

Dogfennau Ategol – Y Pwyllgor Cyfrifon Cyhoeddus

Lleoliad: I gael rhagor o wybodaeth cysylltwch a:
Ystafell Bwyllgora 3 – y Senedd Fay Bowen
Dyddiad: Dydd Llun, 30 Ionawr 2017 Committee Clerk
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Noder bod y dogfennau a ganlyn yn ychwanegol i'r dogfennau a gyhoeddwyd yn y prif becyn Agenda ac Adroddiadau ar gyfer y cyfarfod hwn

– Ymchwiliad i drefn reoleiddio Cymdeithasau Tai:

Ymatebion i'r Ymgynghoriad

3 Ymchwiliad i oruchwyliaeth reoleiddiol ar Gymdeithasau Tai:

Sesiwn dystiolaeth 3

(14.05 – 15.05)

(Tudalennau 1 – 111)

1 Cyngor Benthycwyr Morgeisi (Saesneg yn unig)

2 Steffan Evans

3 Grŵp Monitro Tai Ceredigion (Saesneg yn unig)

4 Ysgrifennydd y Cabinet dros Gymunedau a Phlant (Saesneg yn unig)

5 TPAS Cymru (Saesneg yn unig)

6 Cartrefi Cymunedol Cymru (Saesneg yn unig)

7 Cartrefi Dinas Casnewydd (Saesneg yn unig)

8 Bwrdd Rheoleiddiol Cymru (Saesneg yn unig)

9 Keith Edwards (Saesneg yn unig)

10 Cymdeithas Landlordiaid Preswyl (Saesneg yn unig)

11 Shelter Cymru (Saesneg yn unig)

12 Tenantiaid Cymru (Saesneg yn unig)

13 Cymdeithas Llywodraeth Leol Cymru (Saesneg yn unig)

14 Sefydliad Tai Siartredig Cymru (Saesneg yn unig)

15 Tai Pawb (Saesneg yn unig)

16 Gyngor ar Bopeth (Saesneg yn unig)



Y Pwyllgor Cyllid
**Bil Treth Gwarediadau Tirlenwi
(Cymru)**

Ionawr 2017



Cynulliad Cenedlaethol Cymru yw'r corff sy'n cael ei ethol yn ddemocrataidd i gynrychioli buddiannau Cymru a'i phobl, i ddeddfu ar gyfer Cymru, i gytuno ar drethi yng Nghymru, ac i ddwyn Llywodraeth Cymru i gyfrif.

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Ceir atgynhyrchu testun y ddogfen hon am ddim mewn unrhyw fformat neu gyfrwng cyn belled ag y caiff ei atgynhyrchu'n gywir ac na chaiff ei ddefnyddio mewn cyd-destun camarweiniol na difriol. Rhaid cydnabod mai Comisiwn Cynulliad Cenedlaethol Cymru sy'n berchen ar hawlfraint y deunydd a rhaid nodi teitl y ddogfen.



National Assembly for Wales
Finance Committee

Tudalen y pecyn 3

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*Ar gael yn Gymraeg | *Available in Welsh

Rhif Number	Sefydliad	Organisation
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2*	Steffan Evans	Steffan Evans
3	Grŵp Monitro Tai Ceredigion	Tai Ceredigion Monitoring Group
4	Ysgrifennydd y Cabinet dros Gymunedau a Phlant	Cabinet Secretary for Communities and Children
5	TPAS Cymru	TPAS Cymru
6	Cartrefi Cymunedol Cymru	Community Housing Cymru
7	Cartrefi Dinas Casnewydd	Newport City Homes
8	Bwrdd Rheoleiddiol Cymru	Regulatory Board for Wales
9	Keith Edwards	Keith Edwards
10	Cymdeithas Landlordiaid Preswyl	Residential Landlords Association
11	Shelter Cymru	Shelter Cymru
12	Tenantiaid Cymru	Welsh Tenants
13	Cymdeithas Llywodraeth Leol Cymru	Welsh Local Government Association
14	Sefydliad Tai Siartredig Cymru	Chartered Institute of Housing (CIH) Cymru
15	Tai Pawb	Tai Pawb
16	Gyngor ar Bopeth	Citizens Advice

Introduction

1. The CML is the representative body for the residential mortgage lending industry that includes banks, building societies and specialist lenders. Our 139 members currently hold around 97% of the assets of the UK mortgage market. In addition to home ownership, CML members also lend to support the social housing and private rental markets across the UK. We welcome the opportunity to provide this submission to the [call for evidence](#) by the Public Accounts Committee of the Assembly into the regulatory oversight of housing associations.

2. The CML has worked constructively with the Welsh Government on measures to improve the regulation of housing associations over a number of years, including from the time of the Essex Review which led to the introduction of a new co-regulatory approach in 2011. This approach has undergone further positive change in the intervening years, most recently with the development of a graded regulatory judgement matrix, to be introduced from early 2017. We have provided specific comments below on matters the Committee is considering as part of its inquiry.

Effectiveness of the current regulatory framework

3. The current regulatory framework is effective and improving. This is especially so with the planned introduction of a new graded regulatory judgements matrix. The publication of graded judgements should, subject to sufficient resources for implementation and enforcement, provide a point

of calibration against which lenders can measure their own assessment of an association. This is lacking in the approach to-date, as the current narrative report does not give firm conclusions or judgements on the part of the regulator. Those looking to rely on the narrative report are left to draw their own conclusions. The new judgement approach should address this. It is absolutely the right direction of travel for where the sector is now – in the context of increasing complexity; increasing development activity (and associated risk) and the backdrop of ONS reclassification.

4. We look forward to the provision of regulatory assessments in the new form, with graded judgements. We expect that, until these are available, there might still be some uncertainty as to how robust regulation will be and how the sector will respond to it.

5. The effectiveness of the framework comes down to how and when the regulator intervenes in problem cases or where an association fails. Key to this are issues of resources. The regulatory response to some recent “complex cases” points to areas where available skills, expertise and resource may have struggled to keep pace with the situation. The recent appointment of a former senior banker with sector experience in the regulation team is very welcome. Funders directly involved in recent complex cases will be able to offer their own observations on the experience. The sector will benefit from the forthcoming publication of the regulator’s “lessons learned” report.

Effectiveness and quality of governance

6. The quality of governance and its effectiveness is varied. This is to be expected in a diverse sector with a range of organisations of different size, scale, location, resources (board skills etc) and development appetite. The work of the regulator, tenant organisations and Community Housing Cymru,

including through its new Code of Governance, help to provide the required environment for good governance to develop and improve in all housing associations across Wales.

Effectiveness of current regulatory regime in managing and mitigating sector-wide risks

7. It is for boards to manage and mitigate the effect of sectoral risks in their organisations. The regulator helps to identify these in its published sector risk profile, which is periodically updated. Where appropriate, Welsh Government and the regulator can act in areas that are likely to impact the sector as a whole. For example: responding to the ONS classification decision; the impact of welfare reform changes, such as LHA caps, and the wider impact of the roll-out of Universal Credit. Other areas that bring sectoral risk relate to the operation of wider financial and funding markets. In this respect, we are uncertain as to the level of wider market intelligence and availability of experience of markets within the regulation team, and what external advice is sought and taken on this. As referred to above, the recent appointment of a former senior banker with substantial experience as a funder is a strong step in the right direction.

8. In the context of responding to complex cases that might include the failure of an association, we suggest it would be appropriate for the regulator and government to consider the extent to which the sectoral risk of contagion from the failure of a single association might be mitigated through measures such “living wills” and asset registers.

Effectiveness of the co-regulatory approach in practice

9. From the CML perspective, we are encouraged by the level of proactive engagement we have with government, the regulator, CHC and other key

stakeholders. This includes our work with the Advisory Group that supports the new independent Regulatory Board. Individual lenders, with their own direct experience with their borrowers and the regulation team, will be best placed to offer their own views on co-regulation.

10. For both the CML and lenders, there are still some uncertainties about the journey to regulatory intervention and the powers that would be used and when. We expect the new judgements matrix and guidance around it should provide further clarity here, but we suggest a candid sharing of lessons learned on some of the recent complex cases would still be helpful in avoiding potentially unnecessarily sub-optimal outcomes.

Remuneration of senior executives in HAs

11. The issue of paid executives is currently under consideration by the Regulatory Board and its Advisory Group. In our view, this will be a matter for individual board decision, subject to there being effective identification and management of any instances of actual or perceived conflict of interest. Paid executives should be an option for boards, particularly if there are challenges for the particular association in attracting or retaining the skills and experience needed for excellent governance.

12. We suggest that the issue of paid executives on boards raises again the wider issue of remunerated board members (who are not executives). This had been considered by government previously, but not taken forward. Our view is that the remuneration of board members should be an option for associations if they feel it would be of benefit for their particular organisation in attracting and retaining experienced and skilled individuals needed for excellent governance.

13. The economic, strategic and operational context for Welsh RSLs is becoming ever more demanding and complex, and the chairs in particular of some of these bodies may have complex businesses with > £100m of external borrowings and highly onerous financial, legal and other responsibilities. In our view, it will become a tougher challenge to recruit voluntary board members to this sector. For this reason, we believe that it is timely for the issue of remuneration of board members to be reconsidered.

1. Cyflwyniad

1.1 Croesawaf y cyfle i gyflwyno tystiolaeth ger bron yr ymchwiliad hwn i drefn reoleiddio cymdeithasau tai yng Nghymru. Rwyf yn fyfyrwr doethuriaeth gyda Chanolfan Llywodraethiant Cymru ym Mhrifysgol Caerdydd. Mae fy ymchwil yn edrych ar y gwahaniaethau sydd wedi datblygu rhwng y modd rheoleiddir cymdeithasau tai yng Nghymru ac yn Lloegr.

1.2. Fe fydd y pwyllgor yn ymwybodol bod yr ymchwiliad hwn yn digwydd tra bod disgwyl y bydd y modd y mae cymdeithasau tai yng Nghymru yn cael eu rheoleiddio yn newid. Mae hyn yn dilyn penderfyniad y Swyddfa Ystadegol Gwladol (ONS) i ailddosbarthu cymdeithasau tai fel rhan o'r sector gyhoeddus. Mae fy ymchwil i'r drefn reoleiddio yn Lloegr yn crybwyll bod 'na rhai gwersi y gallwn ddysgu, yma yng Nghymru, wrth geisio llunio ymateb i benderfyniad yr ONS.

1.3. Yn gyntaf, ni fyddai lleihau pwerau statudol Llywodraeth Cymru dros y sector tai cymdeithasol o reidrwydd yn lleihau ei grym rheoleiddio yn sylweddol.

1.4. Yn ail, mae'n holl bwysig bod y drefn reoleiddio bydd mewn grym wedi unrhyw newidiadau yn dryloyw, ac yn gwarchod, tenantiaid, cymdeithasau tai a benthycwyr ariannol.

2. Grym rheoleiddio Llywodraeth Cymru

2.1 Wrth gyhoeddi ei phenderfyniad i ailddosbarthu cymdeithasau tai fel rhan o'r sector gyhoeddus ym Medi 2016 fe wnaeth yr ONS rhestru'r rhesymau dros wneud hyn. Roedd y rhain yn cynnwys pwerau Llywodraeth Cymru dros reolaeth cymdeithasau tai, yr angen i gymdeithasu tai gael caniatâd Llywodraeth Cymru cyn trosglwyddo eiddo, a phwerau Llywodraeth Cymru dros newidiadau cyfansoddiadol cymdeithasau tai. Roedd y rhesymau yma yn debyg iawn i'r rhai a rhoddwyd dros ailddosbarthu cymdeithasau tai yn yr Alban a Gogledd Iwerddon ym mis Medi 2016, ac yn Lloegr ym mis Hydref 2015. Fe fydd yn rhaid i lywodraethau'r pedair gwlad cymryd camau i newid y drefn rheoleiddio mewn perthynas a'r pwerau yma i sicrhau fod yr ONS yn gwrthdroi ei phenderfyniad. Mae Llywodraeth y Deyrnas Gyfunol eisoes wedi dechrau ar y broses.

2.2. Mae Llywodraeth y Deyrnas Gyfunol bellach wedi deddfu i leihau ei phwerau statudol dros gymdeithasau tai. O ganlyniad i newidiadau a gyflwynwyd gan y "Housing and Planning Act 2016", ni fydd yn rhaid i fudiadau tai yn Lloegr gael caniatâd yr *Homes and Communities Agency* (y corff rheoleiddio yn Lloegr) cyn trosglwyddo eiddo a gwneud newidiadau cyfansoddiadol. Yn hytrach, fe fydd ond yn rhaid i fudiadau tai ei hysbysu eu bod wedi trosglwyddo eiddo, neu eu bod wedi gwneud newidiadau cyfansoddiadol. Tra bod hyn yn lleihau pwerau'r *Homes and Communities Agency*, nid yw'r gyfundrefn newydd yn rhoi caniatâd i gymdeithasau tai yn Lloegr i weithredu mewn unrhyw fodd yr hoffant. Gwelwn enghraifft o hyn wrth edrych ar allu cymdeithasau tai i wneud newidiadau cyfansoddiadol.

2.3. Pe bai cymdeithas tai yn gwneud newid cyfansoddiadol o dan y gyfundrefn newydd yn Lloegr, fe fydd yn rhaid iddynt hysbysu'r *Homes and Communities Agency* ei bod wedi gwneud y newid. Fe allai'r *Homes and Communities Agency* benderfynu nad yw'r gymdeithas dai bellach yn

cydymffurfio a'i gofynion cofrestru. Mae hyn yn golygu bydd gan yr *Homes and Communities Agency* rym dros y sector yn Lloegr o hyd. Ni all gymdeithas tai yn Lloegr newid ei chyfansoddiad neu'i strwythur tu hwnt i'r hyn a ganiateir gan yr *Homes and Communities Agency*, os ydynt am barhau i fod yn gorff cofrestredig.

2.4. Ar un llaw fe fyddai mabwysiadu cyfundrefn debyg yng Nghymru yn sicrhau bod Llywodraeth Cymru yn parhau i fod â'r gallu i reoli cymdeithasau tai., Ar y llaw arall, mi fyddai'n ei gwneud hi'n fwy tebygol bod yr ONS yn gwrthdroi ei phenderfyniad i ail-ddosbarthu cymdeithasau tai fel rhan o'r sector gyhoeddus.

3. Trefn rheoleiddio tryloyw

3.1 Fe gafodd y newidiadau i'r drefn reoleiddio yn Lloegr eu gwneud mewn cyfnod byr iawn. O ganlyniad, ychydig iawn o ymgynghori a fu yn ystod y broses ddeddfwriaethol. Tra ei bod yn bwysig sicrhau fod Llywodraeth Cymru yn cymryd camau priodol i wyrddroi penderfyniad yr ONS, mae'n bwysig bod y broses ddeddfwriaethol yn dryloyw ac yn ystyried barn tenantiaid, yn ogystal â barn cymdeithasau tai a benthycwyr ariannol.

