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# Welsh Housing Quality Standard: Verification of progress in achieving the Standard

Research Summary

Social research

Number: 49/2014

The aim of the research is to inform the Housing and Regeneration Minister and Welsh Government officers about:

- 'how landlords judge and communicate that they are implementing or have implemented the Standard in accordance with the guidance on interpretation of WHQS published in July 2008
- the extent of independent, external verification of compliance with the WHQS amongst landlords
- the extent to which community benefits have been achieved by WHQS improvement programmes.'

The research took place between June and December 2013. It was carried out by Judith Wayne and Philip Johnson, Altair Consultancy and Advisory Services Ltd.

## Introduction

Twelve years after the introduction of WHQS, landlords are implementing the Welsh Government's policy intentions to deliver a standard of stock improvement which is wider than just work to the fabric and components of a building. The WHQS (the Standard) encompasses property, people, the economy and the environment. Its broad focus has strengths in that its delivery also meets a number of additional objectives, such as providing community benefits. However, this wider vision makes demonstrating achievement of the Standard, and its continuing maintenance, a complex process, as the research has found.

There has been considerable investment in WHQS works. Meeting and maintaining WHQS is set to remain an essential requirement, and is seen as one of the key risks for housing associations in the recent publication, *Sector risks facing housing associations in Wales* (WG, 2013a).

Whereas housing associations have to demonstrate progress towards achieving and maintaining the Standard as part of the regulatory process, there has not been a similar requirement for local authorities: they are not regulated by Welsh Government in the same way.

Some local authorities have made progress towards meeting the Standard while in others there has been limited progress. For stock retained local authorities, meeting the Standard by 2020 will be a statutory requirement when the Housing (Wales) Bill is enacted, with sanctions to enforce compliance. It is important, therefore, that there is as much clarity as possible over how landlords are assessing their achievement of the Standard, and demonstrating to Welsh Government that their significant investment in WHQS is generating the desired results. This will then provide the evidence that Welsh Government's policy and financial support for WHQS, where provided, is a good use of Government resources, and is resulting in better conditions for its citizens.

It is also relevant to understand the type of monitoring and independent verification that is required, and whether this should vary depending on how far on a landlord is with initially meeting the Standard. Landlords, tenants and Welsh Government all need a clear common understanding if confident verification is to be achieved. We summarise below the main findings and conclusions from the research.

### **Main findings and conclusions**

The major element of the research was a questionnaire to the largest 47 local authority and housing association landlords.

Our research suggests that the Guidance document allows landlords considerable latitude in their interpretation of the WHQS. It shows that defining the WHQS is not simple; it is a complex calculation requiring information on between 50 and 70 components and sub-components per property. There is much more to implementing the Standard than just upgrading building components.

Our research identifies that each landlord is operating within their own circumstances and context,

with different starting positions in relation to WHQS compliance, the condition of their stock, the availability of financial and technical resources, and other Business Plan pressures.

It is evident from the 2013 WHQS results, compared with those in 2012, that progress is being made towards the WHQS target overall and significant investment is being made across the whole social housing stock in Wales. As the WHQS becomes more and more embedded, and landlords become increasingly familiar with their stock, particularly in recording information for their annual returns, WHQS results that are only based on sample results are likely to be significantly less accurate than those where full surveys have been completed or works programmes are well advanced.

We do not recommend that Welsh Government directly carries out individual property surveys of landlord WHQS achievement due to the differing circumstances of each landlord and the resource implications of such activity.

The combined WHQS results from all landlords are a guide to overall progress in meeting WHQS.

However, the different interpretations, financial circumstances and stages in the investment cycle of each landlord are being lost in the analysis. Welsh Government might consider splitting the results to reflect the three landlord types: Local Authority, LSVT Housing Association and Traditional Housing Association. Each group differs greatly from each other, but there are significant similarities within each group.

#### **Landlord assessment of WHQS activity**

The Welsh Government statistical returns (WG, 2012, 2013a) suggest that WHQS compliance has moved from 33% in 2012 to 60% in 2013. Since the Guidance was issued, 28 landlords (60%) in the study have undertaken new surveys to establish their WHQS position and 33 landlords currently have a rolling programme of surveys.

