



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

16/01/2017

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Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

| | |
|---|--|
| Mohammad Asghar Bywgraffiad Biography | Ceidwadwyr Cymreig Welsh Conservatives |
| Mike Hedges Bywgraffiad Biography | Llafur Labour |
| Neil McEvoy Bywgraffiad Biography | Plaid Cymru The Party of Wales |
| Rhianon Passmore Bywgraffiad Biography | Llafur Labour |
| Nick Ramsay Bywgraffiad Biography | Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair) |
| Lee Waters Bywgraffiad Biography | Llafur Labour |

Eraill yn bresennol
Others in attendance

| | |
|--------------|--|
| Steve Clarke | Rheolwr Gyfarwyddwr, Tenantiaid Cymru Managing Director, Welsh Tenants |
| Neil Howell | Pennaeth Tai a Chymorth Busnes, Cyngor Bwrdeistref Sirol Torfaen Head of Housing and Business Support, Torfaen County Borough Council |
| Jim McKirdle | Swyddog Polisi Tai, Cymdeithas Llywodraeth Leol Cymru Housing Policy Officer, Welsh Local Government Association |
| Nick Selwyn | Swyddfa Archwilio Cymru Wales Audit Office |

Gavin Smart Dirprwy Brif Weithredwr, Sefydliad Tai Siartredig y
DU
Deputy Chief Executive, Chartered Institute of
Housing UK

Huw Vaughan Thomas Archwilydd Cyffredinol Cymru
Auditor General for Wales

David Wilton Cyfarwyddwr, Gwasanaeth Ymgynghorol
Cyfranogiad Tenantiaid Cymru
Director, Tenant Participation Advisory Service
Cymru

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

Fay Bowen Clerc
Clerk

Claire Griffiths Dirprwy Glerc
Deputy Clerk

*Dechreuodd y cyfarfod am 14:00.
The meeting began at 14:00.*

**Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest**

[1] **Nick Ramsay:** Can I welcome members of the committee to this afternoon's meeting of the Public Accounts Committee? Headsets are available in the room for translation and sound amplification. Can I remind Members to ensure that any electronic devices are on silent? In the event of an emergency, please follow the ushers. Apologies have been received today from Neil Hamilton. If Members do feel that they have any declarations of interest that they should register, now is a good time to do so, or at the appropriate point, when the item to which they relate comes up.

Papurau i'w Nodi
Papers to Note

[2] **Nick Ramsay:** Item 2: papers to note. First of all—three papers—minutes from the meeting held on 9 January 2017. Are we happy to agree the minutes? Yes. The minutes are agreed. Secondly, coastal flood and erosion risk management in Wales. We did ask for, and have received, additional information from the Welsh Government, including a covering letter from James Price. Can Members note that letter? Good. And thirdly, a letter from the Cabinet Secretary for Health, Well-being and Sport, a letter from 9 January, on NHS Wales health board governance. Happy to note that letter? Good. Thank you.

14:01

Ymchwiliad i Oruchwyliaeth Reoleiddiol ar Gymdeithasau Tai:
Sesiwn Dystiolaeth 1
Inquiry into Regulatory Oversight of Housing Associations:
Evidence Session 1

[3] **Nick Ramsay:** Item 3: this is the first evidence session on the committee-led inquiry into the regulatory oversight of housing associations. A successful stakeholder event was held before Christmas—it seems a long time ago now—with the housing association tenants in December, and a written consultation has recently closed. As well as holding a number of evidence sessions, the committee is also issuing an online survey. So, we have our first evidence session today, and can I welcome our witnesses to the committee this afternoon. Good afternoon, and thank you for agreeing to be with us today. Would you like to give your name and position, and organisation for the Record of Proceedings?

[4] **Mr Clarke:** My name is Steve Clarke. I'm the managing director of the Welsh Tenants.

[5] **Mr Wilton:** And I'm David Wilton, director of Tenant Participation Advisory Service Cymru—just TPAS, that's what we're known as.

[6] **Nick Ramsay:** TPAS.

[7] **Mr Wilton:** Yes.

[8] **Nick Ramsay:** Great. We have a fair number of questions for you, so if at any point I appear to be moving the proceedings along, it's not that we're not interested in what you're saying, it's just that we're trying to get through as much material as possible to inform our inquiry. So, the first question I will kick off with. Quite simply, do you believe the regulation of housing associations by the Welsh Government has been effective? Who wants to take that? Steve.

