails, and consider that this could form part of an independent, external monitoring of landlords’ compliance with the WHQS.

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<sup>55</sup> RoP, Public Accounts Committee, 17 January 2012, Para 54

<sup>56</sup> RoP, Public Accounts Committee, 20 March 2012, Para 22

<sup>57</sup> RoP, Public Accounts Committee, 6 March 2012, Para 30-31

**We recommend that the Welsh Government ensures that any external verification of landlords' compliance with the WHQS includes consideration of landlords' interpretation of acceptable fail criteria.**

### **Monitoring of wider benefits**

79. In Chapter 1 of this report, we considered the wider benefits that had been rendered since the introduction of the WHQS. Notably, the Auditor General's report found that:

“...while there is positive evidence of wider social, economic and environmental benefits from work to achieve the WHQS, activity could be better co-ordinated and there is no clear framework for measuring success.”<sup>58</sup>

80. The Auditor General's report urged the Welsh Government to respond promptly to the recommendations of a Ministerial Task and Finish Group's March 2011 report on housing and regeneration sustainable community investment to better co-ordinate work to maximise the benefits of WHQS-related expenditure. In response, the Welsh Government advised us in written evidence that:

“The Welsh Government has accepted the recommendations of the Ministerial Task and Finish Group on Housing and Regeneration Sustainable Community Investment and welcomes the recommendation in the Auditor General's report that they should be taken forward. This is a complex area and we are looking to develop suitable approaches but we acknowledge the recommendations have not been addressed as quickly as we would have liked.”<sup>59</sup>

81. However, the Auditor General's report also stated that:

“As part of its monitoring exercise in 2010, the Welsh Government asked landlords to provide evidence of the effects of work to achieve the WHQS on tenants' health, crime, poverty or employment and training. Prior to this, it had not set out any specific expectations for landlords in terms of monitoring and

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<sup>58</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Summary of report, para 34

<sup>59</sup> PAC(4) 16 12 (paper 5), Correspondence received from Gareth Jones, Director General Sustainable Futures, 11 July 2012.

evaluating these wider benefits. Landlords reported limited evidence of the effects of their work programmes, although there are examples of positive outcomes reported to the Welsh Government or highlighted in other sources.”<sup>60</sup>

82. The Auditor General’s report also noted that the Welsh Government did not put an effective framework in place to demonstrate value for money from the significant investment that remains to achieve the WHQS.

83. We were disappointed that the Welsh Government did not enable an effective framework to demonstrate value for money from investment in achieving the WHQS. We consider that this would have enabled monitoring of the wider benefits of the WHQS to Wales’ economy, environment and health.

84. We agree with the Auditor General’s recommendation that the Welsh Government should establish an effective framework to demonstrate value for money from investment in achieving the WHQS. We anticipate this would also assist the Welsh Government in sustaining such benefits. We consider that the current economic climate only highlights the importance of monitoring the impact of public expenditure.

### **The achievement and monitoring of the environmental standard**

85. The WHQS includes a requirement for properties to be located in attractive and safe environments that tenants can feel proud to live in. This is one of the aspects that set the WHQS apart from quality standards for social housing elsewhere in the UK.<sup>61</sup> However, the Auditor General’s report found that this requirement - which has become known as the WHQS environmental standard - has been one of the least clear areas of the WHQS for landlords.

86. In 2007, the Welsh Government commissioned TPAS and Groundwork Wales to examine how landlords were interpreting the environmental requirements. They found that many landlords were taking a narrow and technical view of the requirements. Consequently, in July 2008 a report was published, giving examples of improvements

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<sup>60</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.81

<sup>61</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Appendix 2

that were much wider-ranging. TPAS Cymru and Groundwork Wales also produced guidance outlining a process by which landlords should consult tenants to establish environmental priorities.<sup>62</sup>

87. The Auditor General's report notes that, due in part to this lack of clarity, and the fact that they were identified as being of secondary importance in the 2008 revised WHQS guidance, many landlords still have a lot of work to do to comply with the external works requirements.<sup>63</sup>

88. TPAS Cymru's evidence illustrated that the achievement of the WHQS' environmental standards had been given limited priority, commenting that:

"The environmental standard requirements are interpreted by landlords as being a secondary standard. It is an expensive and uncertain standard, so many landlords and their staff have thought, 'We're not going to give it much priority or money, and we're going to try to restrict it to fencing to the front of the property and to its curtilage, street lights, and that kind of thing.'<sup>64</sup>

89. We were pleased to hear that in response to this concern, TPAS Cymru was currently revising guidance and conducting a series of seminars 'Great Homes Need Great Spaces' to address the interpretation of the Environmental Standard.

90. The Welsh Government detailed that the Environmental Standard is much broader than just providing green space, play areas, and secure fencing, as it also takes into consideration tenants' access to services, transport and doctors.<sup>65</sup> However, in oral evidence, the Welsh Government explained that this meant it was difficult to accurately monitor the delivery of the environmental standard because it was:

"...very much about tenants' choice and tenants being able to have a say on what their street is like and what the best improvements are for them in that street or area. Those may be making a play area for children, fencing or whatever. It is

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<sup>62</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.9

<sup>63</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.10 and figure 4 on page 24

<sup>64</sup> RoP, Public Accounts Committee, 6 March 2012, Para 35

<sup>65</sup> RoP, Public Accounts Committee, 20 March 2012, Para 29

subjective and will be particular to that area. So, it is difficult to collect data on it.”<sup>66</sup>

91. The WLGA concurred with the Welsh Government’s assessment that it was difficult to effectively monitor the environmental standard of the WHQS, but also considered that limited priority had been given to its delivery. They commented that:

“It is very difficult to set an external standard, because not every community or area is going to want the same standard. What people want in urban areas is vastly different to what people want in the rural areas. The only way to deal with that is by engaging local people. Kitchens and bathrooms may be the same throughout the county, but the environmental standards are very different. The key is getting that engagement in place. However, I think that we have probably left that to towards the end of the programme. I do not think that it has been the real focus of delivering the Welsh housing quality standard as yet.”<sup>67</sup>

92. We were pleased that the Welsh Government stated that improvements were being made towards achieving the environmental standards as defined in the WHQS.

