



Cynulliad Cenedlaethol Cymru **The National Assembly for Wales**

Y Pwyllgor Cyfrifon Cyhoeddus **The Public Accounts Committee**

Dydd Mawrth, 20 Mawrth 2012
Tuesday, 20 March 2012

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Cofnodir y trafodion hyn yn yr iaith y llefarwyd hwy ynndi yn y pwyllgor. Yn ogystal,
cynhwysir cyfieithiad Saesneg o gyfraniadau yn y Gymraeg.

These proceedings are reported in the language in which they were spoken in the committee.
In addition, an English translation of Welsh speeches is included.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar	Ceidwadwyr Cymreig Welsh Conservatives
Mike Hedges	Llafur Labour
Darren Millar	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Julie Morgan	Llafur Labour
Gwyn R. Price	Llafur Labour
Jenny Rathbone	Llafur Labour
Aled Roberts	Democratiaid Rhyddfrydol Cymru Welsh Liberal Democrats

Eraill yn bresennol
Others in attendance

Andrew Bateson	Cadeirydd Fforwm Gwasanaethau Technegol Cartrefi Cymunedol Cymru a Chyfarwyddwr Gwasanaethau Technegol Cadwyn Chair of Community Housing Cymru's Technical Services Forum and Director of Technical Services at Cadwyn
Nick Bennett	Prif Weithredwr Grŵp Cartrefi Cymunedol Cymru Chief Executive, Community Housing Cymru Group
Peter Cahill	Cadeirydd Cartrefi Cymunedol Cymru a Phrif Weithredwr Tai Dinas Casnewydd Chair, Community Housing Cymru and Chief Executive of Newport City Homes
Paul Davies	Swyddog Safonau Ansawdd Tai Cymru, Llywodraeth Cymru Welsh Housing Quality Standards Officer, Welsh Government
Gareth Jones	Cyfarwyddwr Cyffredinol Dros Dro, Dyfodol Cynaliadwy Acting Director General, Sustainable Futures
Matthew Mortlock	Swyddfa Archwilio Cymru Wales Audit Office
Kath Palmer	Dirprwy Gyfarwyddwr Tai, Llywodraeth Cymru Deputy Director, Housing Directorate, Welsh Government
Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Sarah Beasley	Clerc Clerk
Dan Collier	Dirprwy Glerc Deputy Clerk
Joanest Jackson	Uwch-gynghorydd Cyfreithiol Senior Legal Adviser
Tom Jackson	Clerc Clerk

Ian Summers

Cynghorydd Cyllid a Llywodraethu
Finance and Governance Adviser

*Dechreuodd y cyfarfod am 9.09 a.m.
The meeting began at 9.09 a.m.*

Cyflwyniad, Ymddiheuriadau a Dirprwyon Introductions, Apologies and Substitutions

[1] **Darren Millar:** Bore da. Good Morning. Welcome to today's meeting of the Public Accounts Committee. We have received an apology this morning from Leanne Wood. There are no other apologies or substitutions.

9.09 a.m.

Cynnydd o ran Cyrraedd Safon Ansawdd Tai Cymru—Tystiolaeth gan Lywodraeth Cymru Progress in Delivering the Welsh Housing Quality Standard—Evidence from the Welsh Government

[2] **Darren Millar:** I am delighted to welcome Gareth Jones, the acting director general of the Sustainable Futures directorate; Kath Palmer, the deputy director of the housing operations division; and Paul Davies, Welsh housing quality standard officer. Welcome to the three of you. In addressing the meeting, would you like to make a few opening remarks, Gareth?

[3] **Mr Jones:** This is a baptism of fire for me, Chairman. As you may know, I have been in this role for just a couple of weeks, but I very much welcome the opportunity to have a look at housing issues in the round and in particular the Auditor General for Wales's report on the Welsh housing quality standard. I very much welcome the opportunity both to consider the report and to discuss it with the committee this morning, and also the fact that the report acknowledges the substantial improvements that have been made over the last few years in terms of the quality of social housing in Wales. I am also pleased, in relation to my wider responsibilities, to recognise the positive impact that the standard has had more generally in local communities.

[4] However, I suppose that it is fair to say that it is also obvious from the auditor general's report that there is still quite a lot of work to do to meet the overall objectives, and, of course, we have to recognise that there have been some shortcomings in the process to date that we need to put right. We fully accept his findings. We have already started to take some steps to improve monitoring, and this year we will be developing a much more robust data collection system to build on the pilot programme that we have already implemented. The report rightly points out that the standard will not be met by some landlords by the 2012 target, and there is a range of revised targets that are now in place. It is also fair to say, Chair, that I do not yet have all the answers, no doubt, to all the questions that colleagues will ask today, but also to some of the points in the auditor general's report. What I undertake to do is to work very closely with authorities to look at the options available, particularly in local authorities where tenants have voted 'no' to transferring homes to a new landlord.

[5] That is probably enough from me as an opening salvo. I will just repeat the fact that I welcome the opportunity to give evidence today, and I trust that my colleagues will be able to answer the more detailed questions that you have.

[6] **Darren Millar:** You have acknowledged readily that the original target date of the

end of 2012 for all homes meeting the Welsh housing quality standard is not going to be achieved. What was the Welsh Government doing when it set that target, and why did it not ensure that registered social landlords had sufficient plans in place to meet those targets at a much earlier date? That question is to anyone who wishes to answer.

[7] **Mr Jones:** I will open up, if I may. It is important to preface what I am about to say with the fact that we need to bear in mind throughout our discussions that improving tenants' homes is the important issue here, and that, as has been recognised in a number of evidence sessions that have been given to the committee here, achieving the full standard is clearly desirable, but actually making improvements towards that standard so that tenants see improvements in the quality of their homes is also important. The WHQS was the first national standard for social housing in Wales, and, as committee members will know, in many ways it is a tighter and more rigorous standard than that applied elsewhere in the UK. To that extent, we can be proud of the fact that we are doing a good deal to improve quality of social housing for the benefit of tenants. Clearly, the 2012 target was over-ambitious in hindsight—I do not think that there can be any doubt whatsoever about that.

9.15 a.m.

[8] I know that colleagues have worked very hard with landlords since the setting of the standard to ensure that we get satisfactory business plans from them and that those business plans can be assessed in terms of their deliverability. We will continue to do that in terms of following the progress of landlords to achieve the target from now on. I agree that the target was too ambitious. However, if it had not been set, I wonder whether we would have seen as much progress as we have. In putting pressure on local authorities and registered social landlords to achieve that target, the setting of the target and the process through which we have gone to discuss their business plans with them has been useful in achieving improvements. I think that the Tenant Participation Advisory Service recognised that in the evidence that it gave to you.

[9] **Darren Millar:** Has there been a lull in the progress that has been made, given that, even as far back as 2010, landlords were telling you that it was unlikely that all of the housing stock would meet the target by March 2013? Their projections in 2010 showed that around 60% would hit the target by March 2013. The Welsh Government certainly was not talking about any kind of sanctions against local authorities that did not hit targets. So, has progress been sluggish as a result of that?

[10] **Mr Jones:** I do not detect, from what I have seen thus far, that progress has been sluggish. It is an interesting issue in terms of sanctions, is it not? We are dealing here, in the main, with local authorities, which are clearly going to take longer to meet the targets than RSLs and will make slower progress according to their latest projections. So, we are talking about authorities that have their own priorities and their own decision-making and political processes through which they have to go to take decisions on how they spend their money. In terms of sanctions, while the Government has, I suppose, as an ultimate sanction, the ability to withhold major repairs allowances, 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. So, it seems to me that it has been about influencing, encouraging and providing help, guidance and support where we can, either directly or through organisations such as i2i, to encourage authorities to meet standards rather than about applying sanctions.

[11] **Aled Roberts:** Wrth ystyried eich ymateb i'r polisi gwreiddiol, rwyf am droi at y strategaeth dai 'Gwella Bywydau a Chymunedau'. Pa mor sicr ydych chi fod y strategaeth honno'n un realistig? A yw'r **Aled Roberts:** In considering your response to the original policy, I want to turn to the 'Improving Lives and Communities' housing strategy. How certain are you that that strategy is realistic? Is the strategy based on

strategaeth yn seiliedig ar dystiolaeth, a yw'n ddealladwy, ac a ydych yn ei monitro yn effeithiol, wrth ystyried y sefyllfa o ran safon tai Cymru?

evidence, is it understandable, and are you monitoring it effectively, bearing in mind the situation in terms of the standard of Welsh housing?