[9] **Mr Clarke:** Yes, it's been a long journey, and it's an evolving process, I think. But the basic concept behind it was a co-regulation approach, which basically said that landlords are responsible—housing associations are responsible for their own performance, and it's up to you to evidence that to us. And the co-regulation approach allowed the regulator to work with the housing association to be able to identify risks and be assured that they've been mitigated, as well as developing a risk register for the whole sector.

[10] In terms of its effectiveness, I think that's evidenced through the interventions that it's had to make with some housing associations, identifying some core risks, and whether or not the landlord has properly mitigated those. So, in that respect, I think it has worked, to a certain degree. In our opinion, it probably works better than the inspection process, where you have a predetermined inspection regime, and then you go and inspect on the basis of those standards that have been previously determined. It allows a bit more flexibility, I think, for housing associations to respond and the Welsh Government to respond to emerging risks and to help work with the sector to be able to mitigate them.

[11] **Mr Wilton:** I think the other thing is that desire now to speed up the number of assessments that are done. It was quite a long process before: you would only be visited every three years or so, and now there's the thing that it's not quite as in-depth, but they're looking at every housing association getting assessed once a year. And, from there, you're not allowing that length of time for risks to develop and to get worse, by seeing them once a year. It means it also gives time to people to address any concerns and get reassessed as well, and I think that's a positive thing. The only thing for me, though, is that these regular assessments are looking at that financial viability and their finance and their governance, and that's not everything in terms of an effective housing association. So, there's a lot more around service and value for money—are these services actually good services, are they value for money? And I don't think that is quite there at the

moment.

[12] **Nick Ramsay:** You say frequency now is happening, rather than depth. Is something being lost by not having that depth of inquiry?

[13] **Mr Wilton:** No, I think it's—. What they're looking at is fine, but I think you can't do that depth as much if you're doing it annually with the resources they've got. But, I think it is effective for what it does, yes. Is that fair, Steve?

[14] **Mr Clarke:** Yes, I would say that's a fair assumption. As I said, it has been a learning process since 2011, since the Housing (Wales) Measure 2011. I think there has been a lot of learning that had to be done in terms of developing that relationship, and also the change in culture as well, because what's really important for that system to work is to have the right culture within a housing association, which supports that openness and dialogue and management approach.

[15] **Mr Wilton:** What I most like about the regulator over the last nine months or so is that they have been a little short-staffed—they've had some vacancies—but they've made some very public statements about getting the right people to do this job, and recruiting the best that they can get, rather than just fill-in people and having regulatory teams that aren't on their game. I think it's really important that they find the right people and that will be addressed through the regulatory team.

[16] **Mr Clarke:** One of the problems, I think, in terms of the timescales is the civil service process—it can be quite timely and lengthy. In the meantime, the work is building up. So, I have to question whether or not that would be better served if there was an ability to recruit outside of the civil service to fill some of those posts, and also to attract the right type of competence as well.

[17] **Nick Ramsay:** Lee Waters.

[18] **Lee Waters:** Thank you. Thank you very much for your written evidence, which I found very helpful. You both seem broadly positive about the co-regulation model, but you both point to some of the gaps in it. I think the Welsh Tenants evidence talks about how important it is to have quality staff, but also the right culture—robust levels of trust and challenge. I think the TPAS evidence says that there is some doubt about whether that is happening in all cases. You do say, in particular, that more openness by the

regulation team would be welcomed. Could you elaborate a bit more on where you think the danger spots, or the blind spots, are within the current system? It is referenced a couple of times obliquely—the lack of openness and the challenging capacity on the Welsh Government side, in particular.

[19] **Mr Wilton:** Okay. I think we just mentioned that they have got some recruitment gaps and they need to address that. To me, it is not just about the regulation that they do, but how you know about it and how you challenge that. Certainly, you see in Scotland that they have a really public website where you can see your housing association and you can compare it against others, and there is a lot more transparency to the process. That is something we have discussed with the regulator recently—how we would do something like that. For me, it is who they are doing it for and who knows about it. I think that, in the paper, it's also about the fact that, if landlords are self-evidencing with the regulator, fine, but do the tenants see that? Where do the tenants get involved in that? It's a very mixed bag across Wales. So, tenants need to be able to see this type of evidence. They need to be able to see the outcomes and know about it. One housing association has got it right on the front page of its website: 'Here is our latest report'. That's great. With others, you would struggle to find them mentioning their regulatory reports. With the nature of any type of assessment, if it is not as good, they are not going to stick it on the front page, are they? But I think that is somewhere where we need to see improvements in that transparency and people being aware of the assessments.