3.2. Mae Llywodraeth Cymru eisoes wedi cyhoeddi rhai newidiadau i'r drefn rheoleiddio. O 1 Ionawr 2017 bydd Llywodraeth Cymru yn rhoi "statws cyd-rheoleiddio" i gymdeithasau tai yng Nghymru. Fe fydd tîm rheoleiddio'r Llywodraeth yn gwneud dyfarniad ar allu cymdeithas i wella ei pherfformiad mewn perthynas â "darparu gwasanaethau a llywodraethiant" a "hyfywedd ariannol". Fe fydd Llywodraeth Cymru wedyn yn cyhoeddi statws cymdeithasau mewn perthynas â'r ddau agwedd yma.

3.3. Mae'r gyfundrefn newydd yng Nghymru yn debyg iawn i'r un sydd eisoes mewn grym yn Lloegr. Yn Lloegr mae'r *Homes and Communities*

Agency yn cyhoeddi dau ddyfarniad rheoleiddio, “llywodraethiant” a “hyfywedd ariannol”. Mae’r gyfundrefn yma wedi bod mewn grym yn Lloegr am rai blynyddoedd ac yn 2013 fe wnaeth y Pwyllgor Cymunedau a Llywodraeth Leol Ty’r Cyffredin gynnal ymchwiliad i’r system (Communities and Local Government Committee, Minutes of Evidence, (2013–14 HC 310)). Fel rhan o’i ymchwiliad fe wnaeth y pwyllgor dderbyn tystiolaeth wrth Julian Ashby, pennaeth rheoleiddio’r *Homes and Communities Agency*. Yn ei dystiolaeth fe wnaeth Ashby ddatgelu bod yna “llond dyrnaid” o gymdeithasau tai, nad oedd yn cydymffurfio â gofynion “hyfywedd ariannol”. Er hyn, nid oedd sgôr “hyfywedd ariannol” y cymdeithasau yma wedi ei israddio. Fe wnaeth Ashby ddatgelu bod yr *Homes and Communities Agency* wedi israddio sgôr “llywodraethiant” y cymdeithasau yn lle. Fe ddatgelodd Ashby mae’r rheswm am hyn oedd bod yr *Homes and Communities Agency* yn poeni y byddai israddio “hyfywedd ariannol” cymdeithas yn arwain at ymateb o fewn y “farchnad”. Byddai hyn wedyn yn gwaethygu unrhyw broblemau ariannol roedd cymdeithas yn ei wynebu.

3.4. Mae’n amlwg bod yna risg na fydd y drefn rheoleiddio newydd yng Nghymru yn gweithredu yn y modd y mae Llywodraeth Cymru yn ei rhagweld yn bresennol. Mae’n bwysig felly bod y gyfundrefn newydd yn cael ei graffu yn gyson ac yn ofalus er mwyn sicrhau ei fod yn gweithredu mewn modd cywir a tryloyw.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations

Ymateb gan Grŵp Monitro Tai Ceredigion / Evidence from Tai Ceredigion Monitoring Group

The agreed terms of reference for the inquiry are:

- The effectiveness of the current Regulatory Framework for Housing Associations Registered in Wales;
- The effectiveness and quality of governance arrangements;
- Whether the current regulatory regime is effective in managing and mitigating sector wide risks; and/or
- The effectiveness of the co-regulatory approach in practice;
- The remuneration levels of senior staff members of housing associations.

Issues for discussion:

- Are tenants sufficiently involved in how housing associations are run and regulated?

In ours, yes; for some in our Monitoring Group it is almost a full-time job. As far as we can tell, from all the other groups we have met over the past seven years, no.

Possible reasons for this dichotomy are given below, after your specific questions.

- Do tenants know enough about how their housing association is performing? For example, do tenants know what needs to be improved and what works well? Are landlords prepared to deal with the various risks that currently face the sector, i.e. welfare reform?

Here, we can only answer for our Group.

For those tenants of our landlord who wish to know, the information is available. For those with a passing interest, there are the newsletters and the forums. For those who wish to be more actively involved, there is our group and a Sheltered (Scheme) Forum.

The group meets with the executive and/or the senior operational management every month, excepting August. These meetings are fully minuted, as are our Group's meetings.

Tenants on the Board see the same briefing papers as the rest of the Board. As to the second question, it is too general and therefore, in a way, impossible to answer. But from our contacts within the tenant population, our void inspections, our estate inspections, our meetings with the company we feel we have a good idea of what is and is not going well. Tai Ceredigion is not perfect but it does not just accept our input, it welcomes it.

As to the third: yes, our landlord is constantly checking its risk assessments. As to your example of the welfare reform, before the so-called "Bedroom Tax" was officially introduced the company set up a Welfare Reform Review Group to monitor the changes the DWP kept making so they could assess the potential loss of rental income from the changes. Because of this, they also created a team to assist potentially affected tenants. This team is still operational.

There is another risk we wish for you to consider, which could be potentially damaging to the good governance of LVST companies, and that is the overwhelming influence of councils and their councillors on the boards of such companies.

Giving a council a “Golden Share” of a third of the voting stock for the first five years may have reassured the tenants during transfer in providing an assurance that the company would comply with bringing its stock up to the WHQ standard. But this has had some awkward side-effects when extended beyond the initial five years. Councils and councillors believing (or acting as if they believe) they still own the housing stock and land and therefore should still be running the company as they please. Or, worse still, conveniently forgetting promises they have made, even in writing.

We feel that conflicts of interest do occur when projects are planned in the local constituencies of councillors, often then supported by the rest of the council. The Group has already come across two incidences. One which blocked a proposed development, making it difficult for the company to meet the Welsh Government's own housing targets. It also meant the company had to write-off the preparatory costs and lose out on the potential future income. The other was in wishing to damage a development after it was completed and occupied in order to appease some local voters.

- Are tenants able to influence and challenge the way that housing associations work, and the decisions they take?

With ours, yes; for the others, you will have to ask them.

One way our Group does this is that it scrutinizes all the policy documents prior to them going to the Board for approval. Another, when possible, is we respond to as many relevant consultations raised by the local council and the Welsh Government as we can. For instance, the Group was involved in the drafting of both the Renting Homes Act and the Housing Act. We also responded to the Welsh Government consultation on whether board members of RSLs should be paid, with which we disagreed as it caused too many conflicts of interest. We thank the Welsh Government for agreeing

with us, over the presentation made by Community Housing Cymru.

More recently, following the Welsh Government's recent decision that tenants should be involved in determining aspects of the company's strategic objectives, the Group has been making its recommendations on these directly to the Board. It now also reviews the self-evaluations of the executives and is involved in the WHQS verification process as requested by the Welsh Government.

Also, for several years the Group has taken an active part in the company's annual business planning day, where the Group's members have an equal say on the issues raised as the others there. Members of the Group will be at the next one of these on the 16th of this month.

- Do tenants have confidence that their interests are being protected by housing association boards and the Welsh Government as regulator?

As to boards protecting the interests of their tenants, that depends of a number of factors, which include:

- (i) the strategic objectives of the company as determined by its articles of association;*
- (ii) the composition of the board, whether the members accept the concept of tenants being central to their decisions and the company's income stream, i.e. as their primary customers (see comments above and below);*
- (iii) whether the board members have the skills, experience and training to fulfil their roles on the board; and*
- (iv) whether the board imbues to the operational staff this culture of tenants being central to both the purpose of the company and of tenants being involved in the oversight of the company.*

Item (iii) may seem to be a comment on just those who are not tenants but it is very applicable to the tenant members.

As explained below, during the transfer of the stock from the Ceredigion County Council to Tai Ceredigion there was a sizeable number of tenants involved, some of whom had relevant past experience or experience of working in the voluntary sector. There was also training for those interested at Trafford Hall and at the Welsh Tenants' networking/training days and that provided by Open Communities in the Council offices. As a result there were a sufficient number with the skills, experience and confidence to fill the tenant positions in the shadow board and to set up the monitoring group and for other tenants to present themselves for election to the board. Since then, the situation has completely reversed. Some of those originally involved have died or have retired due to failing health. Others have stepped forward to be involved but the training available has vanished. Funding of training at Trafford Hall was stopped. As a result they had to give priority to English tenants. Then, with the cutbacks in England, although they will now accept tenants from Wales, the number of suitable courses has been reduced. All this is somewhat ironic in that we now can decide what training we need and who from.

The funding cuts to the Welsh Tenants means they can no longer provide the training they once did. And Open Communities was only available during the transfer.

The initial effect of this was that, for a couple of years, tenants were being elected to the board without having been members of the Group or without the necessary skills, experience or confidence to challenge the rest of the board.

Because of this the company decided to switch tenant recruitment to the board from open elections to selection with ratification at the AGMs. We now have two ex-members of the Group on the board.

But this could have potentially weakened the Group: there is not the training, so we have essentially had to train new recruits in-house. This is alright as a temporary measure but could be damaging in the long term.

It is also not a good recipe for meaningful tenant participation in Wales. It allows housing associations to effectively block any true tenant representation or even any representation at all, especially when it comes to significant decisions affecting tenants.

An example of this is the merger (takeover) by Wales & West of Tai Cantref. It would appear that the Tai Cantref board were not only remiss in running the company but also deliberately and illegally blocked any relevant, representative tenant say in the matter.

Which leads us to the second part of the question.

In regard to the protection given by the Welsh Government, following the Tai Cantref débâcle, we have serious concerns on this particular. Until this year, the Group trusted the Welsh Government's Regulation Unit to protect us and the other tenants of social landlords; we had a working relationship with them.

Wherefore now?

Why was it that the same people who created the collapse of Cantref were allowed to be in charge of its then future? Was not the Regulatory Unit

created specifically to prevent this from happening?

When it was finally announced in public that the company was in trouble and was seeking a merger, our Group tried to find ways to contact the shareholders of Tai Cantref to explain what they could legally request during the process. When we asked for a copy of the shareholder's list we were at first ignored, then denied. We tried to obtain it through the FSA and Company's House, only to find they didn't have copies?

So, why was Tai Cantref allowed to be remiss in not maintaining its shareholder list? And why, according to reports we have seen, was Tai Cantref allowed to break the rules governing the two Special General Meetings? Does this mean the votes were invalid and the merger illegal? We know of one of our local councillors who blames the regulators for the débâcle. But for what? For doing their job? Why should they take all the blame when a company's audited books were announced at the company's AGM at the beginning of July last year as having reserves of £6.6 million and by the end of the same month with our Group knowing Cantref was in serious trouble?

This raises a serious question. Were the regulators given misleading information by Tai Cantref, up to the point this information was no longer sustainable? If so, what role did the auditors have in the affair?

To us the Unit appeared to have been sidelined in favour of a consultancy which apparently, as it was later reported, had a number of conflicts of interest in the affair. As a result, neither the tenants of Tai Cantref nor of Wales & West had any real say in the merger. The number of laws and Welsh Government regulations, especially those governing tenant's rights, which were broken by this will not be fully known until Campbell Tickell's report into Tai Cantref is released and possibly this Committee explains what was

agreed by the parties involved, and that will have to include the Welsh Government itself.

Furthermore, the use of TPAS to advise the tenants of Tai Cantref was a joke (sic). How come they haven't been prosecuted under the Trade Descriptions Act for having the words Tenant Participation in their title needs explaining? They do very little on behalf of tenants.

*As for their training of tenants in participating, that too is also a joke. After listening to the same lesson in "How to observe" for the fifth time, as some of our members have been obliged to do, we wonder whether TPAS actually understands the concept of tenant participation. They appear to be getting a lot of money from housing associations not to train tenants in setting up active groups, in not training such groups to run themselves independently, thereby to actively scrutinize their landlords, nor how to work independently but also co-operatively with their landlords. Instead, they seem to leave it all to the association's participation **officers** (Note: not advisers.) to determine what the tenants can or cannot do.*

Why do we seem to be different?

In this respect, we were lucky. As mentioned above, we had a lot of training and advice both before and after the transfer.

We had a lot of tenants at least interested in what would happen to their tenancies; many were also annoyed at the lack of maintenance to their properties provided by the council. We had tenants actively involved in other third sector projects. We had, once they had decided it was their only course of action, a council willing for the transfer to succeed. We had the Welsh Government backing for the campaign and training (Open Communities, as

mentioned above.)

Also, we were one of the last to transfer, so many of the pitfalls were all ready known. From this a legally binding Offer Document, dictating the terms of the transfer, was published and sent to all the tenants, for them to vote on. This set out the new company's principle aims, which are still in place today. To be:

“A first class bilingual landlord and employer that puts tenants first, provides quality homes and benefits communities and the local economy.”

Then, the Shadow Board and the Steering Group (precursor of the monitoring group) had the chance to interview the potential candidates for the post of CEO. Both chose the same one: the one willing to work with the tenants. Finally, once the company and the Group were established, at the first meeting between them, it was agreed that the company's executive and the Group's executive would meet monthly and that a budget would be provided so that the Group could hold meetings independently of the company and that the Tenant Participation Adviser would act only in an advisory and supportive role.

This created a working relationship, which was enhanced by the Group deciding upon a re-let standard for renting properties until they had been updated to the WHQ standard. (This followed an incidence of a property being let during the transfer period, upon which the Group found in conducting their first void inspection.)

As far as we know, no other tenant's group in Wales has this kind of independence and oversight capability, principally because none of the others had this kind of initial and continuing support.

Furthermore, the working relationship is two-way. Just as the Group monitors the company, so too does Tai Ceredigion monitor the Group, through the auditing of the Group's books and in how the Group responds to the issues as they arise.

But it has gone further than that. The Group has now been written into the company's Rules, and is now considered by the company as a suitable training ground for board membership.

If this Committee is to consider the Regulatory Framework for Housing Associations Registered in Wales then you will have to consider the issues raised above.

Thank you.

Introduction

1. Under Part 1 of the 1996 Housing Act, the Welsh Ministers have powers to regulate registered social landlords (RSLs) in Wales and to set standards of performance to be met by RSLs and related guidance. The 1996 Act also sets out enforcement action which the Welsh Ministers can apply to RSLs. The overall approach towards housing regulation in Wales is set out in the Regulatory Framework for Housing Associations Registered in Wales¹ RSLs are commonly referred to as housing associations. Reference in this paper to housing associations is to those housing associations which are registered as registered social landlords under the legislative provisions set out above. Regulation of RSLs is undertaken by the Welsh Government's Housing Regulation Team.

Social Housing Sector

2. Housing associations are a key component of the housing sector in Wales. There are currently 92 associations registered as social landlords. Of this number, 34 associations are significant providers of social housing. Altogether associations are responsible for 10% of all homes in Wales. This compares to the situation in 2001 when they were responsible for just 4% of all homes. The difference relates largely to the transfer of council owned social housing to the RSL sector in 11 local authority areas in Wales.

3. Social housing accounts for just over half of all rented properties in Wales. As the following table illustrates housing associations are responsible for 32% of all rented properties.

Rented Housing Sector in Wales	Private rented	Housing Association	Local Authority
Total homes / proportion of sector	208 000 48%	136 000 32%	88 000 20%

¹ <http://gov.wales/docs/desh/publications/11202housingregframeworken.pdf>

4. The RSL sector is a key component in delivering the Welsh Government's commitment towards increasing the supply of affordable homes. Between 2011 and 2016 an additional 11,508 affordable homes were provided in Wales of which 84% were delivered by housing associations.