93. We also recognise the difficulty in monitoring the extent to which individual houses comply with the WHQS when this encompasses an environmental standard which is not specific to individual properties. We considered that one potential option for addressing this difficulty might be to split the environmental standard from the remainder of the WHQS. However, when asked about this, the Welsh Government commented that they had a concern that landlords might put:

“too much emphasis on one element rather than another, whereas the provision of a decent home encompasses what is within not only the four walls of one’s home but also the surrounding environment...I think that it is worth considering, but I can see some disadvantages as well as some advantages to being able to disaggregate that information.”<sup>68</sup>

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<sup>66</sup> RoP, Public Accounts Committee, 20 March 2012, Para 32

<sup>67</sup> RoP, Public Accounts Committee, 24 April 2012, Para 25

<sup>68</sup> RoP, Public Accounts Committee, 20 March 2012, Para 30

94. Similarly, TPAS Cymru commented that this would only be of benefit if there were separate funding and accountability streams for the delivery of the two standards:

“If there were not separate streams, then the likelihood would be that you would just create a second-class area of work for the environmental standard.”<sup>69</sup>

95. We recognise these concerns, and consider that the Welsh Government could place greater priority on the delivery of the environmental standard of the WHQS, as being complimentary to improvements on the fabric of properties.

**We recommend that the Welsh Government places a requirement on landlords to demonstrate that they have gone through a process of identifying and prioritising wider environmental improvements to the immediate surrounding area of a property.**

#### **Reliance on stock transfer to support progress in delivering the WHQS in some local authorities**

96. In England, a variety of methods- including the use Arms-Length Management Organisations (ALMOs)- were available as options for financing the delivery of the WHQS.

97. However, the Welsh Government effectively indicated in 2001 that, for local authority landlords, the delivery of the WHQS would either have to be funded by their existing resources, or through stock transfer. The Auditor General’s report comments that:

“While not ruling out ALMOs or PFI, the *Better Homes* strategy in 2001 explained that the Welsh Government would only offer financial support for stock transfer. Welsh local authorities found that they had only two viable choices: to retain their stock if they could finance the investment required or to pursue stock transfer. The option of transferring part, rather than all, of the stock has, to date, been ruled out by local authorities because of the financial implications.”<sup>70</sup>

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<sup>69</sup> RoP, Public Accounts Committee, 6 March 2012, Para 39

<sup>70</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, para 2.44

98. The report estimated that stock transfer has required financial support from the taxpayer of £476 million to date, including the £430 million cost to the UK Treasury of writing off local authorities' housing related debts.<sup>71</sup>

99. In written evidence, the Welsh Government detailed that following a positive vote in a tenant ballot, the Welsh Government would undertake a full appraisal on the effect of stock transfer and present a business case- for that authority- to HM Treasury. This business case would seek HM Treasury's support to agreeing to provide debt funding (this funding is not chargeable to existing Welsh Government budgets). The Welsh Government noted that:

“The financial effects of the proposed transfer on public expenditure are assessed with regard to its impact on the public sector borrowing requirement (PSBR). The analysis compares the PSBR cost of a local authority retaining the housing stock with the PSBR cost of transfer. The financial appraisal is carried out on a case by case basis as the financial circumstances of individual local authorities vary considerably and ‘one size does not fit all’. Careful consideration of the support required from tax payers has underpinned each decision.”<sup>72</sup>

100. At the time of the report's publication, the cost of tenant ballots and other preparations for stock transfer had amounted to at least £46 million.<sup>73</sup> In 2009, the Welsh Government introduced a cap for the pre-ballot process of £1 million and for the whole transfer process of £5 million. Four stock transfers have reported pre and post-ballot costs of more than £5 million.<sup>74</sup>

101. The Auditor General's report also noted that while the 2001 *Better Homes* strategy suggested that the possibility of support for ALMOs “would be kept under review, the Welsh Government has not

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<sup>71</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.49

<sup>72</sup> PAC(4) 16 12 (paper 5), Correspondence received from Gareth Jones, Director General- Sustainable Futures, 11 July 2012.

<sup>73</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Paras 2.50-2.54. These figures did not include sums relating to ballots in Caerphilly or Flintshire, which took place close to the time of the report's publication.