[20] **Mr Clarke:** Yes, I would concur with that. A public website would help tremendously. I think the regulation website is pretty appalling in terms of finding current documents as well as up-to-date reports, as such. The regulatory report is a narrative. It doesn't actually provide much evidence, I don't think, for tenants to be able to say, 'This is how well my association is doing. These are the areas I need to focus on as an involved tenant, whether I am involved in scrutiny or policy review or service delivery, et cetera.' So, I think that narrative process is not very helpful. There are going to be changes to that process with a more structured and judgmental framework, which might help to position the organisation against others in the sector. The publishing of self-evaluation, for instance, has been something that the Tenant Advisory Panel members took up some time ago. In fact, we used to facilitate the Tenant Advisory Panel and some of the recommendations that they brought on board as a result of that active tenant involvement, I think, has been really positive over the years. The transparency one was a case in point. Now, they have to publish their regulatory reports, they have to

publish their self-evaluations, and when we did some work some time ago, you know, it was buried about five levels in the website, and you had to really look for it. So, yes, I would welcome more transparency in that respect, as well as some of the issues around service delivery specifically—the focus. And I understand why there needed to be a focus on governance and financial viability, because that's the area where most risks occurred, but more detail on service delivery, I think, was something that tenants said that they wanted to see.

[21] **Lee Waters:** So, the need for more openness is purely around the provision of information; you're not referring to the culture within the regulator, are you?

[22] **Mr Wilton:** No. To me? No.

[23] **Lee Waters:** Sorry, it was your evidence, I was citing, I think, to be fair, Mr Clarke.

[24] **Mr Clarke:** Again, it's about what systems are in play. I would like to see, as I said, through the website, through the actions taken according to the current Wales Measure whether or not there's a voluntary undertaking, whether or not there's a statutory intervention, et cetera—that type of issue as well. I think there's not much transparency around that and that's very cosy between the regulator and the housing association concerned.

[25] **Lee Waters:** Okay, because, as I say, there are many references in the evidence to the lack of openness on a series of things. You say that this is despite clear guidance from the regulation team for the housing associations to be more open. So, what more can be done to get them to comply with that guidance?

[26] **Mr Clarke:** A lot, from our point of view. I mean, personally, I would like to see a public right to be informed, consulted and to participate. I think there are varying degrees of openness to the culture of involvement across the sector; some do it extremely well, others do it extremely poorly. So, it depends on who you're with as to the level of openness and accessibility as an involved tenant. But also, we must remember about the non-involved tenants as well, so, people who don't want to get involved, but want to be able to understand how good the association is performing in their local authority area or across regions. It's that aspect, I think, where I would like to see more effort made by the Welsh Government, as well as housing

associations, to address those issues.

[27] **Lee Waters:** Welsh Tenants, in their evidence, say that they'd like to see housing associations being subject to freedom of information Act requests. Is that something you support too?

[28] **Mr Clarke:** Well, I think it's going to come as a consequence of the ONS decision, the Office for National Statistics. Because, with a drive for best value and value for money, I think that inevitably the amount of data that are going to be provided to the regulator will probably reduce. If that happens, it's not just about whether or not—. The amount of information they provide to the Welsh Government, not just the regulator, will reduce. And that's about the public having access to information that informs them how housing associations are performing across Wales. I think, with the ONS decision, and with a drive for value for money, I think there will be calls to restrict the amount of information that the Welsh Government is asking of this sector, and that will probably lead to less transparency, I should imagine.

[29] **Lee Waters:** Okay, thank you.

[30] **Nick Ramsay:** That's surely a backwards step to be—. At a time when we're talking about receiving greater transparency, to be going backwards and restricting it in that way.

[31] **Mr Clarke:** I would suggest, yes, that's correct, yes; it was a backwards step. But I think it's going to be, as a consequence of the ONS decision, that less information will be requested or be required of the housing association sector in the public domain.

