

**Evidence to the National Assembly for Wales Public Accounts Committee
from Steve Jones, Chief Executive, Tai Ceredigion Cyf, February 2017.**

Introduction

Firstly, I would like to thank the Public Accounts Committee members for inviting me to give evidence. I have worked in housing for nearly 35 years; for local authorities in England, Scotland, and Wales, and for both traditional and large scale stock transfer housing associations in Wales at a senior level. I hope that my experience of a number of regulatory frameworks, within different contexts, will assist members of the Committee in developing their conclusions.

Tai Ceredigion did not submit an individual response to the original consultation invitation, but had the opportunity to contribute to Community Housing Cymru's consultation response on behalf of all housing associations in Wales. Tai Ceredigion's Board Chairman, Mr Derek Lassetter, who is present with me here today, will put forward his evidence from the perspective of a voluntary Board member and Chairperson. The evidence I wish to put forward are my personal views, as a housing professional, and should not be assumed to represent the views of the organisation I am employed by. My employer has given its consent to allow me to speak freely, based on my personal knowledge and experience. I will address each of the elements of the Committee's current investigation in turn, and also wish to add some comments on the need for transparency regarding the takeover of Cantref housing association.

The effectiveness of the current Regulatory Framework for Housing Associations Registered in Wales

In my personal opinion, the current regulatory framework for housing associations registered in Wales is effective, provided that all parties participate in it in good faith. My experience in my current role as Chief Executive for the last eight years has been a positive one, whereby the "no surprises" relationship with our Senior Regulatory Manager, has resulted in an open and honest dialogue with both myself, my voluntary Board members, and the tenant members of the Tai Ceredigion Tenant Monitoring Group.

I believe that a lack of capacity within the Housing Regulation Team has hampered the level of intervention or speed of response in some individual cases; and a comparison pro rata of the level of resources employed in England, as well as the seniority of the equivalent roles, does lead to the

conclusion that the Wales housing regulation team has not been adequately resourced.

The effectiveness and quality of governance arrangements;

I believe that the problems experienced at a small number of housing associations have occurred due to one or more of the following factors:

- A reluctance within some housing association Boards to modernise their governance, and to adequately scrutinise the information put before them, or to hold their paid officers to account. The evidence for this can be seen in some of the previously published regulatory opinion reports, and more recently published opinion updates.
- Difficulties arising from the 5/5/5 Board governance model required by the Welsh Government for all LSVTs in Wales. The need to change this model of governance is evidenced and recommended in the Welsh Government commissioned governance review of housing associations in Wales undertaken by Campbell Tickell in 2013

<http://gov.wales/docs/caecd/research/130912-sector-study-governance-housing-associations-registered-wales-en.pdf>

Whether the current regulatory regime is effective in managing and mitigating sector wide risks.

In my professional opinion, the current regulatory regime has been very effective in working with associations and Community Housing Cymru in identifying the existing and emerging sector risks. The outcomes achieved through this co - production have been positive, and the updated sector guidance has helped Association Boards and Audit Committees with their own self assessments against the sector risks document. Clearly though, in a minority of cases, the evidence within published regulatory reports demonstrates that there is still more work to be done in some associations.

The effectiveness of the co-regulatory approach in practice

My personal experience of the co-regulatory approach, both as a Chief Executive, and as someone who has served as a voluntary Board member of Community Housing Cymru for two separate periods, is that the co-regulatory approach has been both positive and effective. The shared responsibility between the sector and the regulation team has been a more grown up relationship than the previous “top down” inspection approach to

regulation. Provided individual housing associations embrace the approach I believe it can achieve better results. It does however rely on the willingness of individual Chief Executives, Chairpersons, and Regulatory Managers to embrace it in an open and honest way, which results in trusting business relationships.

The remuneration levels of senior staff members of housing associations.

Housing associations publish the total costs of their senior executives, within financial bands, in their annual financial accounts, and have done so for decades.

At Tai Ceredigion, elected tenant representatives of our independent Tenant Monitoring Group played an active role in my job interview in 2009, along with elected Tenant Board members, and were fully aware of the advertised salary package of my post and those of other members of the recruited Executive Team.