<sup>74</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.50

since changed its stance.”<sup>75</sup> In oral evidence, a WLGA representative commented:

“I was always disappointed that there was not another option in Wales. In England, they had the arm’s-length management option, which was more liked politically by a number of authorities, and that may have been a solution in Wales that, if you follow the English model, would put in additional finance where the performance had improved to certain standards.”<sup>76</sup>

102. In 2008, the Welsh Government stated that it was not utilising ALMOs because they were not affordable:

“We have £108 million per year with which we fund stock transfers and the major repairs allowance. So, whether it is gap funding for a stock transfer or a major repairs allowance for an authority that is retaining its stock, that £108 million is finite. The amount that would be required to fund an ALMO would take such a top slice from that that it would mean that it would reduce considerably the amount available to all other local authorities.”<sup>77</sup>

103. CIH echoed these comments in oral evidence to us, commenting that:

“...the reason why the Welsh Government rejected the ALMO option in Wales was because it rewards good authorities but the pool from which you can draw that extra funding is much smaller. So, the Welsh Government made the decision that it would not be fair to other authorities to top-slice money to give to ALMOs.”<sup>78</sup>

104. However, this meant that local authorities who were unable to finance the delivery of the WHQS from existing resources needed to ballot tenants on stock transfer. In five cases (Caerphilly, Flintshire, Swansea, Wrexham and the Vale of Glamorgan), such ballots ended in a ‘no’ vote. One of our Members observed that such no votes resulted from the fact:

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<sup>75</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 2.44

<sup>76</sup> RoP, Public Accounts Committee, 24 April 2012, Para 90

<sup>77</sup> RoP, Communities and Culture Committee, 7 May 2008, Para

<sup>78</sup> RoP, Public Accounts Committee, 24 April 2012, Para 112

“...that there was little political appetite in local government for stock transfer, and that was present within the governing party’s local government base. It is all very well announcing a policy, but if there is no real appetite for it there is a weakness in the policy straight away... Where tenant satisfaction rates are increasing year on year, the reality is that there is no prospect of delivering plan B.”<sup>79</sup>

105. TPAS Cymru observed that:

“...stock transfer was a policy in itself that was part of this framework. It was not just a mechanism to implement WHQS. There was a drive to generate stock transfer and, at the local level, as the transcript of your previous meeting indicates, this was opposed. It was not a case of people just being slow or incompetent. It was a policy that was opposed.”<sup>80</sup>

106. TPAS Cymru also noted that in opposing stock transfer, “certain groups that are against the transfer of housing stock are very able to put out miscommunication about the process.”<sup>81</sup> CHC concurred with these comments, noting that:

“There have been a number of myths out there that have upset people and caused concern. The most extreme example that I heard was ‘Vote for transfer and the new landlord will put your pets down’. There has been a full range of issues.”<sup>82</sup>

107. We are disappointed by the consistent evidence we have heard in this inquiry about misinformation provided to tenants around stock transfer ballots.

108. The Auditor General’s report notes that concerns around stock transfer led to delays in ballots upon it, and consequent delays in delivering the WHQS:

“...some of this delay stemmed from local authorities hoping that other options, such as ALMOs, might have become viable in the event of a change in Welsh Government policy. Strong

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<sup>79</sup> RoP, Public Accounts Committee, 17 January 2012, Para 59

<sup>80</sup> RoP, Public Accounts Committee, 6 March 2012, Para 10

<sup>81</sup> RoP, Public Accounts Committee, 6 March 2012, Para 62

<sup>82</sup> RoP, Public Accounts Committee, 20 March 2012, Para 137

local opposition in some areas to the principle of stock transfer also delayed decision-making.”<sup>83</sup>

109. The report also noted that the slower than expected pace of stock transfer in some local authorities has hampered the achievement of the WHQS.<sup>84</sup> The report illustrates the impact of delays in stock transfer upon the delivery of the WHQS, detailing that:

“Where local authorities had identified they could not afford themselves to meet the WHQS then, if they had not already begun the stock-transfer process by the end of 2006, meeting the WHQS in full by the original 2012 target date was very unlikely. Aside from the time needed to deliver the required improvement work, the National Audit Office’s 2010 report on the Decent Homes programme found that the average time taken to complete stock transfer in England was 31 months.”<sup>85</sup>

110. We note that there were a lack of options for financing the WHQS’ delivery in Wales, which left local authorities with effectively only two choices: finance delivery of the WHQS from existing budgets or ballot tenants on stock transfer. Given that some local authorities knew they could not finance the WHQS from their existing budget, and that tenants were free to vote against stock transfer, this meant that for some local authorities, delivering the WHQS to deadlines was virtually impossible.

111. In the following chapter, we have looked at the potential for reforming the Housing Revenue Account system, which may be able to provide finance to make other options for delivering the WHQS more affordable.

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<sup>83</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, para 2.47

<sup>84</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, paras 2.46 – 2.48

<sup>85</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, para 2.48

### 3. The future of the WHQS

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#### *Current status*

112. The Auditor General's report notes that at the time of its publication:

“Driven by concerns about their ability to meet the WHQS, and following a tenant ballot, 11 local authorities have transferred all of their housing stock to newly formed housing associations. Six of the 11 authorities that currently retain housing stock have decided not to pursue a ballot on stock transfer. Ballots in three other authorities have failed to win support for stock transfer, while two other authorities anticipate balloting their tenants before the end of 2011-12. Six Large Scale Voluntary Transfer (LSVT) associations and two local authorities have formally agreed with the Welsh Government extensions to the target date.”<sup>86</sup>

113. We note that since the Auditor General's report, tenants in Caerphilly and Flintshire have both rejected stock transfer. We also note that Caerphilly has identified a plan to deliver the WHQS by 2019-20. We anticipate that the Welsh Government will work with local authorities to examine how robust and deliverable their plans will be to deliver the WHQS without stock transfer.

114. The Auditor General's report illustrates that where tenants have voted for transfer there are clearer or at least shorter-term plans in place to comply with the WHQS, whereas plans are much less clear in some areas where stock transfer has been rejected.