Forty landlords (85%) confirmed that they were using an asset management database to calculate their WHQS results.

Ten landlords (21%) indicated that they had a WHQS+ Standard and that their properties were being maintained to this Standard.

The current requirement for all properties to have a  $\geq 65$  SAP rating is causing some landlords, especially those with rural and old stock, some difficulties. Because of their construction, some properties cannot reach the target figure.

Landlords requested clearer guidance from Welsh Government.

### **'Acceptable fails'**

The landlords indicated that the 'acceptable fail' criteria were open to interpretation, especially in relation to the hierarchy of failures. Thirty-five landlords (74%) confirmed that they were collecting 'acceptable fail' information as part of their WQHS/condition surveys. Thirty-five (74%) landlords said the Guidance on 'acceptable fails' was clear and 11 said it was not.

Only twenty-five (53%) landlords are collecting and reporting information on all four 'acceptable fail' categories internally.

Six landlords said they were only collecting primary elements: this is not in accordance with the Guidance.

### **Independent verification**

The 11 Local Authorities were asked (November 2012) to evidence WHQS compliance

verification. Five landlords confirmed that this had been done. The Housing Associations have not been asked to do this by the Regulator. Five of the LSVT landlords are providing some verification of their WHQS progress as part of their post-transfer promises. Twelve Traditional Housing Associations said they also undertook external verification. In the follow-up answers, of those that said "yes" to undertaking external verification, 11 landlords had used their own staff.

Landlords requested greater clarification of the words 'independent' and 'verification'. Landlords expressed concern about the cost of undertaking more surveys.

### **Tenant awareness of WHQS compliance**

Five landlords currently write to tenants to advise that their properties are WHQS compliant, and 36 (77%) said they were in a position to write to all tenants. We do not recommend that landlords are asked to write to all tenants annually to confirm their property-specific WHQS status. This is for three main reasons.

- Firstly, because of the complexity of calculating WHQS compliance, this proposal would require all landlords to collect 100% survey data on their stock. This would incur considerable additional costs for those with sample surveys, and incur additional costs for those who are undertaking a rolling programme of surveys over a number of years.
- Secondly, because of the complexity of the Guidance, its interpretative nature and the variations possible concerning the 'acceptable fail' criteria, writing to all tenants annually would be administratively time-consuming, as well as creating additional administration in dealing with queries.
- Thirdly, a blanket approach would be to ignore the context in which some organisations are working, especially those that are a long way from compliance. There would be little benefit

to either the tenants or the organisation when there is, say, only 1% compliance.

In conclusion, while it is technically possible to write to all tenants, the additional surveying and administration costs would be significant. At the present time, and without a robust Compliance Policy, the messages about interpretation of the WHQS Guidance are complex and might not be readily understood.

However, it is desirable that all landlords should be able to answer tenant queries about property compliance/non-compliance and the likely timing of any works programmes. We consider that landlords should be able to inform tenants about the work that is programmed or has been carried out.

We think it a good idea that a landlord provides a WHQS Compliance Certificate at reletting, which the tenant would get with their EPC. It would encourage landlords to do a full survey at void handover.

### **Community benefits and financial investment**

Landlords confirmed that they had not been asked to record or

measure the impact of community benefits solely for WHQS purposes.

Landlords were recording community benefits deriving from their total investment works but, with WHQS being a sub-set of the total, measuring WHQS specific benefits was more difficult.

From our review we consider that there may be some confusion about the use of the terms 'WHQS' and 'investment' when measuring community benefits. The elements that contribute to the 'WHQS' are a sub-set of the total 'investment' work that a landlord may need to undertake to maintain their housing stock. Landlords are developing their detailed investment programmes that also include WHQS requirements, rather than the other way round; consequently few landlords had WHQS (only) improvement programmes.

## **Recommendations**

### **1. WHQS Compliance Policy**

Due to the interpretative nature of the Guidance **we recommend that Welsh Government** requires each landlord to produce a WHQS Compliance Policy which contains a brief specification that accurately expresses and clarifies their

interpretation of the WHQS Guidance. The Policy would need to clarify the landlord's approach to the following:

- Interpretation of WHQS, reflecting the landlord's own resources and circumstances
- Interpretation and recording of 'acceptable fails'
- Data collection
- Data storage
- WHQS progress and reporting
- Verification
- WHQS+ Standard
- Summarised annual financial investment in the stock
- Link to WG statistical return
- Interpretation and measurement of Community Benefits.