5. The government recognises that housing associations have a wider social role. They are at the heart of efforts to build resilient and sustainable communities. They are essential partners in the government's efforts to prevent homelessness. Housing associations provide a wide range of advice and support to their tenants beyond straightforward landlord services. The sector also plays a crucial role in enabling many vulnerable and disabled people to live independent lives in a manner which reduces the burdens which would otherwise fall on the NHS and social care sectors.

6. The Welsh Government is conscious and supportive of this wider social and economic role. It is also committed to ensuring that this is reflected in the arrangements for regulating the sector in Wales.

Housing Regulation

7. The essential role of housing regulation is to

- **Protect tenants.** There are nearly 140,000 housing association tenants in Wales – 90% of whom are in receipt of welfare benefits of some kind.
- **Safeguard public assets.** The Welsh Government has invested nearly £1.5bn grant funding into housing association homes since 1999 and
- **Facilitate private sector investment.** Grant funding of housing association homes is supplemented by private sector investment, which currently totals £2.5 bn.

8. Tenants are at the heart of regulatory activity. The Regulatory Framework for Wales places clear expectations on housing associations to demonstrate that their tenants are involved in strategic decision making and in the shaping of high quality, improving services. The regulation function provides tenants with information about their landlord which allows them to compare their landlord with others and helps protect them from poor or failing landlords. The Regulation Team has strong relationships with the national tenant support organisations and we have placed a growing emphasis on maintaining and strengthening these links.

9. The key principles of the current Regulatory Framework – proportionality, transparency, consistency and the promotion of continuous improvement – remain unchanged since its original publication in 2011. However, the application of these principles, and of the Regulatory Framework, has been subject to review and change in the same spirit of continuous improvement which we expect from the housing associations we regulate. For example, we recently launched a new regulatory judgement framework and are about to consult on revised performance standards, which reflect the more challenging environment in which housing associations currently operate and our experience of regulation since the launch of the Regulatory Framework in 2011.

Structure of Regulation in Wales

10. The Deputy Director for Sector Development has responsibility for the Team which, since June 2016, has had two branches.

- Operations – Regulation Managers, who engage directly with housing associations, delivering regulation on the ground (8 people) and
- Learning and prevention – finance and housing specialists with a particular focus on the provision of strategic policy and sector analysis and currently producing financial analysis, thematic reviews, lessons learned exercises and considering options to address issues arising from the recent reclassification of housing associations (4 people).

11. The work of the regulation team is supported by a non statutory independent Regulatory Board, reconstituted in April 2016 and made up of independent members with sector expertise. The members are appointed by the Cabinet Secretary for Children and Communities following a public recruitment exercise to provide advice from an independent perspective on the Welsh Government’s regulatory function. The Board is supported by, and draws evidence from:

- Regulatory Advisory Group – made up of representatives of key sector stakeholders, including tenants, funders, housing associations and local authorities; and a
- Tenant Advisory Panel – providing a tenant perspective to the Board, via a group of housing association tenants who interact with tenants across Wales.

The Board meets four times a year. Its main purpose is to provide challenge to the regulation team and to advise the Cabinet Secretary on the

performance of the sector. The current membership of the Board is attached at Appendix 1.

Our Approach to Regulation

12. A key element of the work of the Regulation Team is the publication of regular regulatory opinions on the health and performance of the housing associations we regulate. ² Much work has been done over the past 12 months to improve the efficiency of the Regulation Team in terms of producing timely Regulatory Opinions.

Year	2014/15	2015/16	2016/17
Regulatory Opinions Produced	4	16	27

13. Co-regulation underpins the Regulatory Framework, recognising the shared aim of the sector, its stakeholders and the Regulation Team to achieve a vibrant and improving housing association sector, delivering robust governance, strong finance and high quality services. Co-regulation involves setting out the respective responsibilities of associations and the Regulation Team to achieve robust and effective regulation, with both parties agreeing to work together to offer the best protection for tenants and the public funds invested in housing in Wales. Both parties have a shared interest in working together to resolve issues quickly and appropriately to protect tenants. When regulatory or other serious issues arise relating to the business of one or more associations, the Welsh Ministers (in whom the regulation functions ultimately vest) can use a range of powers to intervene and act quickly to safeguard tenants' interests.

14. The Regulation Team operates on the principle that this collaborative, relationship-based approach supports strong and effective regulation. Our experience is that the relationships developed through regulatory contact with housing associations provide a solid foundation of trust and understanding on which to have honest conversations about difficult issues.

15. Where necessary, regulation has taken a robust approach with housing association boards and management teams to ensure that significant issues

² <http://gov.wales/topics/housing-and-regeneration/services-and-support/regulation/regulatory-assessments/?lang=en>

have been effectively addressed. We are conscious that the evidence from our regulatory engagement is that the lack of a co-regulatory approach and a failure to share information can be a warning sign of potential issues and has been a factor in most of our complex cases.

16. The Regulation Team aims to apply a culture of continuous improvement across its work. It is central to our delivery of the regulation function and ensures we develop and change our approach in the light of regulatory experience and the changing environment for housing associations.

17. During the course of 2016, the Regulatory Board for Wales has undertaken a review of housing association approaches to achieving value for money. This review, undertaken in collaboration with the sector, key stakeholders and relevant experts, has produced significant positive outcomes. These include an agreed set of cost metrics which will be available annually through the Global Accounts publication, and will provide the basis for focussed regulatory discussion with individual housing associations around value for money. We are also encouraged that the way in which the review has been approached by the Board has prompted correspondingly positive moves in the sector, including a stronger focus towards value for money across all aspects of RSL business.

18. We have developed a method to ensure that we learn objective lessons where regulatory issues arise. Discussions are ongoing with Community Housing Cymru and the Chartered Institute of Housing Cymru to develop an effective approach to wider dissemination of those important lessons.

19. Our lessons learned approach is at the core of Regulation Managers' work with individual housing associations, through informal sharing of information and highlighting emerging key themes. Current themes are listed at Appendix 2.

Effectiveness and quality of governance arrangements

20. The housing associations we regulate are independent, not for profit organisations run by voluntary, unpaid Board Members.

21. The current regulatory regime is rooted in the 2008 Essex Review of Affordable Housing which proposed an approach focussed on risk and the quality of governance. Our experience is that when associations face serious

difficulties the underlying cause is more often than not an issue related to the quality of governance. For this reason, our analysis of current risks to the sector places a strong focus on governance risk and much of our regulatory activity is now focussed on governance quality.

22. Much of the quality of governance is founded on Board culture and on behaviours displayed. These are matters which can be difficult to identify from remote document reviews. We have therefore increased the focus of our regulatory engagement on Board observation. A minimum of four Board observations per year for every housing association allows a “hands on” approach, giving the opportunity to see culture and behaviours first hand. We are conscious that this is in contrast to a more desk-based assessment approach by the regulators in England and Scotland. This reflects in part the relatively small size of the RSL sector in Wales (there are nearly 1200 associations in England). We are, however, committed to turning the relatively small scale of the sector in Wales to our advantage and using our ability to foster effective relationships through face to face contact to strengthen our regulatory engagement.

Managing and mitigating sector wide risks

23. Housing associations in Wales operate in an increasingly challenging and risky environment. For example, welfare reform means that housing association capital grant availability is less certain, cost pressures have increased, interest rates are likely to start to rise and the diversity and complexity of the sector has grown. Housing associations are also under increasing pressure to diversify and to take a wider role in addressing community issues, partly as a consequence of reductions in local authority finances. Associations are expected to play a central part in delivering the Government’s target of 20,000 new affordable homes in this Assembly term. Associations face real challenges in attracting the board members with the right sorts of skills to oversee multi-million pound businesses contributing to an ever more demanding but important wider social agenda.

24. The approach to the delivery of regulation aims to ensure that the regulatory focus is on key risks. As part of this, the regulation team produces a Sector Risk Paper³ which is used to provide focus to Boards as

³ <http://gov.wales/topics/housing-and-regeneration/publications/sector-risks-facing-housing-associations/?lang=en>

well as to the work of the Regulation Managers and our wider regulatory engagement.

25. Current major risks to the sector are the potential impacts of the recent reclassification of housing associations into the public sector by the Office for National Statistics (ONS); the need to improve the sector's track record in achieving value for money; and the impact of welfare reform on both housing associations and their tenants.

26. The Regulation Team is responding to reclassification by developing a comprehensive set of proposals aimed at addressing those aspects of the current regulatory regime which has caused ONS to reclassify housing associations as public sector organisations. The need for legislative changes is being considered as part of this work. Welsh Ministers have made clear that they will make the changes necessary to allow the ONS to reclassify the sector back into the private sector.

27. We have used our own experience to identify common sector risks and acted to improve sector performance by setting out clear expectations, e.g. our expectation that housing associations put in place Asset and Liability Registers and carry out robust stress testing with mitigation arrangements by 31 March 2017. Experience clearly indicates that the major risks to the sector are in governance and finance, so our Regulation Manager resources have been refocused on the critical elements of these risk areas.

28. The effectiveness of risk management is a key judgement factor in the new regulatory judgement framework and performance standards.

Appendix 1

Regulatory Board for Wales - Current Membership

Helen White (Chair)

Ron Dougan

Ceri Victory-Rowe

Doug Elliott

Gayna Jones (until March 2017)

Claire Russell-Griffiths

David Roberts

Robert Smith

Biographies for Regulatory Board members can be found here:-

<http://gov.wales/topics/housing-and-regeneration/services-and-support/regulation/regulatory-board-for-wales/biographies/?lang=en>

Appendix 2

Themes emerging from current regulatory contact.

- Compliance with Community Housing Cymru's Code of Governance
- Self Evaluation development/improvement
- Compound scenario stress testing of the financial Business Plan, with mitigation strategies
- Asset Management - development/implementation of a strategic and planned approach
- Welfare Reform - continued preparedness for the impact of Universal Credit/Local Housing Allowance Housing Benefit Cap
- Value for Money - development/embedding of a comprehensive approach and assessment of outcomes
- Effectiveness of approaches to promoting equality and diversity
- Improvements to tenant engagement - at strategic level and involving the wider body of tenants in service improvements
- Tenant service satisfaction - more robust monitoring/measurement for assurance/understanding

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations
Ymateb gan TPAS Cymru / Evidence from TPAS Cymru

About Us:

TPAS Cymru works to improve the lives of social housing tenants in both housing and community matters, by promoting effective participation of tenants with their landlords and with other partners in issues that affect them. We have supported social housing tenants and landlords in Wales for over 25 years and have a strong track record in developing effective participation through training, support, practical projects and policy development.

This Response is based on:

- Our experience of working with tenants and tenants groups and listening to their views.
- Our observations and dialogue with our members and partners within the HA sector
- Our membership of the Regulatory Advisory Group
- Our work to improve partnerships between tenants and residents and their Housing Association landlords and other partners.

TPAS Cymru welcomes the opportunity to respond to the Public Accounts Committee Inquiry into Regulatory Oversight of Housing Associations and we have responded to each of the terms of reference as set out in the consultation paper;

1. **The effectiveness of the current Regulatory Framework for Housing Associations Registered in Wales?**

1.1 The current Regulatory Framework for Housing Associations (HAs) Registered in Wales has evolved and developed since its inception. Welsh Government has worked with the housing sector, including tenant organisations such as ourselves, to continually develop and improve the framework to ensure it operates effectively to protect tenants and investment in Welsh Housing Associations.

1.2 Changes within the last 12–18 months including the establishment of an independent Regulatory Board (RBW) and a reinvigorated Regulatory Advisory Group (RAG) have been positive moves. As members of the RAG, we have seen an improvement in openness, dialogue and communication between the housing sector and Welsh Government which is helping focus the work of the Regulation Team. This is strengthening the co-regulatory approach and thus supporting HAs to provide quality homes and services to their tenants.

1.3 Published outputs from the regulation team have changed to much shorter ‘exceptions based’ Opinion Reports and there are some doubts as to the value of this information in enabling Tenants to see clearly how their landlord is performing. The current reports do not appear to be widely used or relied upon by Tenants.

1.4 In the interests of openness and transparency there are other outputs from regulation, such as individual landlord self evaluations, which could be disseminated more widely. A suggestion would be that landlords are encouraged to ensure this information is advertised and made more widely available to their tenants and other local stakeholders.

1.5 The framework continues to evolve and develop and we are supportive that the principles underpinning the Regulatory Framework continue to be the right ones i.e. that Tenants should be at the heart of regulation; that individual housing associations should be responsible for their own actions; that regulation should be open, transparent, consistent and proportionate; and that regulation is founded on co-regulation.

1.6 The proposed revised approach to regulation, to include a focus on continuous improvement and a clear Regulator’s ‘judgement’ are welcomed.

This new approach will need to be adequately resourced to ensure the Regulation Team have the capacity to deliver the changed framework. The team will also need the capacity to engage directly with tenants and stakeholders at a local level to gather relevant intelligence and evidence as part of each HAs regulatory process.

2. The effectiveness and quality of governance arrangements?

2.1 Without having an in-depth knowledge of each HA in Wales it is difficult for us to make a blanket statement about the effectiveness and quality of governance arrangements across the country. However, in general terms we have observed consideration and work undertaken by boards and senior management teams to improve governance over the last couple of years. We're aware that the quality and effectiveness of boards seems to be improving and frameworks for good governance including CHC Cymru's 'Code of Governance' appear well understood within the sector.

2.2 There has been a general shift in the sector towards more inclusive and rigorous recruitment methods to help strengthen governance by widening skills and diversity at board level.

2.3 Whilst many boards display a strong commitment to tenant involvement at board level how meaningful and successful that is in practise seems to vary. Boards need to explore opportunities to develop clear and direct links between their tenants and the work of the board. This could include engaging with tenants at strategic level as well as offering opportunities for effective challenge of landlord performance and decision making such as through tenant scrutiny.

2.4 Involvement of tenants in governance need not always directly translate into board membership: if tenants feel they may have stronger voice and to challenge and hold their landlord to account from outside of the board then this approach needs to be made available to them.

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

3.1 Housing associations face an increasing range of risks in delivering their objectives and managing their businesses. Boards are expected to consider the extent to which their strategies and business plans could cope with threats, including changes in the economy, housing policy and related areas including welfare, health and social care.

3.2 The current regulatory regime appears to be well focussed to respond to risks faced by the sector and the regulator plays a significant role in identifying potential sector wide risks including producing a paper specifically on this. The document produced is useful for the sector, stakeholders and tenants, helping them to identify and prepare for broader risks.

3.3 The identification and sharing of new and emerging risks is also covered by a regular agenda item at the Regulatory Advisory Group meetings.

3.4 TPAS Cymru's experience is that tenants can provide useful evidence and information regarding some potential local and service risks faced by their landlord. It may be useful for the regulation team to ensure they dedicate sufficient capacity to enable them to engage directly with tenants and stakeholders at a local level. This would provide them with an opportunity to discuss any particular risks identified by them as part of the regulatory process.