115. Homes owned by housing associations (including where stock transfer has taken place) are significantly more likely to meet the individual requirements of the WHQS than those owned by local authorities. For example, over half of housing-association-owned homes had kitchens and bathrooms that met the WHQS compared to a third of local-authority owned homes.<sup>87</sup> The report also details that such differences are likely to increase over time with housing

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<sup>86</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Summary of report, para 5

<sup>87</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, para 1.39, 1.37 and 1.38

associations projecting that 73% of their homes would meet the WHQS by 31 March 2013, compared to 42% of local authority homes.<sup>88</sup> Additionally,

“According to landlords’ projections... around 46,000 homes were not expected to comply in full with the WHQS [by March 2017]. Almost all (95 per cent) of these homes were owned by one of the five local authorities where tenants had voted against stock transfer or where a ballot was planned but yet to take place.”<sup>89</sup>

116. The Auditor General commented that “inevitably, where tenants have said ‘No’, for whatever reason—whatever the concerns are that have driven that—there has not been another plan to revert to.”<sup>90</sup>

117. We consider it extremely welcome that since they conducted their stock-transfer ballots, the Vale of Glamorgan Council and Caerphilly County Council have reworked and updated their housing business plans.<sup>91</sup>

118. However, we are concerned that variations in the delivery of the WHQS by landlords and different local authorities across Wales can effectively create a ‘postcode lottery’ for tenants, whereby some live in areas with a large proportion of housing that meets the WHQS, and others do not.

119. We also note that TPAS Cymru observed that, in addition to generally making greater progress in delivering the WHQS, they considered that housing associations also tended to be better than councils in involving tenants in such work:

“...with honourable exceptions and with the qualification that, probably, there is an overlap in the spectrum with mixing in the middle. Stock transfer landlords are hugely far ahead in effort and impact in terms of involving tenants, which derives from having to win a ballot and inform and persuade people. That has created a huge momentum and the bar of tenant

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<sup>88</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, paras 1.36 and 1.37

<sup>89</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, paras 1.38

<sup>90</sup> RoP, Public Accounts Committee, 17 January 2012, Para 40

<sup>91</sup> Wales Audit Office, *Progress in Delivering the Welsh Housing Quality Standard*, para 1.41

participation has risen hugely in the past three or four years, largely driven by the stock transfer landlords.”<sup>92</sup>

120. We welcome the progress made by some housing associations in engaging tenants. As noted in chapter 1, going forward, we believe it is important that such engagement is sustained.

### **Enabling progress in delivering the WHQS**

121. The Auditor General’s report urges the Welsh Government to clearly set out its expectations of those landlords that are unable to achieve the WHQS within a reasonable timescale and in the context of the current policy and financial framework.<sup>93</sup>

122. Alongside this the Auditor General recommends that the Welsh Government should explore the full range of policy options available to help overcome barriers to achievement of the WHQS.

### ***Re-balloting on stock transfer***

123. TPAS Cymru also indicated support for potentially re-balloting tenants on stock transfer.<sup>94</sup> The Auditor General concurred that re-balloting tenants on stock transfer could be an option, noting that:

“there are circumstances that could support the argument for re-balloting. People could look towards that if they wanted to, and there are other uncertainties around things such as housing revenue account and rent review policy. These are all things that affect the balance sheet in terms of income, expenditure and how affordable achieving the WHQS is.”<sup>95</sup>

124. We are conscious that the ballot process on stock transfer requires expenditure in itself. In the interest of rendering best value for public money, it is critical that re-ballots are not arbitrarily undertaken without appropriate cause. However, if popular opinion in an authority has moved on over the years, and if the effective impact of stock transfer in other areas can be demonstrated, we believe it should be considered as an appropriate option.

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<sup>92</sup> RoP, Public Accounts Committee, 6 March 2012, Para 47

<sup>93</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, recommendation 6.

<sup>94</sup> RoP, Public Accounts Committee, 20 March 2012, Para 142

<sup>95</sup> RoP, Public Accounts Committee, 17 January 2012, Para 41

### ***Use of local government borrowing powers***

125. The WLGA suggested that there was a debate to be had around the use of borrowing to fund the WHQS' delivery, commenting that local authorities where stock transfer had not taken place:

“...have to think very carefully about borrowing, because there is an issue regarding whether authorities wish to take on prudential borrowing in order to meet the standard. The debate is around the dates now, because there has been mention of 2019, 2020 and 2021, which is another eight or nine years. As a nation, are we prepared to accept that it will take that long for those tenants to have their homes brought up to a reasonable standard? So, most authorities have plans in place, but it will take a long time for them to get there, unless they go down the borrowing path or we give them more options in terms of how they can deliver it—whether that is a governance option, a financial option.”<sup>96</sup>

126. We note the WLGA's comments that the use of local government borrowing powers could enable a more rapid delivery of the WHQS, but would inevitably have a financial consequence.

### ***Reform of the Housing Revenue Account system***

127. The Auditor General's report did not directly consider the potential for reforming the existing Housing Revenue Account system, and thereby freeing up funds for delivering the WHQS. However, in oral evidence the Wales Audit Office noted that:

“...as we point out in the appendix, the UK Government is introducing a new system of council finance in England. So, there will be a question of Wales standing alone with regard to the current system.”<sup>97</sup>

128. Written evidence provided by the Welsh Government stated that it was currently discussing with the UK Government the possibility of a revised financial settlement for the Housing Revenue Account Subsidy System (HRAS).