[32] **Nick Ramsay:** Worrying. Rhianon Passmore.

[33] **Rhianon Passmore:** Thank you. So, there seems to be common agreement then in terms of the need for better clarity and better access to comparability across the housing associations. In terms of where that's moving, you mentioned a new framework, so that's partly what I want to ask for a little bit more information around. You've also mentioned the concerns around the ONS. I know we're going to come to that as a later question, so I'll skip over that one for now, but obviously, to underscore that there is a concern around that.

14:15

[34] In terms of the ability of housing associations to self-assess that performance in terms of the representation of tenants' views, is that actually adequately carried out? And do you think it should be a self-assessment?

[35] **Mr Wilton:** I think it's evolving at this very moment with the ONS regulations. We spent a lot of time before Christmas with the regulator discussing this, because if you look at the initial criteria they came up with, it was possible to self-regulate without involving tenants. Despite these statements like, 'Tenants are at the heart of everything', you could do it. We challenged that— and I'm sure Steve did as well—and we've had some really good responses back from the regulator as to how they're going to change their criteria to make sure that there is proper evidence of tenant involvement, tenant assessment and tenant voice in those regulations. We still need to see that, but there appears to be a willingness to take on board that feedback from us, and from the community. So, we're in that just still developing stage at the moment.

[36] **Nick Ramsay:** 'At the heart' of the regulation is a very strong term, isn't it, that's in that guidance?

[37] **Mr Wilton:** I know, yes. We often joke about that, you know, 'Tenants at the heart'.

[38] **Rhianon Passmore:** What does it mean?

[39] **Mr Wilton:** People love putting it into their statements, into their mission statements, but they're not, you know, in some cases. It's a real mixed bag. I think that, in some of the initial versions of the regulation framework we saw, you could do certain things without evidencing proper tenant engagement, and I think that is evolving.

[40] **Nick Ramsay:** So, there could be more tenant involvement.

[41] **Mr Wilton:** Yes. That's what they're saying to us at the moment.

[42] **Nick Ramsay:** Steve Clarke.

[43] **Mr Clarke:** I would say that there is a risk of less. As a result of the ONS issues as well, I think there's going to be less. And currently, I think, over the last five years, we've seen a more controlling involvement

environment, whereby tenants who possibly didn't agree with what the housing association was doing were no longer being invited to attend. A select few people were going to conferences and it just went over and over the same people again. A very cosy relationship developed with some associations in terms of their involved tenants. That's why I'd like to see greater transparency around tenant involvement itself, even publishing who your local groups are, who do you consult with, what are their contacts. We can only get access to the involved tenants via the tenant participation officer employed by the housing association, so that's very restrictive for us as an independent organisation trying to reach and advise those tenants. As in Scotland, there is a right to participate. There is a registry of the tenant groups in which people are aware of who they are. Funding is, again—. While some provide a lot of funding—some even more so than us as organisations, representing the whole of Wales—others provide very little. As I said, from my perspective, I think that there is the potential to have less involvement.

[44] I'll give you an example on scrutiny. We undertook a scrutiny exercise in 2015, mapping tenant scrutiny across Wales. The sector told us there were about 230 or 240 tenants involved in tenant scrutiny, when, in fact, it depends on your definition of scrutiny, but most weren't actually doing scrutiny, most were just doing tenant involvement. 'Label it as tenant scrutiny in order to send the message that we are allowing our tenants to scrutinise our services, with executive involvement, et cetera,' and—

[45] **Rhianon Passmore:** Okay, so do you see—? Sorry to interrupt you, but do you see, then, that there is any potential for conflict or tension around the Tenant Advisory Panel, being now—I believe—managed by Welsh Government?

[46] **Mr Clarke:** Well, we understand that the Tenant Advisory Panel has now been closed—

[47] **Rhianon Passmore:** Okay. So, what's in its place?

[48] **Mr Clarke:** —so there's no longer a Tenant Advisory Panel.

[49] **Rhianon Passmore:** What is in its place?