3.5 More openness by the regulation team, where possible, would be welcomed in terms of the sharing of lessons learnt relating to managing and mitigating risks e.g. how failure to manage risks by HAs is resolved by boards and how regulatory interventions by the regulation team have protected tenants. This would help to demonstrate the effectiveness of regulation and provide reassurance to tenants.

3.6 The proposed revised approach to regulation, including clear standards and 'judgements', should place a continued emphasis on risk and the HAs

ability to manage particular risks facing their organisation to protect tenants and investment in Welsh HAs.

4. The effectiveness of the co-regulatory approach in practice?

4.1 TPAS Cymru believe that Co-regulation remains a key element of the regulatory framework and we therefore support the retaining of this focus. In a co-regulatory environment, honest, robust self evaluation is essential and offers mutual benefits. This approach raises expectations that individual HAs assess their own performance honestly and challenge themselves to drive their own continuous improvement.

4.2 Where co-regulation appears to be working well is where HAs see self-evaluation as being fundamental to their organisation's performance management and not just part of the regulatory framework.

4.3 Some HAs appear to have devoted considerable resources to self evaluation with boards also ensuring tenants are engaged in the process and provided with the opportunity to reflect on the health and performance of the Association. However, it is not clear if all HAs enable tenants to be engaged in self evaluation ensuring it is a reliable view of the Association's performance; this is despite of clear guidance from the regulation team for them to do so.

4.4 Effective self evaluation is one of the ways in which a Housing Association can be accountable to tenants, service users and other stakeholders by publishing an evaluation of their health and performance in a way that is readily accessible to tenants. Many individual self evaluations are not made openly and easily available by HAs in a range of accessible formats. This lack of openness limits the opportunities for tenants to challenge or validate their landlord's performance which would ultimately provide mutual benefit for all.

5. The remuneration of senior executives of housing associations?

5.1 As independent organisations the remuneration of senior executives of HAs is a matter for each HA board. However in the spirit of openness it is TPAS Cymru's observation that there is a need for HAs to have clear, transparent and published policy rationale for setting senior executive pay. This could include a published policy by a HA that states what the market position and rationale is for senior executive pay decisions. Boards also need to be experienced, trained and advised about remuneration.

5.2 Remuneration of senior executives should focus on whether HAs and their tenants are getting the best possible value for money and return from their senior executives' investment.

TPAS Cymru – January 2017

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations

Ymateb gan Cartrefi Cymunedol Cymru / Evidence from Community Housing Cymru

About Us

1. **Community Housing Cymru (CHC)** is the representative body for housing associations and community mutuels in Wales, which are all not-for-profit organisations. Housing associations provide over 158,000 affordable homes, and house nearly 10% of the population of Wales. In 2015/16, our members directly employed 9,100 people and spent nearly £2bn (directly and indirectly) in the Welsh economy, with 89% of this spend retained in Wales. Our members work closely with local government, third sector organisations and Welsh Government to provide a range of services in communities across Wales. The work of housing associations is diverse and spans both general needs homes to very specialist accommodation and services.

2. The sector is regulated by Welsh Government's housing regulation team in accordance with The Regulatory Framework for Housing Associations Registered in Wales and overseen by the Regulatory Board for Wales. Whilst constitutional formats vary, the governing instruments of housing associations establish their core purpose as not for profit organisations, committed to benefiting the community.

Our response

3. CHC welcomes the opportunity to respond to this inquiry into the regulatory oversight of housing associations in Wales.

- Housing associations are independent bodies, with a social purpose, delivering a range of services across Wales. Their core business is building and managing social rented homes to those in need. Housing associations provide affordable homes to nearly 10% of the Welsh population, and services and regeneration activity which extends far beyond this, including meeting wider housing need.
- Housing associations have attracted more than £2.5bn of investment into Wales from commercial banks and other investors, allowing us to make public money go further in building homes and regenerating communities.
- Housing associations are committed to a strong and effective regulatory system which supports their work to deliver the homes Wales needs to tackle the housing crisis, and to support tenants and communities across the country.

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

4. The regulation of housing associations in Wales has developed significantly since the Essex Review recommended that the then Welsh Assembly Government urgently revised and updated the regulatory framework to support the growing role of housing associations. Since the review in 2008, Welsh housing associations have provided an additional 17,864 homes in Wales, with a direct economic contribution of £7.45bn and a further indirect economic contribution of more than £7bn.

5. Housing associations have worked with Welsh Government and tenants' organisations over the 8 years since the Essex Review to continue the development of the Regulatory Framework, so that it supports the work of housing associations to provide quality homes and services to their

tenants. In this time, the sector has worked with the regulator to ensure that the sector remains strong through a number of external challenges to their businesses, including welfare reform. The regulatory framework has supported the sector through a number of mergers, and when the sector has encountered challenges, it has worked together to overcome these and allow individual businesses and the sector to develop. It is worth noting, that in contrast with other nations, there have been no defaults in the housing associations sector in Wales.

6. CHC was pleased to see the establishment of an independent Regulatory Board for Wales in February 2015. CHC called for a fully independent board, and it is our view that independence is essential to ensure that regulation is the most effective it can be, and retains the confidence of housing associations, tenants and stakeholders including lenders. It is our belief that the work of the Board to date has added value and focus to regulation in Wales. For example, the Regulatory Board has in its short time in existence made a number of significant changes to the regulatory framework which will increase its focus on good governance, tenant services and financial viability.

7. We are supportive of the most recent development of the regulatory framework, which will be trialled from January 2017, and we believe will ensure increased transparency and focus on governance, tenant services and financial viability. The changes to the regulatory framework will:

- Establish a series of co-regulatory status levels on financial viability and governance and tenant services, published as part of the annual regulatory judgement
- Judgements will be based on an assessment of the organisation's capacity to effectively manage and improve the business
- Introduce a new compliance statement to sit alongside the existing self-evaluation.

–Consult on an amended set of delivery outcomes, to reflect the updated and clearer focus on financial viability, tenant services and governance.

8. CHC supports this greater focus on governance, tenant services and financial viability whilst maintaining the principles of co-regulation. Housing associations welcome the sharp focus on continuous improvement, and in particular the renewed focus it will bring on leadership and strategic focus, as well as the financial operation of the business and a continued drive to improve and deliver for local communities.

9. The new approach will be piloted for a year. It is crucial to its success that the Regulatory team within Welsh Government have the skills and capacity to respond to the changed framework and focus on governance, tenant services and financial viability.

The effectiveness and quality of governance arrangements:

10. Housing associations in Wales are well governed organisations that, as a sector, have a track record of delivery up and down Wales.

11. Housing associations are not complacent, and are seeking to continually improve the governance throughout the sector. CHC plays a key supporting role in this; we have developed a Code of Governance for the sector – which the vast majority of CHC members have signed up to – along with Model Rules for Welsh housing associations, and our Come On Board scheme which promotes board membership in the sector, and helps our members with the recruitment of board members. Further to this, we support Board Members and professionals involved in the governance of the organisation through a strong training offer.

12. The environment within which housing associations operate in Wales is increasingly complex. For example, some of the risks and challenges boards are currently managing include the impact of leaving the European Union on the housing market and availability of skills and materials, and the impact of welfare reforms on individual tenants and business plan. As such, housing associations will continually challenge themselves to ensure that the skills mix on their boards and within their executive teams are fit for purpose to meet the demands of the environment in which they operate.

13. In the context of the increasing complexity of these organisations and the challenges they face, board members in the housing association sector give their expertise to organisations on a voluntary basis. There are significant demands upon their time, and housing associations are recruiting board members in competition with other sectors where board members are paid. To ensure that housing associations can attract appropriately skilled and committed board members they should have the option of paying their board members if they feel it is appropriate.

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

14. Housing associations place effective and proportionate risk management at the heart of their business plans. Housing associations do this through rigorous stress testing and challenge through their strong governance arrangements. It is for independent housing associations to manage and mitigate organisational risks. CHC also plays a role to highlight and advocate reducing sector wide risks to the operating environment.

15. The regulator plays an important supportive role in identifying sector wide risks. The proposed changes to the regulatory regime place a much stronger and clearer emphasis on the ability of the organisation to manage

risk and the regulator will take judgements based on the mitigated risks facing an organisation. The framework focuses its attention on the fundamental building blocks of a successful organisation. CHC and our members welcome this evolution of the current approach to regulation.

16. The new approach will be piloted for a year, and housing associations will be keen to ensure that the regulator itself had the skills and capacity to implement this new framework over the course of the pilot. It is essential that regulation managers focus on leadership, governance, managed and mitigated risk rather than a focus on operational and low level risk issues.

17. Housing associations blend public investment with private finance and have been successful in attracting £2.5bn into Wales. Crucial to the sector's ability to access affordable finance has been a strong focus on risk assessment and management. It is at the core of their business and housing associations use a range of tools and techniques including stress testing, asset and liability registers and recovery planning to provide assurance to lenders.

The effectiveness of the co-regulatory approach in practice:

18. Co-regulation is at the core of the regulatory framework and a principle that housing associations fully support. A co-regulatory approach allows housing associations to operate independently and take their own decisions, to deliver on their mission and social purpose, while allowing for regulatory oversight from Welsh Government, tenants, lenders and other stakeholders to protect tenants' interests and public money. The latest development of the regulatory framework retains this focus.

19. Self-assessment remains a core part of the co-regulatory approach. Housing associations use the self-assessment to challenge themselves and

seek scrutiny on progress and continuous improvement, and a failure to convince the regulator of the robustness of current performance will result in greater scrutiny. In addition to the self-assessment the new framework will also include a compliance statement which will add additional focus and transparency to the approach.

20. Ongoing dialogue between regulator and sector remains a central component of co-regulation. It is therefore critical that the regulatory team have the skills and capacity to engage proportionately, on an ongoing basis and in a manner that adds value to the effectiveness of the organisation.

The remuneration levels of senior staff of housing associations:

21. Housing associations are independent organisations, and senior staff remuneration is set within housing associations through transparent and robust processes. For example, it is common practice in the sector to operate a Remuneration Committee, which sits independently of the main board to take decisions on salaries. These will often be informed by independent benchmarking, and tenant involvement in the salary setting process.

22. Each of our members produces an annual report and finance statement, which sets out key performance indicators. Our members publish details of their highest paid member of staff in these accounts.

23. As part of the work of our HR Network, CHC carries out an annual benchmarking survey which includes data on salaries in the sector. The survey found that across the sector as a whole, the median ratio of Chief Executive salary compared to the rest of the workforce is 4:1, which compares favourably with the average ratio of 5.97:1 recorded by businesses publishing their ratio on paycompare.org.

24. Housing associations are increasingly complex organisations, delivering a wide range of services for tenants and communities – including care and support – in addition to building houses across all tenures to meet demand locally. Housing associations compete for talent within a UK employment market for the skills, experience and knowledge that are required to lead these organisations and manage and attract finance to deliver new homes and services. It is important to be able to attract talent to the sector to retain the confidence of lenders, and continue to deliver for the communities they serve.

25. Housing associations in Wales provide huge value for money for the Welsh public; for every £1 of capital investment from the public purse, housing associations directly generate £14 of output in Wales. Last year, housing associations invested more than £1bn in communities throughout Wales, with 89p in every £1 remaining in the Welsh economy.

26. Demonstrating value for money is important to the sector, and CHC is working closely with our members to ensure that they can do so. In October 2016, we published a guide for members in partnership with Housemark to help them to do this, and we will be publishing a number of indicators on Value for Money in 2017. We also understand that value for money is a priority area for the Regulatory Board for Wales and that they are supportive of our work this area.

Further comments

27. A further issue intrinsically linked to the discussions about how housing associations are regulated is the decision in September, by the Office for National Statistics, to reclassify housing associations as public sector bodies for the purposes of national accounts.

28. The decision – based on the 2010 European System of Accounts – identifies the significant government control that can be exercised over the general corporate policy of the unit. This is a largely technical accounting issue, but legislation will be required to address it.

29. There has been no immediate adverse impact of the decision, due to a short term agreement between Welsh Government and HM Treasury which will allow time for the legislation to reverse ONS' decision to proceed. However, if housing associations were to remain classified as public sector in the long term, it could impact on their ability to borrow at favourable rates, in turn posing a threat to the Welsh Government's target of 20,000 homes.

30. Housing associations are community-based organisations, which are committed to delivering the ambitious affordable housing target, working with communities and in a strong and effective regulatory environment.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations

Ymateb gan Cartrefi Dinas Casnewydd / Evidence from Newport City Homes

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

1.1. NCH supports the new Regulatory Framework launched on 1 December 2016, which the sector has influenced and has been a positive experience and was co-ordinated via Community Housing Cymru (CHC).

1.2. Whilst recognising the importance of regulation, NCH questions who regulation intends to serve. NCH welcomes the impact of the new regulatory approach, as currently there is a lack of clarity on whether regulation is serving Welsh Government, residents or lenders.

1.3. The NCH Board takes a degree of assurance from the Regulatory Opinion. However, the Board's main assurance is generated from the NCH Assurance Framework which includes risk, VfM and internal audit. NCH lenders were disappointed that they were not able to have access to the NCH's very positive regulatory opinion in draft form and questioned why co-regulation didn't extend to their £112m investment in NCH. Feedback from residents suggests that the presentation of the Regulatory Opinion does not necessarily meet their needs.

1.4. The housing sector is evolving and, in the same way that it has to ensure boards are suitably skilled to deliver their strategic vision, there is a responsibility on the Welsh Government to demonstrate that the new Regulatory Framework is effectively and appropriately resourced.

1.5. Many of the Audit, Inspection and Regulatory bodies were reviewed by the WG AIR Review published in February 2015. NCH is unsure as to whether the housing sector was included in this review. Is there an opportunity that learning embedded from this review could support the Regulation team to provide assurance of its approach to Housing regulation?

1.6. Given the scale of housing associations being regulated are we adequately sharing best practice from the outcomes of co-regulation and guarding against the potential variation in the way co-regulation is conducted.

2. The effectiveness and quality of governance arrangements

2.1. The importance of governance in the sector is evolving eg governance specific roles and the regulatory focus on skills and experience of Board and Executive is welcomed. However, the recent high profile cases requiring regulatory intervention, could suggest the quality of governance requires improvement in some parts of the sector and learning from regulatory intervention in relation to those cases would be welcomed.

2.2. The introduction of the CHC Code of Governance, its adoption by the NCH Board, and expected compliance by WG is raising awareness of what good governance means within NCH. However, a sector wide definition of good corporate governance could strengthen the sector's approach.

2.3. The housing sector appears to adopt a varying approach to who holds the role of Company Secretary. Reiteration for the need for boards to secure impartial advice with appropriate segregation of duties in line with good governance would be welcomed.

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

3.1. Whilst recognising Welsh Government has issued a sector risk paper. Risk is managed at NCH by its Board who incorporate sector risks at a strategic, corporate or operational level as appropriate.

4. The effectiveness of the co-regulatory approach in practice

4.1. The clarity provided by the new Performance Standards is welcomed and NCH looks forward to seeing the systematic application across the sector.

4.2. It is imperative that those employed by the Regulator continue to understand the strategic context within which boards are operating.