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<sup>96</sup> RoP, Public Accounts Committee, 24 April 2012, Para 61

<sup>97</sup> RoP, Public Accounts Committee, 17 January 2012, Para 66

129. We invited the UK Government to provide oral evidence to us on this issue, but in written correspondence the Chief Secretary of the Treasury stated that:

“...as housing is a devolved matter I feel it is more appropriate for the committee to take evidence from those with direct responsibility for housing policy in Wales.”<sup>98</sup>

130. Given the UK Government’s critical role in discussions of any reform of the Housing Revenue Account system, we were disappointed that it chose not to provide oral evidence to us on this issue. However, the Chief Secretary of the Treasury confirmed in written evidence that the UK Government was working with the Welsh Government “to identify a mutually acceptable settlement which will allow the reform of the system in Wales.”<sup>99</sup>

131. We received mixed indications on how quickly such discussions may be progressed. For example, the Chief Secretary of the Treasury stated in written correspondence that he wrote to the Minister for Finance over a year ago:

“on 7 June 2011 to agree with her suggestion that attempts should be made to reform the system in Wales along similar lines to the English reforms.”<sup>100</sup>

132. In written evidence, the Welsh Government stated that discussions with the UK Government on reforms were:

“still in their early stages but we hope that they will be able to feed into our formal response to the Report and assist landlords to overcome barriers in delivering WHQS.”<sup>101</sup>

133. However, the Minister for Housing, Regeneration and Heritage subsequently stated that:

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<sup>98</sup> Correspondence received from Chief Secretary of the Treasury, Public Accounts Committee of the National Assembly for Wales- Housing, 21 May 2012.

<sup>99</sup> PAC(4) 16 12 (Paper 2), Correspondence received from Chief Secretary of the Treasury, Progress in delivering the Welsh Housing Quality Standard, 8 July 2012, Para 3

<sup>100</sup> PAC(4) 16 12 (Paper 2), Correspondence received from Chief Secretary of the Treasury, Progress in Delivering the Welsh Housing Quality Standard, 8 July 2012, Para 4.

<sup>101</sup> PAC(4) 05 12 (paper 1), Welsh Government, written evidence, page 4.

“This could happen very quickly if the Treasury takes a positive approach to it. I can’t see any reason why once the financial package has been put together we wouldn’t be talking about months, not years in terms of getting out of the system.”<sup>102</sup>

134. While appreciating the complexity of the issues being discussed and negotiated, we consider that it would be particularly valuable to establish clarity on how soon reforms may be expected progress, rather than risk them falling into inertia. With the UK Government introducing a new system of council finance in England, we are very concerned that without reform Wales will be the only country still bound to the existing Housing Revenue Account system. In such a scenario, we are concerned about the priority which will be given to discussions of reform. During oral evidence, one of our members commented that:

“...the housing revenue account has always been used by the Treasury as a cash cow to finance other things all together; the poor have been subsidising the poorest. Once again, the Government is telling us that if we do not encourage more local authorities to transfer their stock, millions of pounds will go back to the UK Treasury. That is a fundamental unfairness that we need to start shouting about.”<sup>103</sup>

135. In response to this concern, the Welsh Government concurred that currently:

“...we are paying an estimated £70 million each year back to the Treasury, which comes through the Welsh Government from the local authorities... at the moment there are quite sensitive discussions going on with the Treasury. The Treasury wants a fiscally neutral outcome to this. Obviously, Wales is keen to come out of the housing revenue account subsidy system... We hope that we will be able to exit that system and that local authorities will be better off and able to invest more to improve their stock, and, potentially, will be able to build... we are working jointly as a Welsh Government. Finance

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<sup>102</sup> Inside Housing, Welsh Houses could quit HRA by end of 2012, 24 May 2012.

<sup>103</sup> RoP, Public Accounts Committee, 17 January 2012, Para 68

colleagues are just as keen for us to exit the system and to realise the benefits of coming out of this complex system.”<sup>104</sup>

136. The WLGA supported reforming the HRA system, and stated that:

“...the WLGA is clear that we need to be part of the partnership that takes that discussion forward, because whatever is resolved with the Treasury in terms of borrowing caps and the settlement of the capitalisation of the annual payments of negative subsidy, that will impact intensely on the ability of authorities to invest in their stock.”<sup>105</sup>

137. CIH Cymru likewise advocated support for reforming the HRA system, commenting that:

“...we have 100% supported and lobbied for the need to reform the HRA system. We did a lot of work in England on that process and have been heavily involved in working with authorities to get the deal in England. We are supportive of the WLGA’s views about the urgent need to reach some sort of settlement that is a fair deal for Wales. We agree that we need to move forward on that as a matter of urgency. We need to recognise that, when we are talking to the Treasury, in the current economic environment, it will want a fiscally neutral settlement”<sup>106</sup>

138. Similarly, in considering how the WHQS could be delivered in local authorities where ballots had led to a vote against stock transfer, TPAS Cymru advocated that:

“...the financial playing field should be levelled. It is not going to make many local authorities, staff, councillors and, perhaps, tenants, happy that the rules of the financial game have changed half-way through the process, but I cannot see any other way out of it. Only money will solve the problem of plan B.”<sup>107</sup>

139. In written evidence the Chief Secretary of the Treasury noted that while discussions with the Welsh Government had “been continually

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<sup>104</sup> RoP, Public Accounts Committee, 24 April 2012, Paras 50, 52-53, and 61

<sup>105</sup> RoP, Public Accounts Committee, 24 April 2012, Para 85

<sup>106</sup> RoP, Public Accounts Committee, 24 April 2012, Para 91

<sup>107</sup> RoP, Public Accounts Committee, 6 March 2012, Para 22

constructive,” he had “been clear throughout this process that any solution must not have a negative impact on the UK Exchequer.”<sup>108</sup>

140. We welcome the Welsh Government’s actions in engaging HM Treasury in discussions around reforming the HRA system. However, we would welcome clarity on the progress of this seemingly long and protracted dialogue, and are disappointed that a resolution has yet to be determined. We would also welcome clarification on whether and how other organisations- such as the WLGA- will be involved in taking forward reform.