[50] **Mr Wilton:** That is still being discussed between ourselves, the Tenant Participation Advisory Service, and the Welsh Government. The advisory panel, I think, had done some good work, but it had come to a bit of an

impasse in terms of its members and its effectiveness. We proposed, as part of the new Welsh Government grant, a new structure where we will—. Because I want to widen participation. I slightly disagree with some of the stuff Steve just said around formal groups and panels. I don't see some of these tenant association groups being that effective. Some of them are meeting for the sake of it. They get bogged down in their constitution and things like that. I think participation can be in many forms. We've got Assembly Members here who are very active in social media, and I'm sure they'll agree that some of their participation with their voters comes through that type of model. I think having people bound to committees with papers and things like that isn't always the best way of getting that tenant voice into the landlord. There are a number of models that we've developed that we're launching this year in terms of how tenants can have a say, but without having to give up Tuesday afternoon and sit through papers and stuff. So, TAP is another one where we—. So, we've got a disability group where there are huge amounts of people; there are about 40 people that come to the south, a number in the west and a number in the north. If we wanted to get the views of people with disabilities in housing, that is a more effective place than three people as a TAP panel. We proposed to the Welsh Government that there was a number of ways we can engage people, digitally and through online panels to get more insight. It's that diversifying.

[51] **Nick Ramsay:** Does the complexity of the regulation put some tenants off wanting to be involved?

[52] **Mr Wilton:** Well, I think formal committees have been very, very good—and action groups and things like that. But, in some places, you go to them and it's the same people standing for the same positions every year, bound by a constitution that restricts them. I think we've got to widen participation in terms of younger people, different minority groups who don't want to come and sit in committees and stuff. I think we can get participation much wider, and that's the proposal that we're working with with the Welsh Government at the moment, to widen how people engage.

[53] **Mr Clarke:** If I could respond to that point, in terms of your question in relation to that, what we're saying is that yes, all those methods need to be employed, there needs to be a variety of methods. But if you are claiming that you have a scrutiny group, and that scrutiny group is the focus for challenge against delivery of an action plan, a business plan, a commitment that you've given to tenants, then that should be open and accessible to others, and be open for its work and its decisions. We've seen some really

executive-developed decisions being forced through involved groups because they didn't understand or appreciate the implications of those measures, and what we want to see is a more open involvement process, so that groups like us can say, 'Hang on, do you realise what you're proposing here? Do you realise about this legislation, and that legislation, or this impact on environment and on people et cetera?' Can I just give you one example of that? The sector is diversifying a great deal, and one of the measures by one housing association was to purchase properties on the open market and market them at market rents. Now, that's fine in terms of trying to broaden your portfolio or address a specific issue in your area. So, you purchase a two-bedroomed property, say, for instance, and market that with a deposit, AST—assured shorthold tenancy agreement—and at the same time you have tenants who are subject to the bedroom tax, which you're saying that you don't have enough two-bedroomed properties for them to downsize to. In the meantime, they are creating arrears as a result of their position, discretionary housing payments are limited and inaccessible in certain places, but you're marketing that to somebody else. Now, you're saying that it's not part of your common register and that's why the tenant can't apply for that property. So, as I said, do you understand the implications for that for the people impacted on by the bedroom tax? And yet, without external support, you know, they're making these decisions that are quite critical in terms of the issues that we're concerned about as a national representative organisation.

[54] **Rhianon Passmore:** Okay. So is there a continuing need for a very strong representation around making that more accessible, whoever and whatever animal of a body takes that forward, you're arguing strongly that there needs to be that support mechanism very strongly for tenants. And one other tiny little point—I'm sorry, Chair—I very much understand what you're all talking about in terms of participation and widening that group away from the same old—I say 'old', but it's the same experienced members that have always been there before—but obviously in terms of digitalisation, a vast number of those who are our most vulnerable tenants have not got that access. So, it's just to throw that in.

[55] **Mr Clarke:** Without a doubt. There's a number of models; we've actually come up with 10 that we'll be publishing soon. There's a mixture of ones you need to put together to get the right voice.

[56] **Nick Ramsay:** Is Welsh Government fulfilling its side of the bargain in terms of working with landlords to make sure that tenants do know what

their rights are and their role in the process is?

[57] **Mr Wilton:** I don't think—

[58] **Nick Ramsay:** Sorry, I didn't mean to stump you. It wasn't a trick question.

[59] **Mr Wilton:** No, no, no. There is no doubt that funding has been tighter over the last couple of years, and both our organisations have had some quite difficult budgetary positions at the moment. And that's why things like TAP and stuff maybe weren't sustainable any more in terms of the expenses and things that they were incurring. It is very difficult to be as effective as we want to be, but I'm guessing a lot of people come here and say things like that to you.