[12] **Mr Jones:** I will let Kath answer this in detail. I read with great interest the report by the auditor general, which outlined in some detail some of the wider benefits that were being achieved in various areas and gave some good examples of those. I was also interested to read the submission that was sent in by Community Housing Cymru, which claimed, via research, that something in excess of £800 million was being spent last year, 80% of which seemed to be going to organisations in Wales. So, in terms of the wider benefits that are being achieved, there is some evidence that that is happening. We are certainly working with i2i. Its Can Do Toolkit is an attempt to help authorities to see how they can address some of those wider benefits. Kath, do you want to say something on this?

[13] **Ms Palmer:** Yes. You were asking about the housing strategy, 'Improving Lives and Communities—Homes in Wales'. Basically, that was split into three elements: increasing the supply of housing, improving the quality of housing, and improving services around housing. We have included in the paper some challenges with regard to what we think we should be doing to increase the supply of housing, increase quality and improve services. There are lots of examples in this strategy of how we are taking these things forward. Supporting People is one of the examples of where we are actively working with local authorities, the third sector and health, for example, to take forward more effective and efficient Supporting People services, which help the most vulnerable people in the country. That is one example. There are lots of other examples in the document of how we are trying to improve services and increase the supply of housing. Capital grants are going down, but we are trying to find new ways of funding to increase the supply of housing, because the waiting lists are going up, as we all know. Homelessness is something that we are all concerned about with the welfare benefit changes coming in. There are lots of challenges, but there is lots of action being taken to be able to implement this.

[14] **Aled Roberts:** Beth yw'r sefyllfa o ran cyflenwad dros y ddwy flynedd ddiwethaf, wrth ystyried y cwtogi ar y grant ar gyfer tai cymdeithasol?

Aled Roberts: What has been the situation with supply over the past two years, given the cuts to the grant for social housing?

[15] **Ms Palmer:** Sorry, I missed the start of the question.

[16] **Aled Roberts:** What has the position been over the past two years with housing supply? We have been hearing about these different financing methods for some time now. We are aware of the cuts to the capital available to the Welsh Government and the knock-on effect on the social housing grant. I asked a question about the monitoring strategy, but what is the current position with the supply?

[17] **Ms Palmer:** The current position on the supply of social housing is that we are working with registered social landlords and local authorities, and particularly the RSLs, to increase supply. We have brought in the new intermediate rent—the Rent First scheme—so that people are able to rent properties and possibly buy them if they are in the situation to be able to do that. That produces lower rates of grant. We have also piloted the Welsh housing partnership, which has achieved the lowest grant rate for housing in terms of increasing the supply of housing. We are working on a number of different models with partners for special purpose vehicles looking at the land assets—whether that is Welsh Government land, public sector land or RSL-owned land—to see whether we can use the land as the asset in a special purpose vehicle to enable more houses to be built. CHC is looking at a housing bond, so it is looking at alternative longer-term financing options rather than going to banks and building

societies. We are proactively doing as much as we can to increase supply by looking at new ways of doing this.

[18] Obviously, we are really interested in the local authority situation, primarily with regard to meeting the WHQS. However, there is one local authority that is looking to see whether it can build houses outside the housing revenue account subsidy system. As you probably know, we are trying to exit the housing revenue account subsidy system as well. There is a plethora of actions happening in parallel to try to increase supply to mitigate the effects of capital budgets coming down.

[19] **Darren Millar:** We will come to the housing revenue account system a little later. I am glad that we have someone who understands it with us this morning.

[20] **Ms Palmer:** I try.

[21] **Julie Morgan:** I want to ask you about data collection. Gareth, I think that you referred to this in your introductory remarks. Can you expand on when you expect to launch a revised data collection exercise and publish updated statistics on compliance?

[22] **Mr Jones:** I suppose that it is the one thing that struck me in looking at the auditor general's report—perhaps we had not given it sufficient attention throughout the development of this programme. I know that, in the last couple of years, we have improved our monitoring, but, even so, 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. Later this year, in the autumn, 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. We intend to gather more information, for example, 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.

[23] **Julie Morgan:** How do you ensure that there is more consistency about acceptable fails, because that is an issue?

[24] **Mr Jones:** It is an issue. I confess that it was an issue that I did not really understand until I went to see some social housing and talked to some tenants and local authority officers to determine exactly what this was about. There is, inevitably, an element of subjectivity about the question of acceptable fails. There is also a significant element of tenant choice surrounding this. I saw a home where the bathroom and kitchen had been refurbished to a nice standard but, previously, the owner had not wanted that work to be done, because there was quite a significant amount of upheaval involved in reconfiguring the downstairs of the tenant's home. Eventually, they decided to go for it and have the work undertaken.

[25] The first thing on which we need to get some consistency is to know what we are dealing with. So, 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, as you imply.

[26] **Julie Morgan:** What is the timescale on that?

[27] **Mr Jones:** In our new monitoring work, we are going to start collecting more robust information about acceptable fails. I would expect us to start acting on that as soon as we

have the information available to analyse.

[28] **Mohammad Asghar:** How easy is it to measure compliance with the environmental standard element of the Welsh housing quality standard? Would there be any merit in this being assessed separately from progress in improving the fabric of individual homes?

[29] **Mr Jones:** Again, this is an issue that I discussed with local authority officers when I visited examples of social housing, because they showed us some improvements to the environmental standards that they had made. I suppose that, previous to that, I had been guilty of thinking that environmental standards were just about green space, play areas, secure fencing and the like, whereas it seems to me that it is a much broader issue involving tenants' access to services, transport, doctors and so on. The environmental standard is an important part of it. Let us not forget that this is something that is peculiar to Wales. We have put it into our housing quality standard, but it does not exist in its counterpart in England.

9.30 a.m.

[30] I would need to consider whether there is any merit in assessing them separately. I can see some disadvantages to doing that, in terms of landlords putting 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. So, subject to being told that this is a bad idea, 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.

[31] **Ms Palmer:** May I add to that? I think that it was brought in because it was felt that it is important that people have a decent standard in terms of their house, but also the area and the streets in which they live, their children play in and so on. Some examples that we have seen have been fencing around common areas or frontages, because the children were coming in and knocking on windows and annoying the tenants. They were not necessarily smashing the windows, but they were being a nuisance. It sounds like a small matter, but when you live in a property, ensuring that there is no anti-social behaviour is important; there are ways of being able to change people's lives, even small ones.

[32] However, on trying to have a table that measures the environmental standard, you can add up the roofs, the kitchens, the bathrooms and so on, but the environmental standard is 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 subjective and will be particular to that area. So, it is difficult to collect data on it. We ask landlords to give us a statement to evidence how they are meeting the environmental standard. We are keen to go out to see what improvements have been made. The Welsh Tenants Federation and the Tenant Participation Advisory Service are important to us, because they provide feedback on what tenants feel about the improvements that are made, not only to their houses but to their areas. So, this is a good thing in terms of looking at the environment as well as the house, so that we can try to improve communities as opposed to just individual properties. However, it is challenging to collect data on that.

[33] **Mr Jones:** It is, although I am aware that some local authorities survey their tenants, as well as relying on some of the representative bodies that Kath described, to determine what their tenants think about the environmental standard, so that they can feed that into their plans for the future.

[34] **Aled Roberts:** On the environmental standard, are you now confident that retained authorities are not overcharging the housing revenue account for work carried out by other

council departments, particularly with regard to environmental and highways costs?

[35] **Ms Palmer:** We do not audit the HRA; that is the Wales Audit Office—

[36] **Aled Roberts:** However, you will be aware that there are problems, in that some of your discussions with those authorities that were transferring clearly identified that other council departments had been, to a large extent, subsidised by the housing revenue account over a number of years.

[37] **Ms Palmer:** It is important that the right costs are attributed to the housing revenue account. We have had discussions and meetings with the Wales Audit Office, because, as you rightly said, there were identified items that had gone into the housing revenue account when people transferred over through stock transfer. So, we are as confident as we can be, subject to the audits of the HRA, that the appropriate things are being costed into the housing revenue account.

[38] **Mike Hedges:** Should landlords be reporting to tenants exactly how close they are to the Welsh housing quality standard, which parts of it are being met, and which parts are going to be met in the future, with some sort of timetable? Is it one of the problems that the Welsh housing quality standard has almost become shorthand for ‘new bathroom’ or ‘new kitchen’, and that most of the rest tends to be forgotten? How do you explain that, in areas like Morriston, people living in fully modernised houses are very keen to move out of those homes into unmodernised houses in an area that they consider to be better? The modernised houses, which have had all this work done to them, are not the most popular, certainly in Swansea—I do not know about other areas.