**We recommend that the Welsh Government sets out a clear intended timetable for its negotiations with HM Treasury on reforming the HRA system. As part of this, the Welsh Government should also clarify how and when other appropriate organisations may be engaged in taking forward reform of the HRA system.**

### **Uncertainty about the future development of the WHQS**

141. The Auditor General’s report notes that there has been some uncertainty about the future development of the WHQS.<sup>109</sup> In 2008, the Ministerial Task and Finish Group on Affordable Housing recommended that the contribution that the WHQS could make to the climate change agenda should be reassessed. The Welsh Government’s 2010 strategy *Improving Lives and Communities* refers to the WHQS being reviewed to see whether more can be done to support action on fuel poverty, health and climate change.

142. However, landlords have expressed concerns about the impact of any changes on their current business plans. They also considered that any plans to change the WHQS should reflect tenant priorities and not divert attention from the commitments already given to achieving the existing requirements. The Auditor General’s report recommends that, in consultation with landlords and tenants, the Welsh Government

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<sup>108</sup> PAC(4) 16 12 (Paper 2), Correspondence received from Chief Secretary of the Treasury, Progress in delivering the Welsh Housing Quality Standard, 8 July 2012, Para 3.

<sup>109</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Paras 2.12-2.16

should clarify its intentions in terms of introducing any changes to the WHQS.<sup>110</sup>

143. The evidence taken in our short inquiry was divided on the issue of reforming the WHQS to have a higher energy efficiency standard. TPAS Cymru commented that they “would love to see the WHQS having a higher energy efficiency standard” with the caveat that delivering such “comes back to finance.”<sup>111</sup>

144. The WLGA suggested that stability in the WHQS was important but also acknowledged that:

“...there may need to be a discussion about changes... [in relation to] environmental efficiency and energy efficiency measures and that is probably the area where there has been most debate regarding whether that needs to be revised.”<sup>112</sup>

145. Similarly, CIH noted that:

“We recognise that we do not want to be changing things constantly; that is not great for business planning, and any changes to the standard need to be carefully thought out and their impact needs to be assessed. However, within that context, we think that we need to have a dialogue regarding where they go next in relation to the WHQS, because we need to be moving forward constantly.”<sup>113</sup>

146. However, when asked whether they wanted to see any changes in the WHQS in the future, CHC indicated:

“None, none at all. If you consider what is happening to us generally at the moment, in terms of private resources, we have lenders who are looking for any excuse to revalue the cost of private money to the sector. We have to consider the way public investment is going to be cut during the next few years, the challenge surrounding the reform of the housing revenue grant, and what is happening to the sector in terms of benefits and cuts in that field... I do not think that there is any suggestion, or there should not be, that the standards should

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<sup>110</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Recommendation 5

<sup>111</sup> RoP, Public Accounts Committee, 6 March 2012, Para 42

<sup>112</sup> RoP, Public Accounts Committee, 24 April 2012, Para 71

<sup>113</sup> RoP, Public Accounts Committee, 24 April 2012, Para 72

be increased. Frankly, I would say, ‘Look at the private rented sector if you want to increase standards.’ The social rented sector is doing a very good job in terms of standards. There are crisis issues in terms of the quality of the private rented sector that the Government should be focusing on, rather than seeking to expand a standard that is delivering genuine benefits to tenants of social rented homes throughout Wales.”<sup>114</sup>

147. The Welsh Government also expressed concerns about any changes to the WHQS, commenting that:

“...moving the goalposts when landlords are trying to hit the original targets can be unhelpful; they will see it as unhelpful, and those who have already met the targets will also see it as unhelpful to what they have done.”<sup>115</sup>

148. We consider that there are strong arguments for reforming the WHQS, particularly in terms of improving its energy efficiency standard. At the same time, we recognise the concerns of landlords that it may be counter-productive to amend the WHQS when considerable progress is still required in many homes to meet the existing minimum standard.

149. We support the Auditor General’s recommendation that clarity could be provided by the Welsh Government on its plans for future reform of the WHQS. We consider that this should include any potential for reforming the WHQS in the foreseeable future: for example, whether it might be reformed after a particular percentage of homes had met the existing minimum standard.

150. In the meantime we consider that the Welsh Government could provide helpfully guidance to landlords on how they can maximise benefits (such as energy efficiency) when refurbishing properties to meet the WHQS.

**We recommend that the Welsh Government produces guidance for landlords on how to maximise the potential benefits of making refurbishments to properties to meet the WHQS.**

151. We are also concerned that the quality of private housing should not be overlooked, and that the Housing Bill provides a focal

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<sup>114</sup> RoP, Public Accounts Committee, 20 March 2012, Paras 124 and 129

<sup>115</sup> RoP, Public Accounts Committee, 20 March 2012, Para 71

opportunity for the Welsh Government to look at improving the quality of private housing.

### **Reporting of WHQS delivery to tenants**

152. The Auditor General's report recommends that the Welsh Government should encourage all landlords to report to individual tenants whether their home is deemed to comply with the WHQS and, if not, to indicate a timetable for improvement.<sup>116</sup> We consider that this is a key function in enabling a continued focus on the delivery of the WHQS.

153. However, the Welsh Government expressed concerns about "the practicality of landlords providing detailed, individual responses to tenants,"<sup>117</sup> on whether their home complied with the WHQS. Similarly, CHC observed that:

"I am afraid to say that some of the terminology that we use here still does not lend itself to proper accountability. I would be horrified if someone were to tell me that I lived in an acceptable fail. That type of language does not really help."<sup>118</sup>

154. We consider that there is a need to assist landlords in communicating effectively with tenants, particularly as tenants' choices on whether or not they want updates on their properties to take place is an integral element to the 'acceptable fail' criteria.