5. The remuneration of senior executives of housing associations.

5.1. Housing associations provide an essential role in communities alongside other public sector bodies. Within the context of the current austerity measures, housing associations are increasingly providing a vital leadership role in communities. In addition, Housing Associations are complex social businesses with significant annual turnover and innovative loan arrangements that require appropriate strategic and corporate skills from their senior executives.

5.2. In NCH the accountability for senior executives' financial packages rests with the Board. The Board in turn, have delegated the review of senior executive packages to its Remuneration Committee which acts on independent advice, and benchmarking both within and outside of the

sector.

5.3. Executive structures vary across the sector. The NCH Board, acting on advice, has recently reviewed its executive structure from 5, one Chief Executive and four Directors to one Chief Executive and two Executive Directors.

5.4. As a Board with accountability for a multi-million pound social business, providing essential services to the people of Newport, NCH is ultimately accountable to its residents. It is therefore essential that the NCH Board is able to justify the decisions it makes to both assess and set salaries to attract and maintain the senior leaders required to deliver NCH's strategic objectives, which is carried out annually.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations

Ymateb gan Fwrdd Rheoleiddiol Cymru / Evidence from 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

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations
Ymateb gan Keith Edwards / Evidence from Keith Edwards

Introduction

I am pleased to submit evidence to the inquiry. I have over 25 years experience in the sector including my time as director of the *Tenant Participation Advisory Service Cymru* (1990 – 2000) and the *Chartered Institute of Housing Cymru* (2000 – 2014). Between 2007 and 2009 I was seconded into Welsh Government to set up and run the *i2i – inform to involve* project, which supported local authorities and their tenants in exploring options to secure investment in the Welsh Housing Quality Standard. One of the consequences of this process was a series of ballots of council tenants that led to the establishment of eleven new stock transfer housing associations.

In a voluntary capacity, I am chair of Taff Housing Association and a former board member of Tai Calon Community Housing, Dewi Sant Housing Association and Adamsdown Housing Association. I have just stepped down as the inaugural chair of the Democratic Body of Merthyr Valleys Homes, Wales first tenant / worker mutual. For a short period in 2014 I was a member of the previous manifestation of the Regulatory Board for Wales.

Over the last two years I have worked as an independent housing consultant, carrying out a number of strategic and service reviews for housing associations as well as a review for the Welsh Government Housing Regulatory Division of the national Tenant Advisory Panel. I am currently the lead associate for the *Housing Quality Network Cymru*, which provides

advice and support to organisations specialising in strategy, governance and risk management.

I would be happy to give evidence in person to the committee. I have provided some context followed by a response to the specific questions posed in the consultation paper below.

Context

In my view, there are two fundamental characteristics of the housing association sector in Wales that are particularly relevant to understanding their relationships with government and others.

Firstly, they are essentially social enterprises – indeed many specifically describe themselves as such. A key challenge for all social enterprises is to remain true to their social purpose whilst at the same time being a viable and sustainable business. Individual associations may well have different ambitions and priorities and consequently some may appear more focussed on delivering their social purpose, others might appear to be more business orientated. The best ones manage to do both.

Secondly, Wales has developed a distinctive (particularly from England) housing narrative based on a ‘whole system’ approach, first mooted by CIH Cymru, where effective partnerships between the government and all sectors – local authorities, housing associations and the private sector are a prerequisite for successful delivery of good quality affordable homes plus wider social benefits, particularly jobs and training opportunities. For associations, this dates back to the *Essex Review* and the subsequent commitment of government and the sector to work together that has manifested itself, for example, in successive *Housing Pacts* to deliver affordable homes and joint commitment to a ‘co-regulatory’ approach.

Increasingly a case can be made that our approach works better for a small country. There's a general view – shared with an increasing number of colleagues across the border – that housing is more joined up, access to government easier and partnership working more embedded and, in combination, these are starting to deliver results. The target for affordable homes under the last administration was exceeded, the successful *Houses into Homes* initiative to bring empty properties back into use has been extended and local authorities, encouraged by government, are building council houses again for the first time in decades. Driving up standards in the private rented sector, backed up by legislation is also beginning to have an impact.

The effectiveness of the current Regulatory Framework

The establishment of an independent Regulatory Board has been a significant step forward in ensuring proper, transparent oversight of the sector in Wales. The original board set up following the Essex Review, although well intentioned, had a basic flaw in that it was essentially an amalgamation of vested interests including Community Housing Cymru, the WLGA, Welsh Tenants, TPAS Cymru and the Council of Mortgage Lenders.

Having attended both – the original board as a member, the new board to give two presentations – the contrast is quite stark. Discussions at the original board were dominated by the various 'positions' of individual representatives; the new board is clearly taking a more independent and robust approach recognising, on the one hand the significant contribution the sector makes, whilst helping ensure that the interests of government (as investor and regulator), tenants and the wider public are paramount.

The decision in September 2016 by the Office for National Statistics (ONS) that housing associations should be considered part of the public sector, although expected following a similar decision relating to England, has caused serious concern that this change in status could compromise the independence and voluntary nature of associations as well as undermining their viability by, for example, restricting their opportunities to borrow to build new homes.

Unsurprisingly, the announcement on 29th December 2016 that Welsh Government promised to take "whatever steps are necessary" to reverse the change was very well received by the sector. Central to this will be redefining the relationship between government, the sector and individual associations and jointly re-engineering the regulatory framework, a process which is already underway.

For me, the key challenge for government and the sector can be very simply expressed: how to ensure proper scrutiny of publicly funded bodies whilst allowing associations to maximise the delivery of homes and wider community benefits. To do this, a number of key issues have to be addressed:

- There needs to be clear separation of the roles of Government as, on the one hand, the funder and delivery partner of associations; and on the other, the sector regulator.
- The regulatory framework needs to develop further the principles and practices of co-regulation, based on a two way process of 'support and challenge'. This means focussing on promoting success as well as robust regulation with a sector that is always encouraged to 'speak the truth to power'.
- The sector has to continue to provide evidence that it is delivering value for money regarding public investment, mirroring the 'economy,

efficiency and effectiveness' approach in England, but also factoring in an assessment of the wider social, economic and environmental benefits that the sector in Wales has pioneered.

- The sector needs to engage consistently in the new framework. In the past there have been contradictory messages, perhaps best expressed in the sentence 'don't tell us what to do; tell us what to do', reflecting a desire to maintain maximum autonomy whilst at the same time seeking prescriptive guidance on process.
- Lenders confidence needs to be maintained. However, Welsh Government and the sector should jointly push back at perceived opportunistic moves to renegotiate terms of loans during periods of increased uncertainty.
- Government, the regulator and the sector need to back up commitment to ensuring tenants are at the heart of their priorities. Recent reductions in core government funding for tenant participation plus the withdrawal of support for Welsh Tenants, the national tenants body, are a cause of concern, given that there are significant resources available to ensure landlord views are heard.
- The views and opinions of local government also need to be taken into account if regulation is to be effective. As well as being national partners in, for example, the recently announced Housing Pact, councils will be key local partners in setting strategy, delivering affordable housing targets and integrating the work of associations into wider regeneration.
- Individual associations need to ensure they remain true to their values and are demonstrably accountable to tenants and their local

communities. This applies to traditional associations, many of whom came into being to address serious housing shortages and social problems; and stock transfer associations who were mandated by their tenants at a ballot to be custodians of local public housing.

The effectiveness and quality of governance

Whilst the sector was too slow, in my opinion, to embrace governance improvement, the widespread adoption of the CHC Code of Governance has given a welcome impetus to improving this situation. Identifying and dealing with risks, recruiting on the basis of competencies, developing training and support for board members, encouraging robust challenge and separating out strategic and operational matters have all, from my perspective, moved significantly forward over the past two years.

New models that aim to ensure excellence in governance and improve accountability are being developed. The recent reconstitution of Merthyr Valleys Homes as Wales first tenant / worker mutual is a very exciting example of how this might be achieved. Although only in its first year in my experience the sense of ownership and purpose engendered amongst members is already leading to increased levels of engagement and better quality decisions.

One area that, in my view, is underdeveloped is partnership working between associations. In part this is due to a reluctance by boards and senior managers to look beyond maintaining the independence of their organisations as the overriding objective. It is important to stress that merger doesn't need to be the inevitable endgame although in any comprehensive review of partnership options it should be considered.

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

The publication and regular updating by the regulator of *Sector risks facing housing associations in Wales* is a welcome and useful contribution to ensuring effective management of major risks.

Whilst many of the levers to 'engineer out' financial risk lie with the UK Government, including most taxation and welfare benefits, other are quite clearly within the ambit of Welsh Government eg rent policy and future social housing grant levels.

The fact remains though that the complexity and unpredictability of risk constitute the biggest challenges. Whilst some associations have taken a proactive approach to thoroughly stress testing their governance and business plans, there is a need for this approach to become universal and regularly repeated.

The effectiveness of the co-regulatory approach

The basic assumption of co-regulation is that an open, robust approach based on partnership working will deliver better results for government and the sector. This still holds, although it's fair to say that it has taken time to bed in and has some way to go. The critical issues will be maintaining the trust of partners.

In recent years a small number of associations have hit serious problems. The response of the regulator has sometimes received criticism and it is important that lessons are learnt. The 're-engineering' of the framework seems to be focussing on learning past lessons whilst maintaining a strong commitment to co-regulation.

Remuneration levels of senior staff members of housing associations

As publicly funded bodies it is important that associations operate in an open way and that includes being transparent about the way in which salaries levels for senior staff are set and ensuring that they have strong evidence from the market that they can be justified.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations

Ymateb gan Cymdeithas Landlordiaid Preswyl / Evidence from the Residential Landlords Association

ABOUT THE RESIDENTIAL LANDLORDS ASSOCIATION

The Residential Landlords Association (RLA) represents 40,000 small and medium-sized landlords in the private rented sector (PRS) who manage over 1,000,000 properties across the UK. It seeks to promote and maintain standards in the sector, provide training for its members, promote the implementation of local landlord accreditation schemes and drive out those landlords who bring the sector into disrepute. Members also include letting and managing agents.

Please find below the RLA response to the Public Accounts Committee inquiry into the regulatory oversight of housing associations.

Housing Associations play a vital role in providing accommodation and building new homes right across Wales, sometimes in areas of the country that would not, at first, seem beneficial for private builders to consider a large-scale development. They also provide multiple additional support services above and beyond their primary function of providing homes. The value of these supplementary services in fulfilling other functions beyond the provision of housing cannot be overstated.

Although the Private Rented Sector (PRS) and Housing Associations are very different beasts, they both have an important role to play in solving the housing crisis in Wales. Housing Associations house some of the most vulnerable in society that only a minority of private sector landlords would

feel comfortable supporting through a tenancy, due largely to a lack of support services for PRS landlords. Many private landlords who do offer accommodation to these groups have benefited significantly from the practice and have attained a shared experience with landlords in the social sector. It is and has been an opportunity for mutual learning and the development of best practice across housing tenures. The PRS routinely scores better than the social sector for overall satisfaction (including standards) and tenants' satisfaction with repairs. Housing Associations across the UK have, collectively, had billions of pounds spent on the sector specifically to bring properties to a higher standard, yet the PRS, with little to no public investment, scores higher for satisfaction and repairs.

Over the past few years, landlord organisations like the RLA have worked closely with representatives from Housing Associations to share practices that benefit our members and ultimately tenants. This has taken place through a series of different conferences designed to share practices across sectors, and with individual landlords who have worked with housing associations to provide better support to tenants.

Working with housing associations has also led to the formation of the Homes for Wales coalition, which encompasses the whole housing sector to look at ways in which we can solve the housing crisis together. It is only by working collaboratively across sectors that we can find practical solutions to many of the day-to-day issues faced by tenants and landlords in all sectors.

Sincerely

Douglas Haig
Vice Chair and Director for Wales
Residential Landlords Association

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations
Ymateb gan Shelter Cymru / Evidence from Shelter Cymru

6th January 2017

Our vision

Everyone in Wales should have a decent and affordable home: it is the foundation for the health and well-being of people and communities.

Mission

Shelter Cymru's mission is to improve people's lives through our advice and support services and through training, education and information work. Through our policy, research, campaigning and lobbying, we will help overcome the barriers that stand in the way of people in Wales having a decent affordable home.

Values

- Be independent and not compromised in any aspect of our work with people in housing need.
- Work as equals with people in housing need, respect their needs, and help them to take control of their lives.
- Constructively challenge to ensure people are properly assisted and to improve good practice.

Introduction

Shelter Cymru welcomes the opportunity to provide a written response to this inquiry. We feel that our evidence has most relevance for the question on whether the current regulatory regime is effective in managing and mitigating sector-wide risks.

We would like to draw your attention to our recent report entitled '*Accessing and sustaining social tenancies: exploring barriers to homelessness prevention*'.

The 2015 Public Accounts Committee inquiry on how local authorities have responded to welfare reform expressed concern about a number of issues regarding access to, and the sustainability of, social tenancies. Shelter Cymru explored this issue, looking at registered social landlords (RSLs) as well as local authority tenancies. Our full report can be found [here](#)¹ and the executive summary [here](#)².

Accessing social tenancies

We noted a number of potential barriers for people on low incomes to accessing accommodation with RSLs. We found evidence that some Welsh RSLs have denied households a tenancy on affordability grounds on the basis of a pre-tenancy financial assessment, including in cases where the rent would be fully covered by Housing Benefit. In addition, many RSLs we spoke to told us that they charge rent in advance, seeing this as a measure to reduce arrears caused by the introduction of Universal Credit. However, this can be a significant barrier for households.

We feel there is an urgent need for more transparency and clarity regarding the financial assessment process and the use of rent in advance and more work should be undertaken to identify methods to ensure that RSLs are providing accommodation for people on very low incomes. At present there is a lack of monitoring information on the demographics of applicants refused a tenancy on affordability grounds. We feel this information is essential in order to prevent households being excluded from RSL properties when it is inappropriate and unfair to do so.

This will become even more important next year when Housing Benefit to social tenants will be capped at Local Housing Allowance levels, including the

¹ <https://sheltercymru.org.uk/wp-content/uploads/2015/02/Accessing-and-sustaining-social-tenancies-exploring-barriers-to-homelessness-prevention.pdf>

² <https://sheltercymru.org.uk/wp-content/uploads/2015/02/Exec-summary-16-Sept.docx.pdf>

shared accommodation rate for single under-35s. Other [research](#)³ has indicated that changes in management skills and practices are required if RSLs are to continue to provide accommodation for this group. Some landlords may be considering not housing under-35s at all unless they are work-ready. This is a great concern since privately rented accommodation is already unaffordable for under-35s in many parts of Wales and is often poor quality.

Sustaining social tenancies

As part of our study we estimated the cost of evictions from social housing to the Welsh economy.

In general, information on how many people are evicted by Welsh social landlords is not publicly available, let alone more nuanced data on household type, numbers of children, extent of vulnerabilities and so on.

Using estimates we found that in 2015/2016, 517 households were evicted from RSLs in Wales. Of these, 178 evictions involved families with children (34% of evictions). From this we used available data on the impacts of eviction to estimate that the annual cost of evictions from RSLs to the Welsh economy is £13,644,619.