[39] **Mr Jones:** We encourage landlords to give information to tenants on progress towards meeting the Welsh housing quality standard, and I know that a number of landlords use newsletters and information to individual tenants on planned work. I have been thinking about this question, because I saw what was said in the report, but I wonder about the practicality of landlords providing detailed, individual responses to tenants. However, it is something that the Welsh housing quality standard monitoring task group, which includes representatives of RSLs, local authorities, the Welsh Local Government Association, Community Housing Cymru and so on, should discuss. Clearly, 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. Do you want to pick up the second point, Kath?

[40] **Ms Palmer:** It is important that landlords do not just focus on kitchens and bathrooms, and the evidence that we have seen is that they have not done that. They have focused on components—roofs, windows, external doors, standard assessment procedure ratings, central heating, smoke alarms and so on—and we have not seen evidence that they have just focused on kitchens and bathrooms. Those may be the things that tenants talk about, perhaps, as they see the benefits of having a new kitchen or bathroom—

[41] **Mike Hedges:** Everyone who has come to talk to us has talked about kitchens and bathrooms.

[42] **Mr Jones:** I suppose that they are more visible, in a sense, and define some real improvements. I guess that, if you talked to tenants and asked what they wanted improved, not many of them would talk about smoke detectors. Not many of them would, necessarily, talk about the SAP rating or the energy efficiency of their home. They would probably talk about kitchens and bathrooms.

[43] **Mike Hedges:** The third point that I made was about modernised houses not being

the most popular. What I would say is that the majority of tenants would talk about the quality of life in the area where they live, well above a kitchen and a bathroom.

[44] **Ms Palmer:** Demand is very difficult. If a local authority is improving the quality of houses but people do not want to live there, that local authority needs to consider its strategic role in terms of the population, where the houses are and where the need is. It is quite difficult for us to comment on a specific local example without knowing any more detail.

[45] **Mike Hedges:** In Morriston, there is demand—there is a demand for houses everywhere—but there is one street on which houses are fully modernised, but people have moved out to live in places that have not been touched for 30 or 40 years, because they consider them to be nicer places to live.

[46] **Darren Millar:** I am sure that you could take us to Morriston, but we have to move on to make some progress with the questions. It is an issue, is it not? Where the investment goes is not necessarily where people want to go, and there is a need to challenge local authorities and other RSLs on how they pitch and plan that investment to make best use of their resources.

[47] **Mr Jones:** It is, Chair, and it is also a testament to the broad range of criteria that are built into the Welsh housing quality standard. It demonstrates the fact that all those issues are important to tenants, and all of them need to be properly monitored, measured and addressed by landlords.

[48] **Jenny Rathbone:** This is a complex issue. Tenants do not talk about energy efficiency, but they do talk about being unable to turn the heating on, even in the coldest weather. That was just an aside.

[49] I want to come back to the fundamentals, and your negotiations to opt out of the housing revenue account. It seems to me that one of the major problems that tenants have suffered for all these years is that the normal tenant-landlord relationship simply has not operated. Normally, a tenant pays their rent and, in exchange, expects the landlord to maintain the property to a decent standard. However, according to the Minister for housing in 2010, we were handing back some £900 million from the housing revenue account to the Treasury, whereas in Scotland, they gained £82 million. I do not quite understand how that can be, but I do understand that council tenants have always subsidised other people. Before 2004, the poor subsidised the poorest—it was used to subsidise housing benefit. We now have tenants subsidising leaseholders in many cases, because leaseholders are not charged for the cost of upgrading their homes. So, I want to know how, in your negotiations with the Treasury for opting out of the housing revenue account, tenants will get a better deal than the one they have had for at least the past 25 years.

[50] **Ms Palmer:** The housing revenue account subsidy system is something that was operating in England, but England is moving to a buy-out position. It does not operate in Scotland. I set up a steering group two and a half years ago with some consultants who are experts in the housing revenue account subsidy system and, cross-sector, with the Welsh Local Government Association, Community Housing Cymru, local authorities, housing associations and tenants—in the form of the Welsh Tenants Federation and the Tenant Participation Advisory Service—to look at how we could get Wales out of this unfair, complex system, which is burdensome not only to the Welsh Government, but to local authorities, in terms of the system's administration and its outcomes. The £900 million was over a period of time; we are paying an estimated £70 million each year back to the Treasury, which comes through the Welsh Government from the local authorities. That is based on a very complex notional formula, which is made up of notional expenditure and notional income, and that gives you an actual cash amount that you have to pay back—if only that

were notional. So, local authorities will have their housing revenue account, which is actual expenditure and actual income, and they will then need to find the negative subsidy, which all Welsh authorities are in, to be able to pay that back to the Treasury. It does therefore have an actual impact on the housing revenue account and it will have an impact on tenants because, ultimately, it impacts on the amount that a local authority can spend to maintain properties and services. So, as the Welsh Government, we are very concerned about our still being within this housing revenue account subsidy system.

[51] We have looked at trying to get parity with Scotland, but have been unsuccessful in terms of our arguments to the Treasury. We have also looked at the differences between the English system and the Welsh system. I will not go into the complex detail of that, but there are differences between the two systems. Where we have got to now is that we accept that we will need to follow an English buy-out proposition with the Treasury, but that we need to be better off, and local authorities need to be better off in terms of coming out of the housing revenue account subsidy system.

9.45 a.m.

[52] So, 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. As part of a sub-group to the steering group, working with the Welsh Local Government Association, I have set up a group for local authorities. We are working with some experts and looking at making sure that we are putting the best arguments forward for the proposition that we are putting to the Treasury in terms of our exiting the housing revenue account subsidy system. We are also looking at what will happen if we can get an agreeable figure for our buy-out, how we will then move forward and what that will mean for local authorities.

[53] In England, it basically means that local authorities are self-financing and that they will be able to build, and will not have to comply with 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. There were officials at the sub-group and there was an aim for local authorities to be able not only to maintain their stock to a reasonable standard, but to start thinking about building again, due to an increase in need. So, it is very much a work in progress. It is an important area and we are keen to exit the housing revenue account subsidy system, but it has to be for the benefit, rather than to the cost, of local authorities and tenants.

[54] **Jenny Rathbone:** You were talking about notional formulas in everything that you said at the beginning. Has anyone done any analysis of how much tenants pay across Wales and how much of that money is spent on maintaining housing to a good standard, which includes the management?

[55] **Ms Palmer:** Each local authority will calculate their own housing revenue account subsidy figure, using the formula, and that will result at an X figure that they would need to find, and which would then be paid through the Welsh Government back into the Treasury. So, each local authority will have different figures to pay back. The exact impact on individual tenants will depend upon the local authority and how it prioritises its expenditure and income.

[56] **Jenny Rathbone:** Are Welsh tenants subsidising the Treasury? It is hard for us to understand if Welsh tenants are contributing towards the general Treasury pot, or whether the Treasury is putting in more money.

[57] **Darren Millar:** It may be helpful to let the witnesses know that we hope to be taking

evidence from the Treasury on the housing revenue account subsidy system, and how that works. It is difficult for us to grasp how intricate the system is, and how some of these figures are established in terms of the returns to HM Treasury. Obviously, it is a key part of helping Wales to deliver and improve these standards, going forward. Aled, you wanted to come in on this, and then I will come back to Jenny.

[58] **Aled Roberts:** Rwy'n cydnabod eich gwaith yn ystod y ddwy flynedd a hanner diwethaf, ond mae'n rhaid dweud bod eich tystiolaeth yn sôn am y ffaith nad yw'ch trafodaethau gyda'r Trysorlys ond newydd ddechrau, sydd yn fy synnu.

Aled Roberts: I acknowledge your work during the past two and a half years, but it must be said that your evidence mentions that your discussions with the Treasury have only just begun, which surprises me.

[59] Yng Nghyngor Bwrdeistref Sirol Wrecsam, rydym ni—rwy'n parhau'n gynghorydd yn Wrecsam, felly gallaf ddweud 'ni'—yn gwario mwy bellach ar wella tai nag erioed o'r blaen. Rydym yn gwario rhyw £12 miliwn y flwyddyn ar wella tai, ond mae £11 miliwn yn cael ei ddychwelyd i'r Trysorlys. Felly, i ddychwelyd at gwestiwn Jenny, o'r £30 miliwn rydym yn ei dderbyn o ran rhenti, mae un rhan o dair ohono'n mynd yn syth yn ôl i'r Trysorlys.