[60] **Nick Ramsay:** Yes, they do.

[61] **Mr Wilton:** Steve, you probably have a stronger view on this.

[62] **Mr Clarke:** Well, yes—

[63] **Nick Ramsay:** Nothing wrong with that, by the way, people coming here and saying that.

[64] **Mr Clarke:** —we won't exist from March, because we basically have no funding, so it's very difficult to see where the independent tenant representative voice is going to come from in the sector. TPAS' mission is not to have to provide that role. It's to promote participation between landlords and tenants; it's not to represent tenants. Our role is to represent the interests of tenants in terms of their rights, their representation and their housing standards, but we won't exist from March. I would say it's not the role of the regulator to enforce the rights of the tenants. It's to understand, as I said, in a co-regulation approach, to ensure that the landlord is performing as required under legislation and under the terms of the delivery programme.

[65] **Nick Ramsay:** Are you worried about the situation after March, when the independence of the voice of the tenants—?

[66] **Mr Clarke:** I am, yes. And especially at a time when private rented sector involvement is an issue that needs to be addressed as well. The

organisation was formed in 1987, it's our thirtieth anniversary this year, and we will not exist from this year. I think that, from our perspective, that's something that people will be concerned about, and have raised concerns with us about.

[67] **Nick Ramsay:** Oscar, did you want to come in briefly?

[68] **Mohammad Asghar:** Thank you very much, Chair. And thank you, both of you gentlemen, Steve and David. You just mentioned that some of the ethnic minorities and some other people don't attend the meetings. What efforts are you making to make them aware of the changes in the system, and all the rest of it? Because you are representing these tenants. That's the first question. The second is: how many ethnic minorities are there on your tenancy list in Wales? Or in general, how many tenants in Wales?

[69] **Mr Wilton:** I don't know the answer to that. We certainly could get back to you, but probably—

[70] **Mohammad Asghar:** You are a voice of these people.

[71] **Mr Wilton:** Yes. It comes from the housing association's data themselves, and whether they will—. Community Housing Cymru might have a better figure for that, and they're on later. In terms of TPAS, we work with Tai Pawb together to do a lot of training on how to reach different minority groups, how to train people to run events that are suitable, whether that is time, languages—. We are very, very focused on it. It's something I really want to do more of. That's why I was saying we've been developing these models to try and widen participation, because I felt it was getting a little bit narrow in terms of some of the formal groups that exist at the moment. I'm very concerned, yes, and we are addressing that with the sector and with other organisations—and we are seeing results. We are seeing results.

[72] **Mr Clarke:** Just from my perspective, I've been involved for over 20 years in promoting participation. In fact, I used to work for TPAS Cymru as an assistant director many years ago. I was one of the ones who promoted and moved from communities of place to communities of interest. So, rather than just have tenant and resident associations as a community of place, to broaden the involvement to include minority groups, disability groups, groups that have specific concerns around one issue and widen involvement in that process. Since then I think we've gone totally the other way. We've got more communities of interest now than we have tenant and resident groups.

Of course, what that means is that not all tenant and resident groups are involved with their landlord. They may want to change things in their community with other partners, and my concern is that unless those groups are supported and funded, they will not be able sustain themselves and will no longer be able to exist in the future. I like to promote self-help more. I don't think that we should rely on housing associations for welfare reform, universal credit, understanding your rights and your obligations. I believe in self-help and I think that one of the dangers of reducing funding to tenant participation as a whole in Wales is that we'll see an impact where people will be less promoting self-help initiatives and be more reliant on organisations to provide that help for them.

14:30

[73] **Nick Ramsay:** Rhianon Passmore was nodding vigorously during your answer there, so if I can bring her in briefly now.

[74] **Rhianon Passmore:** With regard to the demise of Welsh Tenants—and obviously, you have an interest here—you've mentioned a number of times about supporting the networks of tenants in whatever guise that they are in. So, what do you think the correct split is in terms of responsibility, then, between landlords and the Welsh Government in terms of informing and supporting tenants, with that being a very different role to what your organisation—?

[75] **Mr Wilton:** Would it help if I explained what our organisation does, versus Welsh Tenants? Or do you all know that already?