In addition to the financial cost, our research found that the personal impact of eviction is devastating with evicted tenants finding themselves without support to transition into stable housing, facing long-term homelessness and developing, or experiencing deterioration of, support needs such as mental and physical health conditions and substance misuse. Many of the evicted tenants we interviewed were still homeless more than six months post-eviction, suggesting that eviction from social housing is a life event that is difficult to recover from.

3

http://chcymru.org.uk/uploads/events_attachments/FINAL_Report_on_viable_housing_models_for_under_35s_-_Final_2016.pdf

Our research found that approaches to eviction prevention vary considerably between landlords. Despite evidence that many RSLs were employing innovative and proactive approaches to eviction prevention, we also noted examples of inconsistency and a lack of communication between other housing departments and support services. In some cases we found a discord between policy and practice – sometimes well-developed and inclusive policies were not followed by staff. However, we feel it is essential that policy consistently matches practice. At present, there is the danger that two people facing eviction could receive a different response from the same social landlord. While we welcome a tailored approach to eviction prevention, it is essential that all tenants facing eviction receive a consistent minimum standard of response and assistance to resolve the crisis. Early prevention will save both the financial and personal trauma of taking a tenant to court and, in some cases, evicting them.

We found a worrying practice of the use of section 21 notices by RSLs. A section 21 notice, or ‘no fault’ eviction notice, allows a landlord to regain possession of their property but only at the end of an assured short-term tenancy or fixed term tenancy agreement. This option denies tenants the right to defend their actions and doesn’t allow the court any discretion in preventing the eviction. The use of ‘no fault’ eviction grounds for social tenants in rent arrears goes against existing Welsh Government guidance⁴.

Next, we found that some RSLs routinely issue high numbers of ‘Notice of Seeking Possession’ (NoSPs). In one HA, approximately 1,500 were served in a year. This is despite tenants who faced eviction telling us that the issuing of the NoSP (without offers of accompanying support) actually hampered their desire and ability to engage with their landlords to resolve the issue that has led to the threat of eviction. We found that tenants in rent arrears were often likely to have poor mental health, and we found evidence that mental health conditions can be exacerbated by threats of eviction, causing people to disengage and withdraw. In this way, we conclude that in some

⁴ Welsh Assembly Government (2004) *The Use of Introductory and Starter Tenancies: A Good Practice Note to Welsh Social Landlords from the Welsh Assembly Government*

cases, efforts by RSLs to reduce arrears are in fact counter-productive to the aim of getting the rent paid.

Another significant barrier to eviction prevention is unrealistic payment plans being set by the social landlord. One tenant we spoke to during the research told us how they struggled to make the arrears repayments and had little help from the RSL when they pleaded with them to reduce the repayments to a more manageable amount. Only the intervention of independent advocacy resulted in the repayments being reduced to a level they could afford.

Overall, our evidence suggests that more can be done to ensure that Welsh social housing is continuing to meet the needs of people on very low incomes and the regulation of RSLs has a large role to play in this. Our recommendations are grouped into four main themes:

- *Establishing a Wales-wide approach to financially inclusive lettings* – this would need to be developed in collaboration with the sector as a whole, the aim being to ensure some consistency around policies such as rent in advance
- *Avoiding unnecessary court actions* – we asked the Welsh Government to replace the current pre-action protocol with a set of pre-action *requirements*, as is the case in Scotland, to guarantee that no tenant will be taken to court before their landlord has carried out certain basic steps such as checking there are no outstanding Housing Benefit issues
- *Developing a knowledge base on tenant engagement* – to help landlords to engage with tenants, using evidence-based approaches
- *Supporting local authority Housing Solutions teams to prevent homelessness* – for example, by improving referrals for tenants at risk of eviction.

An important first step, in our view, is to improve data collection on eviction practices. Landlords in receipt of public funds should be publicly

accountable on the question of how effectively they help to prevent homelessness. This should include publicly available data on how many eviction notices are issued, how many court actions taken, how many households evicted, and how different groups of people are affected particularly those with protected characteristics.

For more information please contact Jennie Bibbings, Campaigns Manager

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations
Ymateb gan Denantiaid Cymru / Evidence from Welsh Tenants

Welsh Tenants is a representative voice for tenants formed in 1987 but with a longer campaigning history. Our mission is to ‘enhance and promote the rights, representation and standards for people whom rent their homes in Wales’. We have over 500 registered groups and associates in Wales.

Welsh Tenants served almost 6 years on the Regulatory Board for Wales until the board changed to an independent structure in 2015/16. During this time we helped develop and manage and facilitate the Tenants Advisory Panel throughout this period. We are the only tenant representative body to currently sit on the RAG (Regulatory Advisory Group). We undertook a mapping exercise of tenant scrutiny among HAs in 2015.

This response relates to:

National Assembly for Wales

10th Jan 2017.

Public accounts committee response to the enquiry on the effectiveness of the current Regulatory Framework for Housing Associations Registered in Wales;

1. The effectiveness and quality of governance arrangements;
2. Whether the current regulatory regime is effective in managing and mitigating sector wide risks;
3. The effectiveness of the co-regulatory approach in practice;
4. The remuneration of senior executives of housing associations.

1. Quality of governance arrangements

- 1.1. The focus on governance has been a key area of regulatory activity. The Regulatory Board Wales commissioned a review of governance in Wales 2013¹ The comprehensive research of HAs in Wales stimulated sector discussions on how governance can be improved. As a consequence a new code² was adopted in 2015 with a 'comply or explain' approach adopted by the regulator.
- 1.2. In our view the representative body for the sector CHC (Community Housing Cymru) undertakes its role diligently and with professional competence delivering a number of governance specific events to share and discuss emerging risks, provide workshops, discussions on strategic and policy issues for boards that address the full range of emerging risks and challenges for the sector.
- 1.3. Boards are always balanced by pushers and pullers. Those wanting to race ahead expand and diversify and those who want to stay grounded in their localism in both traditional and non-traditional models. However, the regulator reports there are some associations still presenting cause for concern' that require closer regulatory monitoring.
- 1.4. We are confident that work undertaken by the regulator in a co-production, co-regulation approach has enabled the sector to improve board governance however this is a dynamic process.

Issues raised by tenant representative group

- 1.5. Executives as board members – There is significant tenant and stakeholder resistance to executive officers being on boards of HAs with voting rights. The executive is accountable to the board not a member of it. We believe this model should be confined to the

¹ <http://gov.wales/statistics-and-research/sector-study-governance-housing-associations-registered-wales/?lang=en>

² http://chcymru.org.uk/uploads/events_attachments/Code_of_Governance.pdf

private sector. If the board has concerns about understanding executive proposals, it should seek independent support and advice.

- 1.6. Paid board members – The sector has a diverse range of highly professional persons on their boards. Individual HAs can determine whether to remunerate board members with a an explanation to the regulator. Tenants are generally not in favour of ‘paid board members’. We are however sympathetic to encouraging young professionals to gain board experience through compensating employers for time off to encourage younger profiles into the role.
- 1.7. Tenants as board members – The majority of boards recruit tenants to join their boards from ‘within’ and ‘outside’ of their voluntary TP (tenant participation) structures. There is no mandatory requirement among traditional housing associations to place tenants on boards. Landlords do so, as a part of their TP strategies. There are a range of practices including arrangements for ‘election’ and ‘selection’, although increasingly moving to selection only. We are not convinced, and there is little evidence to suggest otherwise, having tenants as board members improves the board function, compared to other models such as wider range of ‘consumer advice’ professionals. Although there are many tenants who are very experienced and provide a valuable contribution, our preference would be to see tenants in a ‘challenge role’ not equipping them to become ‘the landlord’ with the collective board responsibility this entails. Given the practical limitations on board size, we would rather see the emphasis on meeting other skill gaps such as consumer rights, health and wellbeing, older / young person champions etc.
- 1.8. Scrutiny and challenge – Welsh Tenants are supportive of properly structured and adequately resourced tenant scrutiny and challenge. Our view is that tenants should be empowered to monitor and

evaluate 'service delivery performance' particularly the effectiveness, efficiency, economic and equitability of service delivery. In this way challenge and scrutiny provides a useful accountability tool for boards. According to a survey conducted in 2015 "Mapping tenant scrutiny among HAs" [2015], conducted by the Tenants Advisory Panel and Welsh Tenants, there are around 1500 tenants participating with housing associations, with a small number undertaking scrutiny and challenge roles. Effective tenant involvement has been assessed as providing significant savings annually to HAs (DCLG commissioned research³ suggest savings per tenancy between £28 and £94 per property or over £20m annually to Wales if implemented, evaluated and evidenced correctly). This can be best achieved through comprehensive involvement structures with external support at local, regional and national levels. The process enables the regulator to focus on governance and financial viability while utilising local tenant scrutiny and challenge of service delivery to account for their "service delivery performance".

- 1.9. Golden share – The sector is supported by the addition of 11 LSVT (Large Scale Voluntary Transfer) organisations that range from fully and partially mutual to traditional LSVT HA models. LSVT boards are mainly comprised of a third tenants, councillors and independents. The golden share (councillors) maintain the link with local authority accountability providing localised assurances. There's been much discussion about removing this contingent. Welsh Tenants view is that the make-up of governance arrangements for LSVTs were determined by tenant ballot as outlined by the "offer" and "business plan". This included reassurances concerning structures and make-up of boards. Tenants voted on the whole package. A 30 year business plan, a WHQS delivery offer and accountability structures. These measures ensure concerns of anti-stock transfer bodies such

³ <https://nationaltenants.files.wordpress.com/2015/03/tlc-an-investment-not-a-cost.pdf>

as Defend Council Housing and in particular the criticisms of “privatisation of council housing” were allayed. We believe that any fundamental change should be subject to re-ballot and full consultation in line with ‘Gunning principles’. If councillors are withdrawn from LSVT boards, one suggestion is for local authorities to have powers to call to account the boards and their CEO’s to a public hearing to explain their performance should issues arise.

- 1.10. Social housing sector changes across the UK mean that many involved tenants have concerns about the ability of the sector to continue to provide rented accommodation for low income earners, the disabled and the elderly who can least afford market rents. In the near future, increasing commercialisation of HAs is an inevitability to maintain and even subsidise their current sector niche.
- 1.11. Mergers – Some tenants are have raised concerns by the push for increased merger activity. While we understand the necessity to address ‘governance issues’, mergers are an extreme solution to poor board performance or other risks as reported by the regulator. We are mindful of some views that mergers are politically motivated and produce no tangible long term savings. If mergers are to be extended, we would like to see full meaningful consultation arrangements put in place, as with the stock transfer process with independent tenant advisors appointed, including opportunities to be balloted, with tenants having some say on the appropriateness of merger partners.
- 1.12. AGMs – Annual General Meetings are the primary event to convey annual performance to shareholders and stakeholders. They are we feel, much more inclusive affairs than 5 years ago. These are often supplemented by annual tenant conferences that market the association’s collaborative work and allow tenants to understand

the breadth of partnership working undertaken. The changes have been widely welcomed by many.

- 1.13. Shareholders – Shareholders act as guardians of the constitution, vision and values and meet up annually, being invited to attend the AGM. However their role is largely an advisory one to the appointed board. The shareholder role, as well as a recruiting ground for potential board members, could also be better utilised to better understand and provide more effective challenge / accountability of boards. We are pleased to see some HAs develop as ‘fully mutual’ with inclusive tenant and staff shareholding being developed. However our general view is that the role of shareholders is largely misunderstood and largely underutilised among the majority of HAs.
 - 1.14. Transparency – We are mindful that HAs provide the Welsh Government with a great deal of data. We are also mindful of the need to ensure best value is achieved in reporting processes and transparency for tenants and the public to understand the sector. We appreciate the sector provides a valuable ‘public service function’ as non-public bodies. Due to the vital public impacts on the supply of affordable homes, we would wish to see HAs being subject to FOI (Freedom of Information) requests to improve transparency for the public and stakeholders. We understand that Scotland has also resolved to consult on the same issue for largely similar reasons and due to the ONS reclassification.
2. Whether the current regulatory regime is effective in managing and mitigating sector wide risks;
- 1.2. Generally, under the co-regulation regime it is for the sector to identify and manage their risks and put in place plans to mitigate their impacts. The regulator provides ‘a judgment’ as to how well the

association performs across these functions and whether they have the competence and confidence to do so. However, the regulator does identify, through the 'relationship management process' emerging risks and can request evidence as to how the association is managing these.

- 1.3. Sector risks are also identified by regulators themselves, the sector and stakeholders coming together to consider emerging risks and challenges, these cover a very broad range including; lender confidence, devolved and non-devolved matters such as social security / housing benefit, social, technological, earnings risks, aggregates – to mention a few. Thematic reviews are also commissioned.
- 1.4. In our view the co-regulatory approach encourages HAs to be open with the regulator in raising issues of risk confidentially through the 'relationship management process', and requires the provision of 'self-evaluation' evidence of business models with plans to mitigate high value risks and 'Delivery standard' performance. It is seen as being more useful than routine inspections of pre-set criteria.
- 1.5. With increasing number of complicated group structures and the broad range of diversified businesses associations operate within, regulation also crosses sector boundaries including health, wellbeing and social services. Soft and hard intelligence is therefore critical in the gathering of evidence to make informed judgements. We understand that the Welsh government as regulator has critical links to other regulatory bodies to understand the nature of these risks through various networks.
- 1.6. The regulatory structure also includes RAG (Regulatory Advisory Group) consisting of stakeholder representative bodies to advise the regulatory board on sector wide risks.
- 1.7. Over several years a number of high level risks have been identified. Most if not all RSLs appear to have comprehensive risk inventories and

are improving their ability to respond to current and emerging risks. This is a dynamic process.

3. The effectiveness of the co-regulatory approach in practice;
 - 3.1. The term 'co-regulation' in effect means housing providers self-regulate in a transparent manner, subject to resident, stakeholder and partner scrutiny and challenge. As one HA states “The aim of co-regulation ensures associations take full responsibility for their actions and how they operate, thereby enabling a reduction in direct, central regulation” (Wales & West HA). This means, demonstrating confidently that housing associations are able to undertake their obligations within the co-regulation relationship diligently. This also means being transparent and open with the regulator, tenants and stakeholder partners regarding performance.
 - 3.2. Some housing associations are better equipped to deliver a co-regulation approach than others. This does depend on the culture and quality of staff and their knowledge and competence to deliver a best value approach and a commitment to the principles of co-regulation. Co-regulation requires extraordinary levels of trust on behalf of the regulator and we would suggest a less transparent, some would say “cosy” model of regulation, however the chosen model has yielded improvements in governance arrangements, identifying emerging risks. This can be evidenced through ‘closer monitoring’ with several associations and has stimulated sector wide collaborative responses to help mitigate them.
 - 3.3. While Welsh Tenants fully accepts the need to focus on governance and financial viability we would welcome better ‘service deliver judgements’ to triangulate governance and financial viability. With more meaningful transparent reporting on how well housing

associations deliver service performance commitments and accountable tenant involvement to demonstrate its effectiveness.