In Wrexham County Borough Council, we—I am still a councillor in Wrexham, so I can say 'we'—spend more now on improving housing than we have ever done before. We spend around £12 million a year on improving housing, but £11 million goes back to the Treasury. So, to return to Jenny's question, out of the £30 million that we receive in rent, one third of that goes straight back to the Treasury.

[60] Yr hyn sy'n fy mhoeni yw'r ffaith bod Cymru wedi derbyn cyfundrefn yn 2002 oedd yn gwbl wahanol i'r gyfundrefn yn yr Alban. Nid wyf yn deall o hyd sut fu i Lywodraeth Cymru ar y pryd gytuno i hynny. Felly, wrth ystyried nad oedd adran gyllid Llywodraeth Cymru ddwy flynedd a hanner yn ôl yn barod i dderbyn bod Cymru'n gweithredu cyfundrefn eilradd i'r system yn yr Alban, ai swyddogion yr adran gyllid sy'n arwain o ran y trafodaethau â'r Trysorlys, neu a oes swyddogion o'r adran dai yn bresennol? Nid wyf yn ffyddiog o ran y trafodaethau hynny oherwydd ymateb yr adran gyllid ar y pryd i'r problemau â'r Trysorlys.

My concern is that Wales accepted a system in 2002 that was completely different to the system in Scotland. I still do not understand why the Welsh Government at the time agreed to that. So, given that the finance department of the Welsh Government was not willing to accept two and a half years ago that Wales was operating a second-rate system to that used in Scotland, are officials from the finance department leading on the discussions with the Treasury, or are officials from the housing department also present? I am not confident in terms of those discussions, given the response of the finance department at the time to the problems with the Treasury.

[61] **Ms Palmer:** I do not have the exact date when we started talking to the Treasury, but it was over the past couple of years. In terms of the Wrexham spend, I totally appreciate that a substantial amount of money is paid back by the local authority through the housing revenue account subsidy system. Wrexham would therefore benefit if we could exit the housing revenue account subsidy system at a reasonable buy-out rate. The finance part of the Welsh Government is working jointly with housing colleagues. When I went to the Treasury in the last month, I led the discussion from a housing point of view, but I was very much supported by finance colleagues in relation to exiting the system. So, we are working jointly as a Welsh Government. Finance colleagues are just as keen for us to exit the system and to realise the benefits of coming out of this complex system.

[62] On the point about tenants, yes, that amount of money must be found from the housing revenue account. If we did not have a housing revenue account subsidy system at all,

then, yes, tenants would definitely benefit, because there would be additional rental income that could be spent on alternative improvements to housing stock or services.

[63] **Aled Roberts:** Deallaf nad ydych eisiau sôn am fanylion y trafodaethau hynny heddiw. Rwy'n deall bod cyfundrefn y *major repairs allowance* yn diflannu yn Lloegr, felly ni welaf ei fod yn gwneud unrhyw synnwyr i gadw'r gyfundrefn honno yng Nghymru'n unig. **Aled Roberts:** I understand that you do not want to talk about the detail of those discussions today. I am given to understand that the major repairs allowance system is disappearing in England, therefore, I see no sense in retaining that system in Wales only.

[64] **Ms Palmer:** Absolutely, and we are talking to the Treasury about that. We cannot see the advantage of a complex system operating in one country alone. So, the HRAS is going in England—there is buy-out there. There are constraints with regard to the English propositions, so we are also keen to ensure that we are not constrained in relation to any alternative system that is put in place.

[65] **Darren Millar:** On the cost of the buy-out in the parts of England that have undertaken this exercise, what sort of ballpark figure are we talking about?

[66] **Ms Palmer:** I cannot give out any costs at this stage; it is quite a sensitive issue. With an expert consultant who worked on the English model, we are looking at utilising and working through exactly the same assumptions that were used with the English buy-out. So, we have applied those assumptions to Wales to get an optimum buy-out figure that is reasonable and justifiable. The Treasury needs to be assured that we are following the principles and the assumptions; that is the guidance that it has given us. However, it is very much work in progress in relation to putting that detailed case to the Treasury and waiting to hear what I hope will be a positive answer from it, but we do not know as yet.

[67] **Jenny Rathbone:** Obviously, your negotiations deal with big figures, but, bringing it back to the particulars, I want to focus on the fuel poverty issues that so many tenants face. What are your predictions in terms of getting landlords to bring homes up to decent energy efficiency standards? Unfortunately, on more than one occasion, I have met tenants who are simply not turning on their heating because they cannot afford to heat their homes, and they are not fuel efficient.

[68] **Ms Palmer:** The Welsh housing quality standards sets standard assessment procedure 65, and quite a large number of landlords are saying that they will be able to achieve that SAP rating. Paul might want to say some more about the SAP ratings.

[69] **Paul Davies:** We had a hard energy-efficiency target in the Welsh housing quality standard from day one, which, in hindsight, has proved to be beneficial. The committee may not understand what SAP 65 means. I do not know if you have come across energy-performance certificates, which have to be issued when you re-let or buy and sell a property, but SAP 65 equates to D on the scale of A to G. So, it is not a gold-plated standard, and it is quite difficult to achieve with, for example, a solid-wall property that is off the gas network. So, it is challenging for older properties. It has been the right balance over the years, but one of the factors with fuel poverty is the cost of fuel, and the Welsh housing quality standard cannot address that.

[70] **Jenny Rathbone:** Is there any intention to raise your SAP levels to higher than the D rating? In terms of climate change targets, we want it to be an A rating, do we not?

[71] **Mr Jones:** I have seen no strong appetite to change the targets within the Welsh housing quality standard. In many ways, 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. As Paul said, we are talking about not gold-plated standards, but a decent standard. I understand that SAP 65 is a pretty good standard. It is a tighter standard than is required in England, for example. So, in many ways, we are going beyond what is required elsewhere, which is testament to the Government's determination in relation to energy efficiency, bearing down on climate change and so on. However, changing the standards at this stage, when people are still striving to hit them, would probably be counterproductive.

[72] **Jenny Rathbone:** It is helpful to know that at least our standards are higher than those in England.

[73] **Darren Millar:** I am afraid that the clock has beaten us in terms of this part of our evidence session. There are a number of questions that we would have liked to have asked. We will write to you with those questions, if that is okay, and you can provide us with further written evidence. If Members have any questions arising from the rest of the discussion, we will include those questions as well.

[74] Diolch yn fawr i chi gyd am eich Tebion y bore yma. Thank you very much for your answers this morning.

[75] I appreciate the time that you have taken to come here, especially with your baptism of fire, Mr Jones.

[76] **Mr Jones:** Diolch, Gadeirydd. **Mr Jones:** Thank you, Chair.

10.00 a.m.

**Cynnydd o ran Cyrraedd Safon Ansawdd Tai Cymru—Tystiolaeth gan
Cartrefi Cymunedol Cymru
Progress on Delivering the Welsh Housing Quality Standard—Evidence from
Community Housing Cymru**

[77] **Darren Millar:** I welcome to the table Nick Bennett, the chief executive of Community Housing Cymru; Peter Cahill, the chair of Community Housing Cymru and the chief executive of Newport City Homes; and Andrew Bateson, the chair of CHC's technical services forum and director of technical services at Cadwyn. Welcome to you all. You will be aware that the committee is undertaking an inquiry into progress towards meeting the Welsh housing quality standard, following the recent report published by the auditor general. In order to make some progress and to ensure that we have time to get through all of our questions, I will not ask you for any opening remarks this morning. We will go straight to questions, if that is okay. How do you regard the overall rate of progress being made by registered social landlords and housing associations on achieving the Welsh housing quality standard? Do you think that the original end date of 2012 was ever a realistic target?

[78] **Mr Cahill:** As the chair of CHC, I just want to welcome the opportunity to present evidence and answer questions here on the progress of the sector on achieving the standard. The report demonstrates that the RSL sector has made significant inroads and progress towards delivering the Welsh housing quality standard and wider economic and community-based benefits in terms of jobs, training opportunities, business growth and social enterprise opportunities. In that sense, it is a record that stands up to any examination with regard to progress.