[76] **Nick Ramsay:** Briefly.

[77] **Mr Wilton:** Tenant participation is about helping tenants to participate in the landlord process. So, we're not doing individual advice. We don't do individual casework. We train them, run events, conferences and things like that. So, how to do scrutiny—we'll take them through that process, but it's up to them then to take that up with the landlord. We also train the landlords on how to engage people and how to engage tenants, how to reach people and how to get more involved. We're acting almost like a broker between the two. We are not an advice-based organisation or a campaigning organisation like Steve's is.

[78] **Rhianon Passmore:** So, is there still a need and a vacuum, then,

moving forward, if that organisation—yourselves—is not going to be there? If that's not part of your mandate, moving forward, who is then going to fill that gap, moving forward in terms of support? You've mentioned welfare reform, universal credit and the bedroom tax. Luckily, we're carrying on the council tax reduction scheme but, obviously, England isn't. So, there's a huge plethora out there of need in terms of housing issues. So, what is the go-to organisation if your organisation is not there?

[79] **Mr Clarke:** I don't know from that perspective. We've got about 400 organisations. We signpost tenants to a variety of issues, whether it's immigration or whether it's welfare reform—there's a whole range of stuff. I would say that the context now is that we're not just dealing with—. Communities are not just housing association communities. They are mixed tenure. Local authority housing associations have mixed tenure. They are private sector living next door to housing association or local authority and owner-occupiers. So, communities are not just housing association. I would say it's a backward step if we just said we will support one sector of that community and not the whole community. That's where we come in: we are more diverse in terms of supporting the community, whether it's a place or community of interest. So, my concern is what happens if something needs to be done in your estate and you want to get together as a campaigning group but the majority of you are private rented sector tenants and there's a minority of housing association, or leaseholders, even, or shared ownership, which is increasing?

[80] So, that's where I think we do things slightly differently. As I said, a lot of the work that we do is signposting to appropriate organisations. So, it's providing information to groups that ask, 'Where can I go if I'm going to be evicted, if I'm in rent arrears or about the bedroom tax?' Whether it's about welfare reform or universal credit—a whole range of stuff. With anti-social behaviour: 'Who can I go to for support?' or 'What are my rights in relation to this? Where can I go to make a complaint if my landlord is not addressing the complaint?'—it's the ombudsman service. That's what we do a lot of, as well as—. That's the local issue. Then regional, national and international. We're a member of the International Union of Tenants. We've been a member for 20-odd years. It celebrated its hundredth anniversary this year. So, having a national representative voice means that we can get involved in things from the bottom up, through to the top, in housing legislation—the renting homes Act and the housing (Wales) Bill—in national terms as well as local.

[81] **Rhianon Passmore:** So, your functions—sorry, Chair—but your

functions, moving forward, are going to be passported to your organisation.

[82] **Mr Wilton:** No.

[83] **Rhianon Passmore:** So, where will those functions come from?

[84] **Mr Wilton:** Some things—. We will be doing more in the private rented sector as part of our new agreement with the Welsh Government, but certain things, like tenancy advice and things, we are not resourced or skilled to do that. There are people like Shelter who will pick up some bits of that. They have some great services that they do. But no—I make no pretence—we will not be picking up all the work that Steve is doing.

[85] **Rhianon Passmore:** Okay, thank you.

[86] **Nick Ramsay:** Thanks, Rhianon. Mike Hedges, some questions on governance, I believe.

[87] **Mike Hedges:** Yes. Two questions—I might put them together. It might be easier. We know that housing associations of the old traditional model and those created by housing stock transfer have different board make-up. Which method do you think is the most effective? Secondly, do you see a difference, beneath the board level, in the governance of housing associations between those that were stock transfer housing associations and those that were traditional housing associations?

[88] **Mr Wilton:** For me, the preferred model, which I'm a big fan of, is where Merthyr Valleys Homes went, and stuff, with the co-op type approach, because, when you meet the tenants there and so on—as a co-op, as a member, as a representative body that exists working with the board—it feels much more engaged than some of the other models that exist at the moment. But I make no pretence—I'm a big fan of the co-op movement.

[89] **Mike Hedges:** So am I. I've spent the last six years arguing in favour of greater co-operative housing.