Tai Ceredigion's Board has always taken independent external advice on remuneration issues, and takes part in annual surveys commissioned by Community Housing Cymru, which, along with CPI and other external information, is used to determine an annual cost of living award.

Tai Ceredigion moved away from market assessed spot salaries for the Executive staff, and also away from local government National Joint Council decision ties in 2013/14. The Board set its own affordable pay scales, agreed to pay a living wage to all staff, and put the executive staff on the same company pay scale, so that they would be awarded the same annual cost of living increase (or freeze) as lower paid staff. To date, Tai Ceredigion's pay policy stance has been to pitch remuneration around the median quartile.

I would like to see the details of all senior executive remuneration published within the annual report to tenants and shareholders, so that tenants and leaseholders could find the information more easily, rather than having to look at the published financial accounts.

Comments regarding the collapse of Cantref

I am aware that the Wales Housing Regulation Team are preparing a "lessons learnt" report on what happened at Cantref, and I have been interviewed extensively as part of that process. In the interests of transparency, and accountability to the local community, I hope that the statutory inquiry report and the learning lessons report will be published.

In the meantime, I hope that the following comments, based on my local knowledge of the case, and my interaction with the regulatory team and other locally based RSLs / County Council stakeholders / Lenders, will be of some assistance to the Public Accounts Committee:

- The Board of Cantref did not “repair” itself following the period of initial regulatory intervention in 2008/9, and the reasons for that need to be understood.
- Further concerns were raised with the regulator by Cantref senior staff between 2011 and 2014, and I, along with others, were consulted by the regulation team at one point as part of their triangulation work
- When it became clear in 2014/15 that problems were escalating at Cantref, there was increased contact with the regulation team, and a discussion took place with some other local RSL CEOs to ensure that the regulation team had the option of calling on local RSL professional support to assist with any intervention.
- The statutory inquiry into Cantref led to the appointment of consultants, and an invitation was then sent to local RSLs to bid to take over Cantref.
- It became clear to me, from discussions with lawyers, consultants, and some lenders, that the involvement of a larger RSL from outside the area was known about in the City, prior to the invitation for formal bids.
- It was a total surprise to local RSLs (Tai Ceredigion, Pembrokeshire Housing, and Mid Wales Housing Association) when only seven days were allowed to submit formal bids, given that such processes usually involve several weeks of information sharing and questions.
- The lack of publication of the statutory inquiry report, and the absence of any meaningful tenant consultation by the Cantref Board regarding the takeover proposal accepted from Wales and West HA, led to Tai Ceredigion’s independent Tenant Monitoring Group writing to the then Housing Minister to express their concerns on behalf of Cantref tenants. They also wrote to the current Cabinet Secretary following the elections. The group have also submitted their own response to this Committee’s consultation paper.
- Following the announcement of the bid decision by Cantref’s Board, each of the other bidders, including Tai Ceredigion, wrote to the appointed consultants asking for formal feedback on the scoring mechanism. In each case it was denied. This lack of transparency is still of concern.
- Assurances were given to Cantref shareholders by Cantref’s Chairman and Vice Chairman that jobs would be protected, local contractors

would continue to be used, and that the Welsh language would be respected.

- The actual outcomes have been different. A number of people have been made redundant, Wales and West direct labour vans are being seen in all parts of the county, and former Cantref staff, who are first language Welsh speakers, have spoken English at local strategic housing meetings, even when translation facilities have been available.

The answers to the following questions, being asked within the local community in Ceredigion, are still without answers:

- At what earlier stage was Cardiff based Wales and West HA invited to enter into discussions, by whom, and why?
- Where were the checks and balances to protect tenant's interests which you would usually see from the Tenant Participation Advisory Service, or Welsh Tenants, in this case?
- Where were the checks and balances in respect of the Welsh language, in a rural county which has seen a decline of the language? And why was no language impact assessment undertaken?

The Tai Ceredigion Board took a decision not to issue any public statement on the issue, although its members had, and still have, concerns about the lack of transparency surrounding the Cantref decision. They are happy for me to answer any questions which the Public Accounts Committee may wish to ask.