[79] Having said that, 11 of our members are largely newly formed, as a consequence of

stock transfers from local authorities. Depending on their transfer date and the scale of the required investment, the timescale for achieving the Welsh housing quality standard will clearly not be set in the context of the dates set in 2002. I think that the target was the correct one. It was ambitious, but it encouraged activity and encouraged RSLs and local authorities to consider investment options for the future along with their tenants. Therefore, as chair of CHC, I am delighted with the progress our members have made on achieving the standard, but we still have some way to go, for timing reasons—it is not really to do with anything else. You will see from the report that, by 2015, a significant proportion of the 150,000 homes that are now owned and managed by housing associations in Wales will have achieved the standard. In that sense, considerable progress has been made.

[80] **Darren Millar:** With regard to the rest of the work that is still required in order to complete everything up to the Welsh housing quality standard, what sort of timescale are we looking at with your members?

[81] **Mr Bennett:** Before I answer that question, I would like to endorse everything that the chair has said. I think that you have had at least one question about supply already this morning. During the previous Assembly term, there was the little matter of the supply target of 6,500 affordable homes under the ‘One Wales’ coalition. That target was not only met, but exceeded, with the creation of 9,000 units in total. That would not have been possible without the amount of investment that was achieved, not just through grant sourcing and social housing grant but through the not-for-profit investment of the sector. That was another important public policy outcome that the sector has had to deal with over the past four years. Therefore, in that context, with regard to being able to do as much as possible in terms of regeneration and supply, we have a pretty good story to tell.

[82] **Darren Millar:** Okay. With regard to the work that is still required to meet the Welsh housing quality standard, where are your members, and how long will it take them to achieve it?

[83] **Mr Bennett:** The report states that 78% of stock should be meeting the standard this year, and we expect that to be 98% by 2017.

[84] **Julie Morgan:** The auditor general’s report says that meeting the environmental standard has been the least clear part of the standards. Could you comment on how easy the housing associations are finding it to develop the environmental standard alongside the other work on the fabric of the houses?

[85] **Mr Bateson:** Obviously, the environmental standard is an important part of making sure that our tenants live in homes that are fit for purpose and enjoy a good sense of space. The interpretation of the environmental standard is quite challenging, but I think that our members have made excellent progress, particularly some of the larger organisations, in working with tenants to talk about the correct environmental standard for their particular homes. It is more challenging where you have organisations that have pepper-potted properties throughout a city, for example, but it remains an important part of the overall standard.

[86] **Julie Morgan:** Would you say that there was any case for assessing that completely separately from the fabric of the house?

[87] **Mr Bateson:** I do not think that a separate assessment would bring any particular benefits. A whole-house approach is the right approach to be taking, working with tenants on not only their own individual property standards, but the sense of space and the environment in which they live. A holistic approach would be the right way to go on that.

[88] **Jenny Rathbone:** You have given us some very precise figures about when everybody is going to achieve the standard. Why have some landlords found it more difficult than others to provide the data to the Welsh Government by 2010? Some providers found it a lot easier than others, and I wondered if you could elaborate on why that was.

[89] **Mr Bateson:** In terms of data provision, there was a need for some 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. Since the guidance was issued in 2008, significant progress has been made, and we are now in a position where we can gather robust data to enable the Welsh Government to assess further progress on meeting the standard.

[90] **Jenny Rathbone:** So, the problems have been rectified, as far as you are concerned.

[91] **Mr Bateson:** Absolutely, yes.

[92] **Mr Bennett:** We would certainly see that as being something that improved from about 2007 or 2008 onwards. We saw a step change in terms of interpretation and joint working to ensure that there was greater clarity about achieving the standard.

[93] **Darren Millar:** Is there consistency in the interpretation of the standard by each of your members?

[94] **Mr Bennett:** There is greater consistency than there was. We have more than 40 significant registered social landlords in Wales, including the 11 new stock transfers that have been created, and, in any diverse sector with 40 separate organisations, there will always be different emphases on different aspects of community delivery. Given that Wales is a community of communities, we would expect that. Certainly, we believe that there has been a much greater emphasis on consistency from about 2007 onwards, and perhaps the report does not reflect that.

[95] **Darren Millar:** In terms of the Welsh Government's role in ensuring consistency, is there an audit function to ensure that the quality of the housing meets their expectations, or is that left to self-assessment, as it were, by RSLs?

[96] **Mr Bateson:** Obviously, the new regulatory framework very much picks up the outcome of residents living in good-quality homes, and, through that process, there is the opportunity for the Welsh Government to have a look at progress being made by individual organisations in terms of meeting the standard.

[97] **Mr Bennett:** That new system of governance has not been in existence for a very long time. It is still early days, but it was a clear recommendation of the Essex report, which was published in 2008. There were some fundamental recommendations there; they did not just relate to outcomes in terms of the WHQS, but also in terms of financial viability, which is clearly essential, and also in terms of the principles of good governance. That, again, has an important part to play given that RSLs will have a significant tenant representation on the individual boards. We certainly advocated a new system of governance that would empower those boards, empower the tenants on those boards and also ensure that there is a framework of good governance and financial viability whereby you would expect associations to be able to do as much as they could in terms of community investment and additional supply.

[98] **Darren Millar:** Do you think that there is a role for Community Housing Cymru to undertake some sort of audit function on behalf of the Welsh Government to ensure that that consistency is there and to ensure proper application of the standard among your members?

[99] **Mr Bennett:** Certainly, but I am not sure that ‘audit function’ is the right term. However, Andrew here is—

[100] **Darren Millar:** A peer-to-peer sort of system.

[101] **Mr Bennett:** Yes, exactly—ensuring that there is an understanding of what is good practice and that the regulatory system is fit for purpose, moving forward. We do that; we represent the sector on the regulatory board that was created a few years ago, but, more importantly, we have Andrew who is an expert on technical aspects and ensuring that excellence is communicated across the sector as far as possible.

[102] **Darren Millar:** Did you want to come in on that, Andrew?

[103] **Mr Bateson:** Yes, in support of that, in my role as chair of the technical services board, standards and meeting the WHQS are often the topic of discussion. There is a good track record in the sector of sharing best practice and understanding. That will enhance understanding of the WHQS going forward and, in fact, assist in completing the new data collection.

[104] **Aled Roberts:** Deallaf yr hyn a ddywedwch ynghylch rhannu arfer da, ond y cwestiwn oedd: beth sy'n digwydd o ran y data? Beth yn union sy'n digwydd? A yw'n fater o bob cymdeithas tai neu awdurdod lleol yn anfon data yn ôl i'r Llywodraeth neu a oes rhyw fath o archwiliad gan y Llywodraeth neu gennych chi fel corff?

Aled Roberts: I understand what you say about sharing good practice, but the question was: what happens in terms of the data? What happens exactly? Is it a matter of every housing association or local authority sending the data back to the Government or is there some kind of inspection by the Government or by you as a body?

[105] **Mr Bennett:** Yn sicr, rydym wedi bod yn gweithio llawer agosach dros y blynyddoedd i sicrhau bod y data hynny ar gael. Teimlwn fod y data hynny'n gryf ac y mae Andrew wedi bod yn gweithio ar hwnnw, felly efallai fod ganddo rywbeth i'w ddweud am y mater hwn.

Mr Bennett: Certainly, we have been working more closely over the years to ensure that those data are available. We feel that those data are robust and Andrew has been working on that, so perhaps he has something to say on this issue.

[106] **Mr Bateson:** Over the past month, 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.

[107] **Aled Roberts:** Do they do any checks or is it just a case of forms being sent back to Cardiff? That is the issue. There is clearly evidence in this report that the data are inconsistent.

[108] **Mr Bateson:** I guess it is early days in terms of the regulatory framework, but, again, we would see the regulatory function as part of the answer to ensuring that the data are consistent when organisations go through that process.

[109] **Darren Millar:** If auditing were introduced into the system in some way, is there a risk that many of the houses—which as a result of self-assessment currently meet the standard and have been ticked off, as it were—will suddenly not meet the standard?

[110] **Mr Cahill:** That is an unlikely outcome, because RSLs are approaching the achievement of the Welsh quality housing standard in a structured and disciplined way. Yes, there are areas of judgment, referred to in earlier discussions as ‘acceptable fails’; I am not sure that I understand that narrative particularly well myself. That is about local judgment. You cannot have an arrangement where the governance model of these organisations—which very much sets tenants at its heart and engages tenants in the process of designing and delivering services—then omits tenants from the process of making their choices about where they want to live and what they want done. The environmental standard was a good example that came up earlier. However, notwithstanding that, I would be astounded if independent verification did not demonstrate significant levels of improvement and achievement of the Welsh housing quality standard over the period that we talked about.

10.15 a.m.