- 3.4. Registered Social Landlords as providers of social housing fulfil a vital public service function in society. There is much confusion regarding landlords obligations, and tenants' rights, relating to being informed, consulted and to participate in changes to housing management, including on issues such as rent and service charges, common housing registers, housing management and mergers. Section 104–106 of the 1985 housing Act guaranteed secure tenant rights to be informed, consulted and to participate and has been the fundamental principle used by successive governments in Wales to encourage and support housing authorities and RSLs to participate with tenants. As registered social landlords with assured tenancy agreements the statutory rights are now more confused particularly with a non–public body providing essentially a public service. It is our firm belief, that the principle of tenant involvement and consultation as outlined in the Gunning principles⁴ would be better served through the development of a consolidated statutory right to be informed, consulted and participate – as in Scotland to safeguard opportunities for accountability, representation and involvement not least to tenants who are not involved.

4. The remuneration of senior executives of housing associations.

- 4.1. Remuneration of senior executives has not been an issue raised by tenants, apart from concerns about potential remuneration of board members. Most may not be unaware of the salary and enhancements attached to senior executive remuneration packages. This further reinforces the need for more transparency of final package schemes.

⁴ <http://www.wlga.gov.uk/publications-improvement-and-governance/the-law-of-consultation>

- 4.2. The comparative salaries prevalent in HAs in England is however it would seem are beginning to feature among top earners here, with a steady stream of executives being attracted to Wales potentially forcing prices upwards.
- 4.3. We are concerned about reports of staff members having to pay for their own 'inferior tools' and having to take out loans and 'salary sacrifice' to pay for them and other such conditions/terms which may not be subject to higher earning grades suppressing earnings for some.
- 4.4. Salary bands including full disclosure of enhancements/benefits/pensions, are not universally transparent. In the interest of transparency, we would welcome annual published ratios of earnings among all staffing levels in the summarised and full accounts of HAs.

5. Other concerns

- 5.1. The Office of National Statistics (ONS) has within its remit the ability to determine decisions regarding accountancy practices and the power to determine whether a body is classified as 'public' or 'non-public' institutions. The ONS Economic Statistics Classification Committee (ESCC), considered the classification of registered social landlords (RSLs) and housing associations in England, which concluded in 2015. This was undertaken in the context of international rules laid out in the European System of Accounts (ESA) 2010 and the accompanying Manual on Government Deficit and Debt 2016 (MGDD 2016) and determined the private registered providers (PRPs).

- 5.2. In the June 2016 Classifications Forward Work Plan, the ONS undertook a further review of the statistical classification of registered social landlords and housing associations in Scotland, Wales and Northern Ireland and concluded that registered providers of those administrations are ‘public, market producers’ and as such they will be reclassified to the Public Non-Financial Corporations (S.11001) sub-sector for the purpose of national accounts and other ONS economic statistics.
- 5.3. For Wales this classification applies with effect from 24 July 1996; the date of the Housing Act 1996.
- 5.4. As a consequence of the ONS decision, Welsh Tenants are concerned that the loan debt carried by the sector in Wales will become ‘public debt’ and seriously undermine the ability of the sector to deliver on the planned 20,000 homes recently announced, as the debt required to service new borrowing will be capped by Welsh government borrowing powers and/or restrict the borrowing potential of the sector. We would support urgent legislation that would reverse this decision without serious detriment to accountability and transparency of the sector.
- 5.5. Further issues of concern raised by tenants, is that the sector will utilise the opportunity of the ONS decisions to seek a number of changes and powers of the regulator and Welsh Government.
- a) the sector could place demands on Welsh government not to intervene in its affairs restricting effective regulation in the interest of tenants (tenants at the heart) including restricting any impositions of scrutiny and challenge
 - b) concerns that landlords will increasingly focus on commercial and market rent activities and not meet the needs of people unable to access or afford open market rents the number of social housing rent properties as a proportion of homes provided by the social housing

sector may further diminish with fewer powers of the regulator to intervene, specifically to meet a mandate to provide homes for those in greatest need

- c) that Welsh Government requested data gathered by HAs and used by the public through ONS data gathering and or FOI (Freedom Of Information) requests will be further reduced leading to less transparency
- d) that existing properties or new properties not funded directly or indirectly by social housing grant and or surpluses generated by HA activity will be used to provide 'market rent properties' that lay outside of the 'common housing register' and thereby excluding tenants from the ability to transfer / downsize to these newly acquired homes

Conclusion

These are demanding times for the sector and for the provision of genuinely affordable homes being harder to access, potentially eliciting fundamental changes in social housing provision for existing and new entrants. Generally the sector is well governed and aware of risks and collaboratively tackle them. There are significant strengths in the co-regulation approach but we are mindful that this could be undermined by the ONS decision and the level of 'back-off' required to address the reversal of the reclassification.

We are under no illusion as to the challenges the sector face. We do however need to maintain a viable social housing sector that may aspire to focus on commercial activities. Wider risks particularly non-devolved matters and the ability to respond effectively to them, particularly social security changes and supply of genuinely affordable homes means that significant stresses remain.

Shortfalls in the Shared accommodation rate will impact on All Broad Market Assessment Areas in Wales with the exception of one in Wrexham (West Cheshire) with the shortfall being in excess of £14 per week. While spare subsidy system (bedroom tax) continues to impact on thousands of tenants

with the opportunity to move to smaller affordable social housing being diminished with the longer term pressures on the Discretionary Housing Payment system and common register changes. While housing management costs are rising steadily as a result of additional work by housing professionals to support tenants. In some areas housing associations are increasingly using section 21 notices (used during the tenancy probationary period) to evict tenants who are struggling to pay rent, placing further pressures on Local authorities (Shelter Cymru research).

The sector has responded well to the pressures, but no doubt is set for significant change as pressures continue. Having an effective regulatory process that embraces collaborative solutions is therefore vital to also holding in check those pushers who may want to diversify away from a high cost social housing sector.

New models of supply through for example modular build and we would suggest self-management to reduce management costs may be required to hold rent costs down. We must however continue to be innovative in finding and funding effective collaborative solutions.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations

Ymateb gan Gymdeithas Llywodraeth Leol Cymru / Evidence from the Welsh Local Government Association

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three fire and rescue authorities and the three national park authorities are associate members
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve
3. This is the WLGA's contribution to the inquiry by the **National Assembly for Wales' Public Accounts Committee into Regulatory Oversight of Housing Associations**. The WLGA welcomes the opportunity to contribute, and we have used the format provided by the inquiry's terms of reference to structure the contribution

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

4. The WLGA is currently represented on the Regulatory Advisory Group which provides advice to the Regulatory Board, and were previously represented on the Regulatory Board for Wales, prior to its re-constitution as an independent Board in 2016. Through this participation and involvement, WLGA has contributed to the ongoing

development of the Regulatory Framework, and its implementation and delivery

5. Local authorities see housing associations as key local partners providing homes and services to local citizens and, therefore, have an interest in ensuring that the regulation of associations is robust and credible
6. The WLGA supports the three main principles underpinning the Regulatory Framework:
 - Tenants at its heart, with the goal of the framework being that tenants and their families have decent, affordable homes and receive high quality services;
 - Housing associations take full responsibility for their actions and the way they operate; and
 - The framework is based on close working relationships between the Welsh Ministers, housing associations, their tenants, and their key partners
7. Regulation has developed and evolved considerably since the framework was introduced in 2011, following the Essex Review of Affordable Housing. WLGA welcomes the recently announced revised and improved approach to delivering housing regulation which it is believed will allow a clearer focus on the issues of governance, financial viability and tenant services
8. This revised approach will feature annual published co-regulation statuses for governance (including service delivery) and financial viability. It is also proposed that the existing delivery outcomes will be revised to set new performance standards, and associations will be

required to submit an annual statement of compliance with these performance standards

9. Regulation supports the critical relationship between councils and housing associations in meeting the housing needs of local communities, particularly for the most vulnerable for whom councils have statutory duties to support. Housing associations have a critical role in supporting local authorities in delivering their strategic housing roles, with a key aim being to increase the supply of affordable housing. Therefore, the effective management of associations' development programmes is of critical concern with the attendant focus on management of finance, relationship with lenders, gearing ratios, etc.
10. However, the relationships between councils and housing associations do not solely rely on regulation, and are also often supported by a variety of local arrangements and partnership structures. For example, local authorities' staff and housing association development teams will regularly meet to review Programme Delivery Plans (PDP's) which set out development priorities for delivering additional affordable housing and the use of Social Housing Grant and other types of public subsidy
11. Section 95 of the Housing (Wales) Act 2014 places a requirement on certain bodies, including housing associations, to co-operate with local authorities in preventing homelessness, unless it is unreasonable to do so. A mechanism for an annual joint review of co-operation between individual local authorities and housing associations on homelessness is currently under development, with input from Community Housing Cymru (CHC), Welsh Government and WLGA, and is now being trialled in a number of areas

The effectiveness and quality of governance arrangements

12. It is significant that the first thematic review commissioned by the Regulatory Board after it was established was in relation to the governance of associations in Wales. This signalled the importance that the Regulatory Board attached to ensuring good governance across all associations
13. Following this thematic review, CHC developed a Code of Governance for associations setting out standards and practices that boards and their members should adhere to in order to deliver good governance. The WLGA supports the principles within the code
14. The WLGA supported the re-constitution of the Regulatory Board for Wales in 2016 to become a board fully comprised of independent members, rather than including a variety of representative stakeholders as had previously been the case

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

15. Welsh Government, as the regulator, publishes “Sector risks facing housing associations in Wales” which sets out the key governance, financial and service risks facing housing associations, including those risks which apply to the whole sector. This is a useful reference for housing association boards, however, it is clearly the responsibility of individual association boards to identify and manage the risks relating to the operating environment and particular local context/s of each association
16. The delivery outcomes and self-assessment processes have provided useful tools to support this activity and the regulatory regime has

continuously emphasised the importance of risk identification and mitigation. The annual submission of 30-year business plans with explicitly identified key planning assumptions also supports this risk management approach across the sector

The effectiveness of co-regulatory approach in practice

17. Co-regulation, built on close working relationships, is a key principle of the regulatory framework, and effective self-assessment by boards is a key component
18. An ongoing, positive, regulatory relationship between regulation staff and an association is an important feature of the co-regulatory approach, therefore appropriate capacity within the regulatory team is critical to the success of co-regulation, along with openness and transparency on the part of the association board and staff
19. The proposals within the revised approach to delivering housing regulation for the development of performance standards and the submission of an annual statement of compliance will further emphasise the importance of the co-regulatory approach and the responsibilities on association boards to positively engage with the regulation team

The remuneration of senior executives of housing associations

20. To increase transparency, a range of organisations including local authorities and Welsh Government publish Pay Policy Statements. A similar approach may be worth considering for housing associations
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Prepared by	Jim McKirdle WLGA Housing Policy Officer
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Date	January 2017

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations
Ymateb gan Sefydliad Tai Siartredig Cymru / Evidence from the Chartered Institute of Housing (CIH) Cymru

The Chartered Institute of Housing (CIH) is the independent voice for housing and the home of professional standards. Our goal is simple – to provide housing professionals with the advice, support and knowledge they need to be brilliant. CIH is a registered charity and not-for-profit organisation. This means that the money we make is put back into the organisation and funds the activities we carry out to support the housing sector. We have a diverse membership of people who work in both the public and private sectors, in 20 countries on five continents across the world. Further information is available at: www.cih.org

In Wales, we aim to provide a professional and impartial voice for housing across all sectors to emphasise the particular context of housing in Wales and to work with organisations to identify housing solutions.

Introduction

CIH welcomes the opportunity to provide evidence to the Public Accounts Committee as it undertakes its inquiry into the regulatory oversight of housing associations in Wales.

Our response is informed by feedback from our members, our knowledge of the housing industry and expertise from our policy and practice teams.

General Comments

CIH Cymru supports the development of Welsh policies, practices and legislation that aim to address the key housing challenges we face, to

improve standards and supply, promote community cohesion, tackle poverty and promote equality. We promote a *one housing system* approach that:

- places the delivery of additional affordable housing at the top of national, regional and local strategies as a primary method of tackling the housing crisis;
- secures investment to ensure the high and sustainable quality of all homes in a sustainable framework;
- improves standards and develops the consumer voice within the private rented sector
- promotes the concept of housing led regeneration to capture the added value that housing brings in terms of economic, social and environmental outcomes;
- recognises that meeting the housing needs of our communities is a key aspect of tackling inequality and poverty;
- ensures that there are properly resourced support services in place to prevent homelessness and protect the most vulnerable;
- uses current and potential legislative and financial powers to intervene in housing markets and benefit schemes;
- promotes consumer rights & tenant involvement;
- and supports the continued professional development of housing practitioners.

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

1. Following the review of affordable housing in Wales a new Regulatory Framework for housing associations was developed collaboratively in 2011 between Welsh Ministers, housing organisations and tenant groups. The new Regulatory Framework worked along three main principles:

- Placing tenants at the centre of the framework
- Housing associations taking full responsibility for their actions and operating practices

- The framework is based on close working between Welsh Ministers, housing associations, tenants, services users and other key partners¹

2. We welcomed the original approach outlined in the framework, as it recognised that a “one size fits all” model would not be appropriate in a sector where housing associations can vary significantly in the scale and complexity of their operations. In addition an approach that is transparent and consistent with regards to regulatory judgements, prompting learning and improvement from regulatory activity is one we continue to endorse. The Regulatory Framework included a self assessment; regulatory assessment; delivery outcomes; financial viability judgement; regulatory assessment report and enforcement powers.

3. Building on this, more recently housing association regulation in Wales has been revisited with the aim of improving and building on the risk-based, tenant centred approach developed through the framework in 2011. We strongly welcome that this new approach will continue to place tenants at the heart of the regime, that the underpinning principles of the framework will remain and the system of co-regulation will continue.

4. The new approach is one that will focus on continuous improvement and strategic risks, as housing associations continue to respond to complex operating challenges. We believe that finding the right balance is important for tenants, staff, lenders and other stakeholders linked to an associations work. With the challenges facing the housing association sector only set to intensify we believe that an increased focus on the strategic risks will give confidence to lenders and ensure services are focused on providing high quality outcomes for tenants whilst also delivering value for money.

¹ <http://gov.wales/topics/housing-and-regeneration/publications/regframeworkhousingassoc/?lang=en> (January 5, 2017).

5. This revised approach will be implemented from 1 January 2017 with a view to assessing its effectiveness following the first full cycle. We look forward to working closely with our members to gain insight and inform the housing regulation team on the impact of these changes.

The effectiveness and quality of governance arrangements;

6. As organisations deeply rooted in tackling poverty, building affordable housing, and increasing community well-being, the tenant voice has rightly been at the heart of how organisations are governed and regulated.

7. It has become common practice to ensure tenants are empowered to become involved in shaping the work and practices of housing associations, providing their experience and expertise to ensure housing associations continue to learn and work with local communities. This has been achieved through, for example the election of tenant board members, creation of scrutiny panels and greater interaction through social media and other technology.