155. We also believe that the Welsh Government should consider making it an obligation on landlords to update individual tenants on the compliance of their home with the WHQS. However, we believe such communication does not have to be 'in addition' to landlords' existing responsibilities, but rather could form part of existing mechanisms for communication, such as annual rent letters.

156. We concur with the Auditor General's recommendation that:

"...the Welsh Government should encourage all landlords to report to individual tenants whether their home is deemed to

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<sup>116</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Recommendation 3d

<sup>117</sup> RoP, Public Accounts Committee, 20 March 2012, Para 39

<sup>118</sup> RoP, Public Accounts Committee, 20 March 2012, Para 120

comply with the WHQS and, if not, to indicate a timetable for improvement.”<sup>119</sup>

**We recommend that the Welsh Government develops guidance on how landlords can effectively communicate with tenants, including:**

- **informing tenants of compliance/non-compliance with the WHQS;**
- **appropriate language to communicate the concept of an ‘acceptable fail.’**

**We recommend that the Welsh Government develops guidance to ensure landlords’ data collection highlights the reasons for acceptable fail classifications.**

**We recommend that the Welsh Government assesses- in discussion with landlords- the cost implications and practicality of landlords being required to update individual tenants on the compliance of their home with the WHQS.**

### **Maintaining the WHQS in properties over time**

157. The Auditor General’s report states that:

“Properties can move in and out of compliance because some of the WHQS requirements relate to recommended timescales for cyclical maintenance and improvement work. That is unless, in certain cases, it can be demonstrated that facilities are still in good condition.”<sup>120</sup>

158. In oral evidence, the Wales Audit Office noted that properties which met the WHQS needed to be maintained, but that this did not necessarily require a rigid replacement of furnishings to deadlines. They commented that if 15 year old bathrooms were still in good repair, it might be acceptable to not replace them, despite the fact that they had reached a particular deadline for replacing, The Wales Audit Office commented that:

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<sup>119</sup> Wales Audit Office, Progress in delivering the Welsh Housing Quality Standard, Recommendation 3D.

<sup>120</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Para 1.33

“There are obvious concerns about the economic use of resources there in terms of not replacing utilities and things simply because we have gone past the window set by the standard. So, there needs to be some common sense there.”<sup>121</sup>

159. TPAS Cymru concurred with this observation, agreeing that:

“...common sense must be taken into account. If somebody is happy with their bathroom, if they do not want disruption, if they have customised it to their own taste and liking, and if it does the business as a bathroom and enables them to get clean in relatively warm and comfortable surroundings, then leave it be if that is what that person wants. There needs to be a degree of flexibility around that.”<sup>122</sup>

160. Similarly, the WLGA questioned:

“...if the bathroom is 10 years old and it is in perfectly good condition, why would we rip it out and put a new one in? If the tenant is happy with that, and we are happy with that as the landlord and the asset manager, we would not necessarily change it. The original standard talked about a roof being no more than 70 years old; we have roofs that are 100 years old. In terms of public money, why on earth would we replace them? There has to be a bit of creative thinking here. In asset management strategies you replace when needed, or preferably just before failure, rather than thinking that the date is the key.”<sup>123</sup>

161. We concur with the range of evidence received in our inquiry that a flexible approach to maintaining the WHQS in homes is required, rather than a rigid application of deadlines for replacing furnishings. We consider that landlords’ interpretation of whether refurbishments could effectively be monitored as part of an independent external monitoring of landlords’ compliance with the WHQS.

162. Notably, during our inquiry, we received correspondence from a tenant, who expressed concern that health and safety regulations had been impinged upon during a refurbishment of their property, intended to update it to meet the WHQS.

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<sup>121</sup> RoP, Public Accounts Committee, 17 January 2012, Para 83

<sup>122</sup> RoP, Public Accounts Committee, 6 March 2012, Para 38

<sup>123</sup> RoP, Public Accounts Committee, 24 April 2012, Para 48

163. As noted in chapter 2, we welcome the Auditor General’s recommendation that the Welsh Government validate landlords’ returns by commissioning independent spot-checks on a sample of properties that are deemed to be fully compliant with the WHQS in order to check the consistency of landlords’ interpretation of the WHQS requirements; or commissioning a stock-condition survey, such as the 2008 Living in Wales survey.

**We recommend that the Welsh Government ensures that external validation of landlords’ compliance with the WHQS also takes health and safety regulations into full consideration.**

### **Rent policy and benefit reform**

164. The Auditor General’s report highlights a number of uncertainties that could affect landlords’ income and, as a consequence, their business plans for WHQS-related investment.<sup>124</sup> These include changes in rent policy and in housing benefit and other welfare benefits reform. These are also likely to have an impact on the finances of individual tenants.