[111] **Jenny Rathbone:** How robust is the information that goes to individual tenants about whether landlords are meeting the Welsh housing quality standard or how near they are to doing so, because that would be one way of verifying—

[112] **Mr Cahill:** I think that the role of tenant scrutiny or tenant challenge in this process is an important one in terms of accountability of landlords to the standard and services they provide. In terms of the dwelling itself and the curtilage of that dwelling, I do not think there is any difficulty whatsoever. That is pretty much like the nose on your face. It is pretty clear what the standard is. It has been communicated clearly to tenants and they can see the outcome as being either achieving that or not. The issue is the dimension outside of the curtilage—the environmental, safe neighbourhood dimension of the standard. That is welcome, because it is ambitious, but not always easy to consistently assess, either as a tenant or a landlord.

[113] **Jenny Rathbone:** So, in terms of people’s individual homes, does every tenant get a report on where landlords are at in relation to meeting the quality standard?

[114] **Mr Cahill:** I can certainly say that that is the case for the organisation that I work for. I am sure that is the case for the vast majority of members.

[115] **Mr Bateson:** It is something that members are looking at. I would not say that every member takes that approach, because, while we welcome the recommendation of the report to keep tenants informed about the progress in meeting the standard, there are practicalities in relation to the level of information you provide and what you tell tenants about acceptable fails, for example, which is a difficult concept for people to understand. I know from my own conversations with our technical services team that there is a great deal of discussion and willingness to ensure that tenants are well informed about progress in meeting the WHQS.

[116] Of course, the other issue is that compliance in September may not necessarily mean compliance eight months later, because there are definite timescales involved in 15-year-old kitchens, for example. It is about the timing of that information and information management. So that when tenants, inevitably, ask questions about what they have been told you have a robust communications strategy in place to be able to answer adequately tenants’ questions in relation to the information that they have been given.

[117] **Jenny Rathbone:** So, when landlords write to tenants telling them what their rent is going to be for the next year, they do not systematically say, ‘This is where you are at in terms of the Welsh Quality Housing Standard’?

[118] **Mr Bateson:** Not everyone does. It is something that my organisation is looking at, but I cannot say that is true of every organisation.

[119] **Mr Bennett:** There is a broad regime of being accountable to the local tenant population. It is important to bear in mind that, in effect, there is a double-lock of regulation around all RSLs in Wales now, perhaps in way that there was not before we had the current system. So, you have the framework of regulation and accountability back to the Welsh Government, but also, at board and community level, you have the self-assessment, the tenant engagement and tenant accountability and challenge that my chair referred to earlier.

[120] 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.

[121] **Jenny Rathbone:** It is ridiculous, I agree, but if the previous tenant opted out, that is what you have to say, is it not? The previous tenant decided they did not want to have it.

[122] **Darren Millar:** We are going to have to move on. I think that you have answered that satisfactorily.

[123] **Aled Roberts:** Pa newidiadau, os o gwbl, y credwch y dylai Llywodraeth Cymru eu gwneud i safon ansawdd tai Cymru? Rydym yn meddwl, er enghraifft, am y problemau wrth fynd i'r afael â thlodi tannwydd.

Aled Roberts: What changes, if at all, do you think the Welsh Government should make to the Welsh housing quality standard? We are thinking, for example, about problems with getting to grips with fuel poverty.

[124] **Mr Bennett:** Dim, dim o gwbl. Os ystyriwch beth sy'n digwydd i ni yn gyffredinol ar hyn o bryd, o safbwynt adnoddau preifat, mae gennym fenthycwyr sy'n chwilio am unrhyw esgus i ailbricio cost arian preifat i'r sector. Mae'n rhaid i ni ystyried y ffordd y bydd buddsoddiad cyhoeddus yn cael ei dorri yn ystod y blynyddoedd nesaf, yr her ynghylch diwygio'r grant refeniw tai, a beth sy'n digwydd i'r sector o ran budd-daliadau a thoriadau yn y maes hwnnw.

Mr Bennett: 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.

[125] Hefyd, mae'r risg syml o ran taliadau budd-dal tai uniongyrchol. Mae'r benthycwyr ar hyn o bryd yn dweud y bydd hynny'n golygu y bydd cost arian preifat yn cynyddu 1%. Felly, bydd y Llywodraeth ac Aelodau'r Cynulliad yn gwneud yn dda iawn gyda'i gilydd i gadw'r safon i sicrhau bod gyda ni wasanaethau cynaliadwy yn ystod y ddegawd nesaf, wrth ystyried y cyd-destun ehangach.

Also, there is the simple risk as regards the direct payment of housing benefit. Lenders at the moment are saying that that will mean that the cost of private money will increase by 1%. Therefore, I would say that the Government and Assembly Members will do very well collectively to maintain the standard to ensure that we have sustainable services over the next decade, considering the wider context.

[126] **Aled Roberts:** Mae'n glir bod rhyw fath o ystyriaeth yn cymryd lle ynglŷn â newid safon. Rydym yn clywed am *acceptable fails* a phethau felly. A ydych chi fel sector yn cael eich cynnwys yn y trafodaethau hyn, ac a yw tenantiaid yn

Aled Roberts: It is clear that some consideration is taking place on changing standards. We hear about acceptable fails and so on. Are you as a sector being included in those discussions, and are tenants in particular being included?

arbennig yn cael eu cynnwys?

[127] **Mr Cahill:** Included in discussions in respect of a change to the standards?

[128] **Aled Roberts:** There is obviously consideration of changing the standards. We have heard discussions regarding the definition of acceptable fails and so on.

[129] **Mr Cahill:** That is very much within the context of the framework that exists. I do not think that there is any suggestion, or there should not be, that the standards should 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.

[130] **Gwyn R. Price:** What are the main factors that have driven tenants in some areas to reject stock transfer? What more, if anything, could have been done to overcome tenants' concerns?

[131] **Mr Cahill:** We have had a situation now, Chair, in which tenants in four authorities have voted negatively in a ballot—Wrexham, Swansea, the Vale of Glamorgan, and, more recently, Caerphilly. I would say that fear and communication are the two aspects; fear largely not about rents or security of tenure, but about the impact of transfer on the person who comes around and fixes the leaky tap. That links to communication in the sense that deliberate miscommunication and myths being spread by organisations—and, indeed, in the political sphere, without treading too closely to a line I should not cross—have been the common denominator in all four of those 'no' outcomes. That begs questions. Perhaps this committee should be taking evidence from those authorities where there has been a 'no' vote to find out what the ingredients were. What you do not want—the Wales Audit Office reports hints at this—is a postcode lottery in improvements to social housing depending upon what happens in particular circumstances. There is very little hope that those authorities, through the HRA arrangements, are going to be able to bring their homes up to the Welsh housing quality standard, and we have seen implications for the service in Swansea and elsewhere as a consequence of not being able to exercise that positive change or move.

[132] At the end of the day, it is the democratic right of tenants in the context of a ballot to vote 'yes' or 'no' for transfer. I absolutely accept that, but, in the context of perhaps myths, legends and miscommunication, there may be lessons that we can learn that can help in the future. As we speak, Flintshire is in the process of balloting its tenants on this proposal as well.

[133] **Gwyn R. Price:** The last one to vote against was Caerphilly.

[134] **Mr Cahill:** Yes.

[135] **Gwyn R. Price:** Would you say that it is a myth that it will not be able to meet the Welsh housing quality standard?

[136] **Mr Cahill:** It is not for me to say. The Welsh Government would want to look very closely at the business plan from Caerphilly, which demonstrated that it could deliver the Welsh housing quality standard within the time that it says without recourse to the resources that would have been available had tenants voted for transfer. I do not know the answer to that; I have not seen the detail, but I am sure that officials here could give you the figures.

[137] **Mr Bennett:** There is a broader issue, not with Caerphilly necessarily, but in relation

to myths and people saying that this is about privatisation—it certainly is not. These organisations are regulated by the Welsh Assembly Government; they are often mutual organisations and all of them are social enterprises; none of them distribute a profit to any shareholders and all of their surplus is reinvested in the communities that they serve. There are issues to do with rents going up, but, clearly, the offer document prevents that. Rents are regulated by the Welsh Government, but I am aware of some campaigners saying that rents will go up in Wrexham. They are unaware of the fact that rents are regulated by the Welsh Government. 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.

[138] You end up in a situation where some of these campaigners are playing on people’s fears, and there can be a big fear about a change in landlord. If you look at the figures from the Wales Audit Office report, is it very sad to see the massive gap that is opening up. There is a vacuum with regard to standards for the future in those areas where it is a postcode lottery. If you are unfortunate enough to live in an area that has voted ‘no’, that is what you are saddled with.