8. Our membership felt that the current direction of travel, with a focus on risk management and strong governance is the right area to scrutinise, whereas previously the focus has been placed too greatly on the Housing Associations Regulatory Assessment, (HARA) which some felt, had too many measurements organisations would need to commit considerable resources evidencing.

Whether the current regulatory regime is effective in managing and mitigating sector wide risks; and/or

9. At the present time, when housing associations are facing extensive challenges in meeting demand for affordable housing in addition to meeting the needs of communities, mitigating and managing risk is vital to both sustainability and increasing quality of services provided to tenants.

10. Welsh Government's Housing Regulation Team produced a report in March 2016 outlining the sector risks facing Housing Associations in Wales with a view to informing and supporting risk management at a board level. We feel this proactive approach to working with housing associations and other stakeholders to identify risk is positive and should continue to be a feature of how the team work in the future.

11. In that report the team identified a number of prominent risks for the sector and the boards of respective organisations to consider. These included a need for boards to understand and mitigate the risks of welfare reform; reliance on Supporting People funding; pension costs; increased costs of business operations; managing large-scale programmes of housing development; business diversity; stock condition and debt (both existing and new).²

12. We believe that these risks continue to be prominent to the success and viability of the housing association sector. The regulatory regime has an important role to play in supporting organisations to identify and mitigate risks. We also recognise the vital role that boards currently play in horizon scanning, compiling and monitoring risk registers, and identifying risk champions at board level. Such initiatives seek to ensure risk remains high on the agenda for housing associations recognising the complex and fast-paced nature of the operating environment.

The effectiveness of the co-regulatory approach in practice

13. The co-regulatory approach has been a positive step-change toward joint accountability in housing association regulation in Wales. Some of our members have highlighted that although the approach has brought about

² <http://gov.wales/docs/desh/publications/160331-sector-risks-facing-housing-associations-en.pdf> (January 5, 2017).

real change through cooperation and challenge, this can vary across Wales depending on the skill-set and approach undertaken by individual regulatory officers. However, members have also reflected that the Regulatory team seems under-resourced as it strives to fully implement and work to this approach.

14. As the challenges for housing associations intensify and change it is vital that both the regulatory regime and governing boards of housing associations are equally able to effectively operate the co-regulatory approach. This will continue to require skills and expertise in the various areas of operations conducted through housing associations across Wales to be present and well-represented on both governing boards and within the Welsh Government's Housing Regulation team.

15. For example, as part of our role in supporting professional standards we will be providing a series of CIH Cymru Masterclasses in partnership with Central Consultancy and Training.

These include separate sessions on Constructive Challenge, Risk and Assurance and Value for Money.

The remuneration levels of senior staff members of housing associations

16. The housing association sector is facing an increasingly challenging operating environment. The breadth of operations undertaken by many associations means that outcomes achieved with and for tenants are felt across sector such as health and social care.

17. In 2015-16, local authorities reported 2,400 additional affordable housing units had been delivered across Wales, an increase of 8 per cent on the previous year. This brings the total delivered since April 2011 to 11, 508

which exceeds the previous Government target of 10,000 additional affordable homes by 15 per cent.³

18. Welsh Housing Associations continued to make the largest contribution to additional affordable housing in Wales, delivering 94 per cent of all additional affordable housing provision during 2015–16 (2,250 units)⁴

19. Over and above the provision of affordable housing, housing association operations can extend to managing food banks, debt advice services, homecare, student accommodation, community facilities and grants, job clubs, fly tipping removal, community recycling, domestic violence support.

20. The housing association workforce is one made up of a wide range of professional skills, attributes and qualifications. Some enter the sector through undertaking a skilled apprenticeship, or following the completion of a housing studies qualification, others transfer from other professions. Solicitors, nurses, social workers, teachers, designers represent just some of the disciplines whose skills can translate with ease to a career in the housing sector.

21. In order to attract good quality people to lead organisations with significant numbers of staff from diverse disciplines, a mandate to develop and improve communities through managing and increasing affordable homes through a budget that can exceed £40m turnover a year, there will be an expectation that a reasonable package will be offered.

22. As independent organisations it is up to the governing board of individual associations to determine the level of senior staff pay and to justify this to stakeholders if challenged.

³ <http://gov.wales/docs/statistics/2016/161019-affordable-housing-provision-2015-16-en.pdf> (January 5, 2017).

⁴ *ibid*

Additional Comments

23. One additional issue which requires careful and swift consideration by Welsh Government is the decision by the Office of National Statistics to reclassify housing associations as public bodies. The impact of placing the borrowing debt of the housing association sector on the public accounts is likely to be detrimental to associations ability to borrow further funds to invest in building new affordable homes to meet the 20k target set out in the programme for government. We welcome the intention stated by the Welsh Government to take steps to reverse this decision and believe this may be an opportunity to consider how regulatory arrangements could further compliment the capacity of associations to increase housing supply, via the process of reversing the decision in legislation.



Tai Pawb

Response to:

**“Inquiry into Regulatory Oversight of Housing Associations”
(Evidence Submission to the Public Accounts Committee)**

January 2017

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A Who we are

a.1 Tai Pawb (housing for all) is a registered charity and a company limited by guarantee. The organisation's mission is, "To promote equality and social justice in housing in Wales". It operates a membership system which is open to local authorities, registered social landlords, third (voluntary) sector organisations, other housing interests and individuals.

B What we do

b.1 Tai Pawb works closely with the Welsh Assembly Government and other key partners on national housing strategies and key working groups, to ensure that equality is an inherent consideration in national strategic development and implementation. The organisation also provides practical advice and assistance to its members on a range of equality and diversity issues in housing and related services.

C Tai Pawb's vision is to be:

c.1 The primary driver in the promotion of equality and diversity in housing, leading to the reduction of prejudice and disadvantage, as well as changing lives for the better.

c.2 A valued partner who supports housing providers and services to recognise, respect and respond appropriately to the diversity of housing needs and characteristics of people living in Wales, including those who are vulnerable and marginalised.

c.3 For further information visit: www.taipawb.org

c.4 Charity registration no. 1110078
Company No. 5282554

1 Introduction

1.1 Tai Pawb welcomes the opportunity to provide evidence to the Public Accounts Committee in relation to its inquiry into the regulatory oversight of housing associations, we would also like to extend our thanks to the committee in granting an extension in relation to the submission of this evidence.

1.2 This response is predicated on our knowledge and expertise in the equality and housing policy and legislation of Wales supplemented by our practical expert knowledge of working within the Welsh housing sector providing equality support to that sector for over ten years as the foremost leaders in the field of equality and housing in Wales.

2 General Comments

2.1 Tai Pawb continues to support the development of Welsh housing and equality policies, legislation, and practices. We work with our members and key stakeholders to ensure that equality and diversity, and social justice principles are at the heart of housing in Wales.

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

3.1 When the new regulatory framework for housing associations in Wales was developed in 2011, it was done so on the basis of cooperation and coproduction involving Welsh Ministers, housing associations, tenants, and organisations like ourselves who work closely with the housing sector in Wales. We would like to take this opportunity to state that we very much appreciated this approach at the time and we appreciate the continued close collaboration with the Regulation Team.

3.2 The initial approach was revisited and developed further over the intervening time. The aim of doing so has been to improve the risk based and tenant centred approach. Tai Pawb welcomes the work undertaken so far and the continued commitment to ensure that through the tenant centred approach equality and diversity remains a high priority for the regulator.

3.3 Tai Pawb has worked closely with the regulator over the years, including providing advice to the regulation team on approaches to equality and diversity via advisory groups and beyond and supporting the sector to improve their equality and diversity practices. Our latest development, QED Award, which is a quality mark for housing providers, enables housing providers to show their commitment and

effectiveness in relation to equality and diversity. In developing the mark, we appreciated collaboration with the regulation team in order to ensure that the mark meets regulatory requirements related to equality and diversity. It is our aim that QED Award will further strengthen the work of the regulator in the promotion of equality and diversity within the sector. We look forward to working with members of Tai Pawb and colleagues within the housing regulation team over the coming years in, and assisting with the planned review of effectiveness of the approach in 2018/19 (after the first complete cycle of operation).

3.4 Organisationally, we have seen housing association members of Tai Pawb proactively seeking training in relation to equality and diversity, and equality impact assessments for both staff and board members. In addition our members will utilise our members helpline for (non-legal) advice and information, and members are also keen to utilise us for policy reviews. This is certainly in part due to the tenant centred approach of regulation and the emphasis on equality, diversity, and access to services contained within the regulation process.

4 The effectiveness and quality of governance arrangements

4.1 During 2016/17 Tai Pawb worked closely with the Regulation Team to update their process for equality monitoring of board members in Wales. The team took on board our recommendations and have implemented comprehensive data collection which includes all the protected characteristics as defined in the Equality Act (2010). We welcome this change to equality monitoring and are looking forward to the publication of the equality monitoring data and expected longer term improvements in organisations related to board diversity as well as continued work with the team in relation to this in the coming financial year and beyond.

4.2 Tai Pawb continues to work to provide high quality advice, information and training in relation to equality and housing issues across the housing sector in Wales. We are pleased to see an increased interest and uptake in equality and diversity training for board members. We have noted that some organisations will make this training a pre-requisite as part of the induction of new members, and there is an approach within the sector to ensure that this knowledge is kept up to date. We continue to work with the sector to ensure they follow this path of continued improvement and that the good practice is replicated as much as possible across the sector.

4.3 We welcome the commitment to Community Housing Cymru's Code of Governance and are proud to be project partners on the Come on Board – which seeks to improve the calibre and diversity of board members for housing associations in Wales.

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

5.1 The regulation team produced a report in 2016 highlighting the sector risks which was aimed at informing and support management at board level. This was a proactive approach which we welcomed. We also welcomed the approach taken in relation to this piece of work which was to work with housing providers and other organisations, such as ourselves, to help identify these risks. We feel this approach should be continued. We feel it is of particular importance to ensure that the voice of organisations which can highlight risks in connection with equality and diversity is heard – noting that currently there are two major pieces of work being undertaken in the field of disability and housing by the Wales Audit Office and the Equality and Human Rights Commission respectively. We believe there is a potential for risks linked to equality and diversity to become more prominent over the coming period both in connection to the impact of welfare reform on certain groups of people, EU referendum and in connection to any findings from the research previously mentioned. Understanding the impact of these on certain groups of people will help housing identify and target actions to mitigate these ensuring the best use of resources and reduction of the potential overall risk effect.

6 The effectiveness of the co-regulatory approach in practice

6.1 Tai Pawb welcomes the ethos of a co-regulatory approach based on the recognition of joint accountability. We welcome the opportunity to have input into the regulatory process with sector involvement at high level meetings, an approach which has had demonstrable benefits for all involved.

7 The remuneration levels of senior staff members of housing associations

7.1 While we recognise the housing sector and housing associations in Wales in particular are facing unprecedented operational environmental challenges, we also acknowledge that the remuneration level of senior staff members of housing associations in Wales can be a contentious and complex area for consideration. While we do not have a specific comment in relation to remuneration for the sector we would like to highlight the connected area of senior staff members' diversity in the sector.

7.2 We noted earlier that improvement has been made in board equality monitoring used by the regulator in Wales to facilitate greater board diversity. We would welcome a similar approach to facilitate greater diversity in staff leadership.

8 Additional comments

8.1 Housing associations in Wales continue to make a significant difference to the lives of some of the most vulnerable people. They are working in an operating environment which continues to be challenging for a number of reasons including reclassification and welfare reform. This often results in challenges related to meeting the needs of some of the most vulnerable people in Wales.

8.2 There are unprecedented demands in connection to the need for housing for general needs housing as well as specific housing need related to the needs of, disabled people, older people, under 35's, refugees, survivors of domestic abuse to mention a few. Housing provision in Wales, like in other parts of the UK, needs to change in order to continue providing homes to those in most need. It is in light of these sector pressures and demands equality and diversity considerations become even more prevalent. The continued focus of the housing regulation in Wales to take account of equality and diversity is paramount at this time.

Cynulliad Cenedlaethol Cymru / National Assembly for Wales
 Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee
 Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations
 Ymateb gan Gyngor ar Bopeth / Evidence from Citizens Advice

Citizens Advice Cymru welcomes the opportunity to respond to this inquiry and provide evidence that is relevant to the sector. We have provided specific responses to those questions which are most relevant to the people we help via our network of local offices across Wales.

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

Our statistics show the issues we have dealt with across our network in Wales. We receive fewer issues about Housing Associations compared with the private rental sector (PRS). The tables below show the number of issues that were recorded during quarter 1 and quarter 2 of 2016.

NB: Clients/issues for both these quarters should be looked at separately and not added together, otherwise this could result in the same client being counted twice.

Q1 – April to June				
Type of issue	No. of clients	No. of issues	%	Change from Q1 2015–16
PRS property	853	1,085	28%	-7%
Environmental & neighbour issues	327	418	11%	-1%
LA housing	267	313	8%	-7%

Threatened homelessness	282	312	8%	-20%
Owner occupier property	260	275	7%	-20%
HA housing	227	263	7%	-18%

▲ Table 9: Top six housing problems dealt with by Citizens Advice during Q1 2016-17

Q2 – July to September				
Type of issue	No. of clients	No. of issues	%	Change from Q2 2015-16
PRS property	924	1,123	28%	-15%
Environmental & neighbour issues	361	438	11%	+11%
LA housing	274	317	8%	-16%
Threatened homelessness	290	316	8%	-15%
Owner occupier property	296	314	8%	-10%
HA housing	250	305	8%	-6%

▲ Table 9: Top six housing problems dealt with by Citizens Advice during Q1 2016-17

The effectiveness and quality of governance arrangements

Our statistics show that we receive less issues from the RSL sector compared to the PRS. This may be due to RSL governance arrangements being relatively effective compared to other sectors. However, there remains a low level of issues; this could be improved on.

We welcome any proposals that improve the information given to tenants about governance arrangements to enable them to address their issues.

We also welcome proposals that assist tenants in gaining the independent, quality-assured information and advice which would enable them to address any issue with their RSL.

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

There are risks in the sector that need effective management, including the impact of welfare reform; the economic uncertainty created by the referendum decision to leave the EU and the ongoing austerity impact on public services. Some of these factors will impact on rent arrears.

During 2015–2016 more than 12,000 people sought our help with housing-related issues, a 3% rise despite the number of issues seen remaining almost static (up by only 100 issues). Nearly a third (29%) continue to relate to private rented sector properties only. While the private sector leads in number of issues, as is clear from the graph overleaf, we have seen a marked jump in registered social landlords (RSL), housing association (HA) and private rented sector (PRS) related rent arrears enquiries over the past year.



Looking at the detail of these rises within the RSL and HA sector, there was a 100 person and issue related increase in possession claims for arrears over the past year and a similar rise relating to debt repayment issues. Looking at PRS rent arrears there were small rises across most rent arrears issues, from an increase in liability for debts (up 29% to 343) through to possession claims (up 21% to 161) and eviction (up 47% to 163).

Our view is that rent arrears appears to be on the increase in the sector and governance arrangements need to manage this risk.