The draft Policy should form part of a consultation process involving tenants groups, the Senior Management Team (SMT) and the board or its equivalent. The outcome of this process would be an agreed approach to, and interpretation of WHQS.

The Policy should set out how WHQS progress and performance will be reported, including 'acceptable fail' criteria, overall and annual progress. The board/committee would be able to see if the interpretation is fair and

reflects the organisation's aims, objectives and values.

The Policy would include details of the frequency of reporting and the methods used (e.g. written publications such as newsletters, electronically, on websites), who is undertaking the reporting and to whom (tenants, staff, governing bodies, Welsh Government).

The production of individual compliance policies would then allow independent assessments to take place.

#### *For landlords*

The benefits to the landlord of having a WHQS Compliance Policy would be that:

- It would set out a clear and agreed approach for each landlord
- Each landlord's circumstances and resources would be reflected through the policy (currently some LSVT HAs have met WHQS and some LAs have only 1% compliance)
- It would set out a clear and unambiguous position for the asset management officers and reflect individual interpretation of the Guidance
- It would allow independent WHQS assessment to take

place against a defined interpretation of the Guidance

- Tenants would receive a consistent explanation of a landlord's approach to WHQS, and in particular the areas open to interpretation
- Officers would be more confident about managing the stock investment within an agreed policy framework
- Officers would be more confident about explaining decisions about WHQS compliance
- Officers would be more confident about explaining their approach to 'acceptable fails'
- The board /committee and SMT would have greater transparency and be better placed to monitor progress towards WHQS compliance
- The board/committee and SMT would be better placed to monitor overall financial investment in the stock
- The Policy would form a natural link to overall WHQS compliance and the annual WHQS return
- The annual snap-shot would reflect circumstances relevant

to the specific organisation at that time

- The Policy should set out each landlord's approach to surveying, database management and reporting
- Each landlord would be required to produce a process map showing how the database would be updated and maintained, it would also clarify responsibility for this important task
- The Policy should identify how far the landlord is along the path towards compliance
- It should also show the linkages to the Asset Management Strategy
- It should reflect the level of financial resources available within the organisation for these tasks. E.g. some organisations will adopt a process of 20% rolling surveys per annum and others will go for a high percentage sample survey every five years. Some landlords will undertake all surveys in-house and some will use external consultant support.

*For Welsh Government*

The benefits to Welsh Government as Regulator and policy maker of having individual Compliance

Policies available would be that:

- It would know that each set of results reflects the landlord's real operational circumstances
- It would allow Welsh Government, as the Regulator, to assess each landlord individually
- It would enable the Regulator to focus on WHQS performance against budgeted investment and Business Plans (highlighting the stragglers and outliers)
- Once all the individual WHQS Compliance Policies have been written, a review of these may establish common approaches and specific areas of difficulty (e.g. that achieving a SAP rating of 65 is difficult/impossible for some property types)
- Best practice would emerge as landlords tackle the most challenging properties (e.g. there would be examples of how different landlords have dealt with old detached solid-walled properties that fall below a SAP rating of  $\geq 65$ , and from



these examples best practice can be developed)

- It would provide the context for each set of results, allowing improved interpretation of the combined results for all landlords
- It will ensure that the WHQS results from each landlord are consistently produced
- It will provide transparency regarding progress from year to year.

## **2. Community benefits and financial investment**

Community benefits' is a broad and imprecise term which can mean different things to different stakeholders. Welsh Government has encouraged landlords to complete the Value Wales Measurement Tool.

If the Welsh Government wants to measure the specific impact of WHQS investment we recommend that the terms 'WHQS' and 'investment' are redefined and clarified. Landlords can then be asked to collect this information annually. However, in our opinion, community benefits should relate to all investment.

**We recommend that Welsh Government** assesses responses

to its September 2013 letter and identifies those landlords that may need additional training in use of the Measurement Tool.

We **recommend that Welsh Government** considers adopting the overall investment per property suggestion as part of the WHQS Compliance Policy. We note that definitions will have to be developed to ensure the returns are comparable.