[139] **Gwyn R. Price:** What would you like to see happen to support progress where tenants have voted against stock transfer but where the local authority cannot identify a viable business plan to achieve the Welsh housing quality standard?

[140] **Mr Bennett:** There might be a range of solutions that policy makers want to explore. With regard to my earlier remarks about myth busting, now that we are in a position where half of the local authorities in Wales have transferred and are able to demonstrate some success, I hope that we can use that as a platform to ensure that we bust some more myths. The only real contribution that we can make as the umbrella body for RSLs in Wales is to make sure that no-one feels—particularly friends and colleagues in local government—that we have a ‘I’m all right, Jack’ attitude and that we will meet the standard and lift up the ladder, because that is not the case. Anything that we can do to work in partnership with the WLGA—we have worked with it in the past, and there are people here who have had roles in housing previously—we will want to continue to do, and do all that we can in collaboration to ensure that people can expect a better outcome than is currently on the table for them.

[141] **Darren Millar:** Do you advocate re-ballots in those areas?

[142] **Mr Cahill:** Yes.

[143] **Mike Hedges:** I have three quick points. Can you confirm that registered social landlords do not want deregulation of rents? There is a rumour going around that registered social landlords want rents to be deregulated.

[144] **Mr Cahill:** No, we do not want rents to be deregulated.

[145] **Mike Hedges:** Do you say that on behalf of all registered social landlords?

[146] **Mr Cahill:** Yes, absolutely.

[147] **Mr Bennett:** I agree.

[148] **Mike Hedges:** That is a very useful answer. My second question is this: looking at Newport and Swansea, could we, five years after the ballot, do a survey of tenants’ views, to see whether they are content with the situation? That might give us some useful information.

[149] Thirdly, you may not like what tenants did when they voted not to transfer, but do

you not think that it is their right to vote not to transfer? There will be tenants in Newport who voted against transfer but who ended up getting transferred, because that was the decision of the majority.

[150] **Mr Cahill:** Absolutely, and nothing that I have said in any way seeks to undermine the democratic right of tenants to vote on information that is consistent, open, transparent and true, and is not laden with myths, as Nick indicated. I would welcome the opportunity, if it helps, to conduct such a survey of the tenants of Swansea and Newport in five years' time, to demonstrate whether the happiness factor is greater or less.

[151] **Mr Bennett:** You still need some outcomes on services. Prime Minister Cameron has advocated this happiness stuff instead of gross value added. We still want to ensure that we are reaching the standard here.

10.30 a.m.

[152] **Mike Hedges:** My understanding is that people could have a new kitchen and bathroom, but if the people next door were creating chaos, they would be quite happy to move to less developed houses or back into the private sector and have a poorer quality of building but a better quality of life.

[153] **Darren Millar:** Okay. We must move on; Jenny, please be brief with your follow-up question.

[154] **Jenny Rathbone:** Cardiff still has council housing, and we are making progress on the Welsh housing quality standards. Why are these four authorities not able to make progress? Is it entirely down to their political priorities?

[155] **Mr Cahill:** Cardiff has a long-term honourable record of ensuring that right-to-buy receipts are used appropriately in the context of reinvestment in housing, which, as we all know, has not been the case with all authorities. In Cardiff's case, there is evidence that there has been less corporate raiding, if I can put it that way, of the HRA than in other authorities. Therefore, there are more resources available to genuinely spend on investment in housing. We are not here to represent the views of local authorities; we are here to represent the factual progress of our members. As Nick said, we enjoy a positive relationship with the WLGA in respect of housing. I am sure that Cardiff can demonstrate its business plans in respect of meeting the standard now and sustaining it in the long term.

[156] **Julie Morgan:** Will housing associations have enough money to carry out their business plans, particularly in view of the uncertainties about finance in the future? I am particularly thinking of the proposed changes to housing benefit, which we have debated a lot in the Chamber, and that, with the under-occupancy rule, 40,000 tenants could lose an estimated £11 a week. Do you have any comments on that?

[157] **Mr Bennett:** As I said in response to another question, this is a challenging environment. We 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. We are particularly worried about financial exclusion for many tenants—not all of them, but a significant chunk of them. They have been preyed on in the past by loan sharks and doorstep lenders, and there is a risk that they will be preyed on much more in the future if people start

to think that people with limited disposable incomes are getting their rent payments direct. That is a big worry for us.

[158] Whatever we think about our future financial viability, we are glad that we now have a new regulatory system that assesses that viability, which is important. We do not want to be in a position of being light-hearted and not taking the risks seriously for the future. However, there is a moral balance; we have to be able to manage risk rather than simply avoid it if we are to do as much as we can with the assets that we hold in communities over the next few years to meet community need.

[159] **Julie Morgan:** So, if the money coming in reduces, how are you planning to deal with that?

[160] **Mr Cahill:** It is important to make a distinction between capital and revenue flows. The global accounts for the sector are to be published in the next month by the Minister, which will clearly demonstrate that the sector has available capital to ensure that the standards are met in the timescales that we discussed. The real challenge is the ability to service debt from revenues and to deal with the impact of welfare reform in terms of higher rent arrears and all that goes with that. As Nick said, the sector has made it clear that it wants to work in collaboration with its tenants and with third sector organisations to ensure that it does all that it can to protect our residents from the most perverse outcomes of the reforms.

[161] One impact of those reforms in strategic housing terms, and particularly for the private rented sector, which I have already referred to, could be an explosion in the number of houses in multiple occupation. People sharing in the private rented sector does not have an honourable track record, so we are hopeful that the forthcoming housing Bill will have a key focus on that sector, to ensure that there is some ability to deliver supply outcomes that would fit the needs of Wales.

[162] **Mike Hedges:** How would you like to see the Welsh Government develop a clear framework for assessing the value for money from landlords' expenditure on the Welsh housing quality standard?

[163] **Mr Bennett:** It is important that we have the maximum possible bang for the Welsh buck. We have started to measure that in the last three or four years. We have employed the advice of the Welsh economic research unit to look at the economic impact of social housing expenditure. There is a good story to be told there. Over 80% of the money that is spent on social housing is retained within the Welsh economy—it has a low leakage rate. For those of you who will be involved in the discussions on the supplementary budget in May, may I call for that money to be diverted, as much as possible, towards social housing, because it has not only excellent social outcomes, in being able to target directly the most needy, but a direct economic impact on employment? For every £1 of public money that we receive, we match it with a significant amount of private sector investment—an additional £400 million over the last four years, despite the credit crunch, which is an excellent outcome.

[164] Employment in the sector is another area of success. Direct employment has doubled over the past four years, from 3,000 to 6,000 jobs, and, in total, it is now supporting the employment of 15,000 people across Wales. So, for every job, it supports employment for another two and a half people in the Welsh economy. We think that the Government should continue to invest in this, for social justice purposes and for jobs, growth and further economic recovery.

[165] **Mr Cahill:** It is worth applauding the Government on its leadership in developing i2i, to enable, within that framework, landlords to demonstrate the added-value benefits of investment in terms of apprenticeships programmes and job opportunities and the local

economic benefits of investment, which is often retained in those local authority areas.

[166] **Mohammad Asghar:** What are some of the key lessons that the Welsh Government should learn, from a policy perspective, from the development and delivery of the Welsh housing quality standard in relation to improving lives and the community housing strategy?

[167] **Mr Bennett:** There might be some specific issues on which I might turn to Andrew and Peter—as well as being chair, Peter is the chief executive of Newport City Homes. There is a broader issue here of using social enterprise and being able to deliver. That raises questions for some, perhaps. It is not always necessary for the local authority to be the direct deliverer of this service to facilitate better service delivery in the environment and the population that it is responsible for. At a time when we have avoided the private finance initiative and when there has been clear red water between the delivery of public services in Wales and what has been going on in England, is there a place for community finance initiatives, in which we can use the not-for-profit sector more broadly? We have made that offer to the Government more broadly. So, would it be possible, under certain circumstances, to use RSL borrowing powers to assist with other community services over the next few years, given that the Welsh Government is facing 40% cuts in capital? Can we help to turn revenue into capital? Can we assist with some broader community services? What is the point of simply ensuring that there are decent kitchens, bathrooms and housing, when, in some areas, you have excellent housing stock but crumbling libraries, schools and health facilities? There are broader challenges here for the people involved in Welsh life.