165. The Welsh Government noted in written evidence that it had:

“consulted upon a proposed new rent policy that would apply consistently to local authority and RSL landlords which would be fairer to tenants. Implementation of the new policy is expected by April 2013 to enable the policy proposals to be revised in light of consultation responses and any changes to the Housing Revenue Account Subsidy (HRAS) system. There are safeguards built into the new rent policy to ensure that no landlord’s financial position would be untenable following implementation.”<sup>125</sup>

166. However, the Welsh Government also stated that it was:

“concerned about the Housing benefit (HB) rule changes and the potential impact on the future revenue flows of social landlords. Steps are being taken to mitigate the effects of these changes which would put more pressure on demand for social

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<sup>124</sup> Wales Audit Office, *Progress in delivering the Welsh Housing Quality Standard*, Appendix 4

<sup>125</sup> PAC(4) 16 12 (paper 5), Correspondence received from Gareth Jones, Director General Sustainable Futures, 11 July.

housing. A steering group is being set up by WG to address the issues raised by changes in HB rules.”<sup>126</sup>

167. TPAS Cymru similarly expressed particular concern about benefit reform, commenting that:

“...it will have a terrible effect on tenants. We will have problems with rent arrears and perhaps evictions, and people will have less money to live on. That will have a knock-on effect on the business plans of landlords, and the impact of that has not been plotted, so far as I am aware.”<sup>127</sup>

168. CHC also expressed concern about the impending reforms, noting that they:

“...recently surveyed members to see what their top 10 worries are for the future. Issues around the 50% or 60% cuts to the social housing grant are certainly of concern, as are the direct impacts on tenants of the housing benefit changes, such as the bedroom tax, and some of the unintended consequences. For example, despite the fact that 90% of tenants would prefer direct payments to their landlord, it seems that that choice will be denied to them for the future, and despite the fact that lenders have said that that additional risk will bring with it additional cost for private finance, we seem to be going down that route.”<sup>128</sup>

169. TPAS Cymru suggested that landlords and tenants could help to provide other tenants with advice on money management issues, commenting that “that is turning a problem into a positive by engaging people and building skills and confidence.”<sup>129</sup>

170. We note that many landlords, particularly RSLs, currently provide a money management advisory service to tenants. We consider that tenants and landlords can potentially provide a useful network for signposting people to sources of advice on money management, such as the Money Advice Service.

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<sup>126</sup> PAC(4) 16 12 (paper 5), Correspondence received from Gareth Jones, Director General Sustainable Futures, 11 July.

<sup>127</sup> RoP, Public Accounts Committee, 6 March 2012, Para 80

<sup>128</sup> RoP, Public Accounts Committee, 20 March 2012, Para 157

<sup>129</sup> RoP, Public Accounts Committee, 6 March 2012, Para 84

171. We are concerned by the potential impact of the reforms in housing benefit. We consider that the Welsh Government needs to continue to both make people well aware of the changes, and to make the UK Government aware of the consequences of the changes in housing benefits. We believe that in developing plans to address concerns around the impact of housing benefit reforms for tenants, the Welsh Government will need to engage and take accounts of the concerns of landlords, who are key partners the delivery of the WHQS.

### **Learning lessons more widely**

172. The Auditor General's report notes that there are:

“lessons from the development and delivery of the WHQS that can be applied to help improve the quality of future policymaking and the effectiveness of its delivery.”<sup>130</sup>

173. In particular, the Auditor General set out the importance of the Welsh Government:

“having a clear idea of the baseline position and likely cost implications of its policy aims before establishing realistic targets for their achievement;

“where it is dependent on third-party organisations to achieve its policy objectives, ensuring that: those organisations are not constrained in terms of their capacity (including financial capacity) to deliver; those organisations have a clear and consistent understanding of the requirements upon them, and that any necessary guidance is provided on a timely basis; and there is an effective performance management framework in place, including appropriate incentives and sanctions to encourage delivery;

“giving clear consideration to the merits of establishing interim targets; and

“putting in place robust arrangements to monitor progress, demonstrate overall value for money and share good practice.”<sup>131</sup>

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<sup>130</sup> Wales Audit Office, Progress in delivering the Welsh Housing Quality Standard, Recommendation 1.

174. We concur that it is critical that these lessons are applied in the development of future policy making across the Welsh Government.

**We recommend that the Welsh Government provides the Public Accounts Committee with an update on progress against the Auditor General's recommendations before the end of December 2012, including how it is taking forward wider lessons learnt from the report.**

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<sup>131</sup> Wales Audit Office, Progress in delivering the Welsh Housing Quality Standard, Recommendation 1.

## Witnesses

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The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at

<http://www.senedd.assemblywales.org/ielIssueDetails.aspx?IId=3257&Opt=3>

<i>6 March 2012</i>	<i>Tenants' Participatory Advisory Service (TPAS) Cymru</i>
John Drysdale	Director, TPAS Cymru
Amanda Oliver	Policy and Communications Manager, TPAS Cymru
<i>20 March 2012</i>	<i>Welsh Government</i>
Kath Palmer	Deputy Director, Housing Directorate
Gareth Jones	Acting Director General, Sustainable Futures
Brian Gould	Head of Housing Quality Standards
<i>20 March 2012</i>	<i>Community Housing Cymru</i>
Nick Bennett	Community Housing Cymru Group Chief Executive
Peter Cahill	Chief Executive of Newport City Homes
Andrew Bateson	Chair of Community Housing Cymru
<i>24 April 2012</i>	<i>Chartered Institute of Housing Cymru</i>
Keith Edwards	Director of Chartered Institute of Housing
Elin Jones	Housing and Regeneration Manager
<i>24 April 2012</i>	<i>Welsh Local Government Association</i>
Victoria Hiscocks	Policy and Public Affairs Manager
Sue Finch	Housing Policy Officer
Tony Jaques	Head of Public Housing Services Vale of Glamorgan
Robin Staines	Head of Housing Services Carmarthenshire County Council

## List of written evidence

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The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at <http://www.senedd.assemblywales.org/ielIssueDetails.aspx?IId=3257&Opt=3>

<i>Organisation</i>	<i>Reference</i>
Welsh Government	PAC(4)-05-12 Paper 1
Community Housing Cymru	PAC(4)-05-12 Paper 2
Chartered Institute of Housing Cymru	PAC(4)-06-12 Paper 1
Welsh Local Government Association	PAC(4)-06-12 Paper 2