

## Public Accounts Committee

### Inquiry into Regulatory oversight of Housing Associations

#### Written evidence on behalf of the Regulatory Board for Wales

##### Introduction

1. I would like to take this opportunity to write on behalf of the Regulatory Board for Wales (RBW) as your Committee takes evidence on the Regulatory oversight of Housing Associations.
2. The RBW, made up of independent members with sector expertise, provides advice to the Cabinet Secretary on the performance of the Housing Association sector in Wales and also provides challenge to the Housing Regulator.

##### Effectiveness of Regulation

3. RBW believes the current Regulatory Framework is an effective way of regulating the Housing Association sector. It has moved the regulation of the sector from a resource intensive, prescriptive and compliance based-approach to a more modern, risk based and proportionate one, underpinned by co-regulation and a focus on strong organisational self-evaluation.
4. The challenges and risks facing the sector have evolved over time, the Framework needs to evolve so it can continue to provide robust assurance to all stakeholders. The revised approach to regulation, which introduces a higher degree of transparency regarding the Regulatory Opinions was endorsed by RBW and launched by the Minister on the 1st December 2016. It will improve regulatory oversight whilst keeping the three main principles of; tenants at its centre, the independence of Housing Associations, and co-regulation.
5. The ability to take action when required is important. RBW believe the revised framework enables the Regulator to take action when needed. Regulatory Opinions are now shorter but much clearer and unambiguous, the Regulatory Opinion for North Wales Housing published on the 22nd of December is an example of this. Alongside clearer Regulatory Opinions, the new regulatory judgment framework will give additional transparency, holding Boards to account and quite rightly putting additional pressure on quality and importance of good governance. Co-regulation is not, and should not be seen as a soft option.
6. RBW are confident co-regulation remains the appropriate approach, however, its ability to be effective requires;
  - innovation in how tenants are kept at the heart of the process
  - credible and professional practitioners in the Regulation team

- the highest standards of governance from the Housing Association Boards.
7. To operate effectively co-regulation requires practitioners who are experienced and credible in the housing sector. This is not a generalist role and requires flexibility in terms of recruitment. RBW see the restriction of recruitment to the internal civil service pool as a major risk to the quality of Regulation going forward and would advocate special dispensation allowing external recruitment to fill current vacancies.

## Importance of Good Governance

8. The importance of skilled Housing Association Boards and good governance cannot be overstated. Housing Associations, whilst one sector, are diverse organisations, serving diverse communities. We believe that decisions in the best interests of Housing Associations and the communities they serve can therefore best be made by a skilled and effective Board, able to make decisions which take account of the specific ambition, capacity and circumstances of each organisation. We believe that to deliver best value for Government and tenants these Boards must operate within the context of an effective co-regulatory framework which ensures that tenants are at the heart of decision making and that public investment is appropriately protected.
9. The quality of governance at some Housing Associations is of concern to the RBW. For this reason, in 2016/17 the Board will be commissioning a thematic review of governance.
10. The Regulatory Framework is and should remain clear that the responsibility for the strategic decisions regarding all areas an associations work lie with its Board. These decisions need to be underpinned by high quality information from Executives and independent sources when appropriate. They should also be supplemented by a robust approach to measures such as risk management, value for money and stress testing. This approach is reflected in the new regulatory judgements framework and Performance Standards.
11. RBW believe Housing Association Boards should be at the helm when making strategic decisions such as payment of Board members, mergers and acquisitions, and senior executive pay. This approach requires high quality governance which equips the Board to make decisions in the best interests of the Association, existing tenants and the wider community.
12. Good governance will also be key if the sector are to effectively tackle sector wide risks such as ongoing Welfare Reform and ONS reclassification.
13. RBW believes high performing Boards fully embrace the value in a co-regulatory approach and invest appropriately to support this at Board level, for example through a robust approach to self evaluation and, going forward, in their approach to the compliance statement.
14. RBW is committed to keeping tenants at the heart of Regulation. RBW is committed to ensuring that the Regulatory Framework's key principle of tenants

being at the heart of Regulation is a reality in terms of how the tenant voice feeds into the RBW deliberations. We will be working closely with TPAS Cymru, recently chosen as the Welsh Government funded tenant support organisation, to develop an approach which is fit for purpose in the modern digital environment and accesses as wide a range of tenant view as possible. We need to make sure this builds on the work done to date by the Tenants Advisory Panel and enables more tenant views to be brought to influence and shape RBW thinking and challenge to the Regulator.

15. ONS reclassification - We believe that Housing Association in Wales can be at their most effective in terms of leveraging investment into social housing and contributing to the Government's 20,000 homes target by being classified as private sector organisations. Following ONS reclassification we will support any initiatives by the Welsh Government to ensure that Housing Associations are reclassified back into the private sector.

### Collaboration, Adding Value & Independence

16. Domain Regulation - As a key issue of principle, we believe that the assurances provided to tenants of Housing Associations should apply to all social housing tenants and thus that Regulation, in respect of quality of landlord services, should be expanded to cover Local Authority tenants.
17. Greater collaboration between regulation domains would be beneficial. RBW would suggest that at present no or little value is being gained from the fact that Welsh Government currently provides a regulatory function across other sectors. The value of sharing information and partnership working to improve outcomes for the people of Wales is talked about often, yet current arrangements of both internal and external inspectorates seems to do little to exploit the benefits that could be accrued by working more collaboratively.
18. In April 2016 RBW changed to become a fully independent Board. This has enabled us to provide robust challenge to the Regulation team on their performance. We also advise the Minister on the performance of the Regulator and related policy implications the Board believe will lead to more effective regulation and a stronger sector. An example of this was our endorsement of the changes to the Regulatory Framework prior to the Minister approving them.
19. Our independence means we are no longer encumbered by having stakeholders around the table which at times inhibited open and frank discussion. We now engage through the Regulatory Advisory Group, made up of key sector stakeholders.
20. Regulation adding value - RBW has a strong commitment to ensuring the sector learns from regulation. We support the way the Regulation team has been re-organised to enhance opportunities for strategic learning and believe this will be of great benefit to the Sector going forward. We have also worked hard to raise our own profile within the Housing Association sector, I have spoken about the work of RBW at numerous key housing events during the year as well as meeting with most Housing Association Board Chairs. We also provide a direct

communication to all Housing Association Board Chairs after each RBW meeting updating them on the outcome and nature of our discussions.

21. In April 2016 RBW commissioned a thematic review on Value for Money in the Housing Association sector. The collaborative approach taken has resulted in a significant shift in attitudes to Value for Money; from suspicion prior to the start of the process to a clear acceptance of the need for action.
22. The approach of involving the right people, gaining input from key stakeholders, supplemented by a piece of focussed research has been very successful. Coupled with the work being done by Housemark in conjunction with Community Housing Cymru and the work they are about to start on improving the measurement of social value, this is a really exciting time. We are already seeing the outcomes of the work and now have an agreed set of metrics included as part of the global accounts.
23. RBW have considered whether the Regulator itself ought to be independent of Welsh Government and have concluded that becoming independent would not be beneficial at this time. The co-location of the investment and regulation functions enables joined up policy, encouraging shaping of regulation which facilitates supply side ambitions, supporting smart and integrated investment and regulation decisions.
24. The current regulatory regime provides a robust framework in which to promote good Housing Association governance, sound financial management and good quality and improving services to tenants but we recognise that it will need to continue to evolve in response to changing environments and through learning from experience.

Helen White  
Chair  
Regulatory Board for Wales Chair