[168] **Mr Cahill:** The lesson learned is very much that the not-for-profit mutual model works. It is demonstrated that it works and, in public policy terms for the Welsh Government, that is an important lesson that translates understandably to other areas that, in the context of capital famine, genuinely require attention. There is no doubt that the other lesson is very much around the tenant challenge/scrutiny role that has emerged as a consequence of those models of translating the Welsh housing quality standard into reality, engaging tenants in the design and delivery of services and engaging them in the governance models of associations, where they will be very much at the heart of decision making about investment choices.

[169] **Darren Millar:** Okay. That brings us to the end of this evidence session. Thank you, Nick Bennett, Peter Cahill and Andrew Bateson, for your time this morning.

10.40 a.m.

Ystyried yr Opsynau ar gyfer Ymdrin â'r Bil Archwilio Drafft Consideration of Options for Handling the Draft Audit Bill

[170] **Darren Millar:** Members will be aware that the draft audit Bill was published on 15 March—the Thursday of last week—by the Minister for Finance and Leader of the House. There is now a period of consultation, which will last eight weeks. It closes on 15 May. The legislation office has provided a short paper for Members to consider. Precedent has been established by other committees for the handling draft Bills. Effectively, it means that a technical briefing is usually offered by Welsh Government officials to committees, to give us a better understanding of the proposed legislation and to prepare Members and give them a better ability to scrutinise when the formal Bill is published.

[171] The suggestion is that we might want to consider asking for a technical briefing in the same way and sticking that somewhere in our timetable of meetings. I have to say that our timetable is pretty tight at the moment, so it would probably require an additional meeting, either on one of our fallow Tuesdays, given that we meet fortnightly, or perhaps on a Thursday. I want to see if there are any comments or suggestions on that. We do not have time today, but Ian is here today as our adviser on these matters, having just returned from a

fabulous holiday, and Sarah will of course be helping the committee to take the legislation forward when it comes to us formally for scrutiny. So, we have them here to give answers, if anybody wants to ask them something.

[172] However, as Chair, I am suggesting to you that we invite Welsh Government officials to give us a technical briefing and that we ask the clerks to arrange that in whatever way necessary so that it fits in with our timetable—it will probably require an additional meeting.

[173] **Mike Hedges:** I would suggest that a Thursday would be better than a Tuesday. On Tuesdays, we always slam up against 11 a.m., and by two minutes or three minutes to 11 a.m., most of us, if not all, are in a hurry to get away. On a Thursday, we would be under less pressure.

[174] **Darren Millar:** The only difficulty with Thursdays, of course, is that some Members are on other committees that meet on that day. That makes it a little bit more difficult to accommodate. Nonetheless, I am cognisant of that fact and so we will have the clerk look at the timetable to see what fits best in order to accommodate all Members where possible.

[175] **Jenny Rathbone:** There is a specific issue that I would like to explore, which is the possibility of having the staff member of the board elected rather than selected.

[176] **Darren Millar:** That is to do with the detail in the draft Bill, is it not?

[177] **Jenny Rathbone:** Yes.

[178] **Darren Millar:** I think that that discussion is for another day. Of course, we can ask those sorts of questions, about the rationale behind features currently in the Bill, during the technical briefing and then, if it is amended or tweaked as a result of the draft consultation—which pieces of legislation often are—in the scrutiny period that follows, namely Stage 1 and Stage 2, we will have an opportunity to interrogate and take more evidence. Did you want to come in on that, auditor general?

[179] **Mr Thomas:** I am waiting for the committee to reach its view; I am not seeking to influence. However, this is a fairly significant Bill, and it also departs, I have to say, from constitutional precedence. I think that it would be desirable if the committee could set aside quite a bit of time to look at this early consultation document rather than waiting for a more detailed Bill to emerge. I realise that it would be difficult, given the timings, but I really do feel that you need a very good session on it, and not just with the Welsh Government, but certainly with Ian, and you will also need to look at the paper that I shall be submitting in response.

10.45 a.m.

[180] **Darren Millar:** We will certainly welcome Ian's input into the process. As the advisor to the committee, Ian will be able to give us a clear overview. Ian, would you like to come to the table? Perhaps Sarah could also come to the table. I do not want to extend this particular part of the meeting unnecessarily. Sarah, you have been involved in supporting other committees when draft legislation has been published. A protocol seems to be emerging that a draft Bill prompts a technical briefing for Members in order to support us in understanding the Bill and the rationale behind it. Of course, this committee is largely made up of new Members who were not in the previous Public Accounts Committee, where we considered some of these matters in quite a bit of detail during our review of Wales Audit Office arrangements. What do you suggest is the best way to take those matters forward? It seems to have worked with other committees, has it not?

[181] **Ms Beasley:** Yes. Where other committees have taken up the option, they have found it quite helpful. They have used it as a way to prepare themselves for later formal scrutiny once the particular Bill has been introduced. So, it would certainly be a useful way in for Members, if they would like to inform themselves about the process in particular.

[182] **Darren Millar:** Ian, from your point of view, one of the issues that we have discussed in the past—and Joanest will also be able to support us in terms of legal advice—is the fact that, if we do significant pre-legislative scrutiny, as it were, it may tie the hands of committee members in taking a different view, perhaps, when we receive a wider evidence base during the legislative scrutiny itself.

[183] **Mr Summers:** I think that Sarah might be better placed to answer that particular question. However, I am currently in the process of preparing a document for the committee that highlights the main features in the Bill and the areas that the committee might want to look at. That will include a document that compares and contrasts it with the way in which things are done in other legislatures.

[184] **Darren Millar:** That would be very helpful indeed. Joanest, would you like to touch on the conflict that can arise if too much early scrutiny is done?

[185] **Ms Jackson:** Yes. We have to guard against the duplication of work by the committee at this stage, because it is highly unlikely that any other committee will be charged with looking at the Bill as introduced following the consultation period. There is an issue in relation to the possible appearance of pre-judging the outcome of the scrutiny that will take place at Stages 1 and 2 if too much work is done at too early a stage that indicates how the committee might like things to appear in the Bill. I am sure that you would all approach each stage with an open mind, but it is what appears to others that will be important at the end of the day.

[186] As Sarah has said, other committees have found technical briefings to be very useful. Working with Ian, we would provide you with some briefings in advance of anything received from the Government, prior to a technical briefing being presented. That would assist you with questioning and taking full advantage of any technical briefing.

[187] **Darren Millar:** If Members are content, I suggest that we move forward on the basis of receiving a technical briefing from Welsh Government officials and ensuring that we have sufficient time to ask proper questions on the draft Bill as it stands at the moment. It is also worth noting that there has been no official confirmation as yet from the Business Committee that this committee will be looking at this piece of legislation, although it is extremely likely that we will. So, on that basis, we will see what we can fit into the timetable, allowing for as many Members as possible to be present if it has to be on a Thursday.

[188] **Aled Roberts:** On the auditor general's point regarding the constitutional implications, it seems that that is very different to the detail of the Bill. Would it be appropriate for that issue to be raised at this stage, or would that issue be raised in the more detailed consideration?

[189] **Darren Millar:** I think that we should await the publication of the auditor general's response to the draft Bill and consider that at a future meeting. I think that would be the most appropriate way forward. Are Members content with that? Jenny?

[190] **Jenny Rathbone:** In addition to that, I wanted to suggest that we have a special Thursday meeting to look at the grants management report, because I think it was published in November. We are not going to meet now until after recess, so six months will have passed since its publication. We need to do some catch-up and have a lengthy session, not just with

the Permanent Secretary, but with other stakeholders as well.

[191] **Darren Millar:** Yes, I am well aware of that, Jenny. For Members' information, a letter is being circulated at some point during the meeting to update you in terms of the Wales Audit Office and where it is at with the ongoing investigation into the All Wales Ethnic Minority Association and how that fits in, in terms of evidence, to our grants management inquiry.

[192] **Jenny Rathbone:** Can we see that now?

[193] **Darren Millar:** It will be circulated before the end of the meeting. If Members are content with that, we will move forward on that basis.

10.51 a.m.

**Cynnig o dan Reol Sefydlog Rhif 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod
Motion under Standing Order No. 17.42 to Resolve to Exclude the Public
from the Meeting**

[194] **Darren Millar:** I move that

the committee resolves to exclude the public from the remainder of the meeting in accordance with Standing Order No. 17.42(vi).

[195] I see that Members are in agreement.

*Derbyniwyd y cynnig.
Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 10.51 a.m.
The public part of the meeting ended at 10.51 a.m.*