## **3. Primary and secondary information**

**We recommend that Welsh Government** reminds all landlords of the necessity of collecting both primary and secondary information.

## **4. Independent verification**

**We recommend that Welsh Government** consults with the sector over an agreed definition of 'independent verification', followed by the provision of appropriate clear guidance. Independent verification should be undertaken by someone who has not been directly involved in the delivery of WHQS through data collection, management or direct engagement in evaluated activities; he/she should be a disinterested party. This review has identified three inextricably linked but separate

steps: data collection, database maintenance and WHQS reporting. We do not consider that the aims of independent verification have yet been sufficiently thought through to identify adequately the nature of what is to be verified: data collection processes; the maintenance of the asset management database; and the verification of WHQS results. For example, would a landlord's desktop review of an external consultant's survey be classed as independent verification? Or would a landlord's survey checked by Internal Audit or another department be 'independent' or sufficiently 'external'? These are the types of questions which need to be resolved.

In the short-term, **we recommend that landlords and/or their internal auditors** carry out random checks on their surveys and database to assess accuracy, while the overall aims are clarified.

## **5. Writing to tenants**

We believe that each landlord should be able to answer tenant queries on compliance and provide indicative dates for works programmes. We recommend that this approach be promoted to

landlords, so that tenants are informed about the work that is programmed for their homes or has been carried out. We do not recommend that landlords be asked to write to all tenants annually to confirm their property-specific WHQS status.

We recommend that Welsh Government consults on the idea that a landlord should provide a WHQS Compliance Certificate at re-letting, which the tenant would get with their EPC.

## **6. Meeting and then maintaining WHQS**

**We recommend that Welsh Government** undertakes a separate discussion with landlords who have met WHQS over monitoring requirements once the Standard has been met initially. The purpose of the discussion would be to assess whether the same intensity of monitoring and independent verification is required as with a landlord only part way through their investment programme.

**We do not recommend that Welsh Government** directly carries out individual property surveys of landlord WHQS achievement due to the differing

circumstances of each landlord, as explained above, and the resource implications of such activity.

### **Next steps**

We outline the proposed actions required to take forward the recommendations set out in this report.

#### *Actions for Welsh Government*

Welsh Government should:

- develop a WHQS Compliance Policy template and guidelines for issue to landlords
- set a timescale for the preparation of Compliance Policy documents by landlords set a date by which landlords should submit a copy of their Compliance Policy to Welsh Government
- use the Policy documents as part of annual monitoring of how landlords meet and maintain the Standard define for landlords whether the measurement of community benefits is for whole stock investment or for WHQS investment only; if the former (as recommended), issue guidelines to landlords which define the categories for recording total investment per property
- assess which landlords need further training in the Value Wales Measurement Tool and guide landlords to appropriate activities
- write to all landlords to remind them of the need to collect information concerning both primary and secondary information – refine the definition of what is meant by independent verification, what aspects of the Standard require verification - data collection, database maintenance and WHQS reporting (as recommended) – and how independent verification can be provided
- consult with landlords over an agreed definition of independent verification
- issue guidance to landlords with timescales for the implementation of independent verification consult with landlords over the provision of a WHQS Compliance Certificate for tenants when reletting properties
- discuss with landlords who have met WHQS over the level and type of monitoring and independent verification

required when maintaining the Standard.

*Actions for landlords*

Landlords should:

- prepare a draft WHQS Compliance Policy in accordance with Welsh Government guidelines consult with tenants before presenting the Policy to the board of management/council committee for approval
- make the Policy publically available
- provide the Policy to independent assessors of performance
- use the Policy for reporting to board/committee, and for meeting regulatory requirements
- take up opportunities for training in measuring the impact of community benefits carry out random checks on stock condition surveys and databases to assess the accuracy of data collection and reporting, using internal auditors as appropriate
- respond to individual tenant enquiries as to whether their home is WHQS compliant

- provide indicative dates for WHQS programmes of works to tenants' homes

For further information please contact:

Paul Davies

Homes and Places

Welsh Government

Cathays Park

Cardiff

CF10 3NQ

Tel: 0300 0628249

Email:

[paul.davies3@wales.gsi.gov.uk](mailto:paul.davies3@wales.gsi.gov.uk)

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