[90] **Mr Clarke:** Of course, you do have different models, depending on the terms of the stock transfer that was agreed with tenants, and balloted on by tenants. In the large-scale voluntary transfer sector, you have a third tenants, a third independents and a third councillors—'the golden share' if you like. In a housing association, although there is a third tenants, or tenants are

recommended to be on the board, or that they'd like to see that encouraged, it's more independents. So, those two governance models are slightly different, and as I said, with the LSVTs, it was depending on the offer that was made to the tenants at the time of stock transfer. The reason why councillors are on the boards for LSVT is because, obviously, they had an interest in the stock that they were passing over to the new organisation, and there was an offer made to tenants based around the structure of that organisation in terms of its governance. That's the difference between the two models.

[91] In terms of differences between the relative effectiveness of the governance of the two, I haven't seen any studies that would indicate there is a difference—one preferred to the other—although, it has been suggested that, sometimes, the provision of councillors of the LSVTs can be restrictive in certain decisions, if you like.

[92] **Mike Hedges:** But the old type housing association quite often had councillors on them as well, didn't they?

[93] **Mr Clarke:** Yes. But not as a mandated percentage of the board, as it is in stock transfers.

[94] **Mr Wilton:** It's just that, occasionally, you'll see that sort of conflict of interest with councillors, in terms of planning or new developments. So, Merthyr Valleys, when they went to the co-op movement, that golden share was removed, with Merthyr council's complete agreement, and it allowed them to function a bit more democratically, I think.

[95] **Nick Ramsay:** Just to be clear there, do you think that the compositions of boards at the moment is about right, or would you vary the number of local authority or tenant board members or independent members, if you had a magic wand?

[96] **Mr Clarke:** It's up to boards to be able to attract the competence to be able to manage its affairs effectively. We shouldn't be talking about whether they're tenants, whether they're board members, whether they're independent—

[97] **Nick Ramsay:** It's, 'Are they effective?'

[98] **Mr Clarke:** You need to have effective governance. Therefore, you need

to attract people and the range of people—ages, profiles, ethnicity—from the community that delivers the board’s mandate. That’s my personal preference.

[99] **Nick Ramsay:** Lee Waters.

[100] **Lee Waters:** Can I just follow up on that? In your evidence you say that you’re not convinced of the merit of having tenants as board members and that it would be far more effective to have them in a specific challenge role. Can you just tell us a little bit more about that?

[101] **Mr Clarke:** Yes. For Welsh Tenants, it’s not our mission, if you like, or within our mission, to be able to promote tenants to be the landlord. There are specific responsibilities as a landlord that are opposite to being a tenant challenging, if you like—you are now delivering, you are the landlord now, you are not the tenant anymore, you’re not a representative of tenants as a board member, you have specific legal responsibilities as a landlord, and we will challenge you as a landlord. I think that having tenants on the board has been very constructive, in terms of being able to focus the board on issues of service delivery, but I wouldn’t, as I said, recommend that as mandated. I think we’ve lost a lot of good tenants to boards, where they would perform and be able to steer, perhaps, people who are new to scrutiny in the right direction. So, for me, I think it’s about having effective challenge and scrutiny to deliver on the service promises that you’ve given to tenants. And, in some respects, we have lost—. As I said, there are 240 tenants involved in scrutiny, according to landlords, but I think it’s probably about 30 per cent of that. But there are an average of three tenants on every housing association board—120 or 130—odd board members in Wales.

[102] **Nick Ramsay:** David Wilton’s very keen to come in on that point.

[103] **Mr Wilton:** I think, it’s not just about quotas. For us, we train tenants to sit on the appointment board. So, who appoints those directors? Who appoints those members? And, we want tenants to have a voice in selecting the right people; it is not about the number of tenants who are on that board. So, again, the co-op movement—I’ll use it again—that representative body appoints the directors and they might say, ‘I don’t want to be a director, but we’ve got two candidates here and that person, I think, would be the best person to represent us on a professional board’ and I think that’s got to be the way forward. We need tenants to have an input into the selection. And that’s mixed.

[104] **Nick Ramsay:** Rhianon Passmore.

[105] **Rhianon Passmore:** So, from what I understand, what you're saying is that, by going onto a director-type board, those tenants who are able to take on that role, in a sense, are not representing tenants; they are, in a sense, becoming part of that managerial system—part of that hat is with that organisation, rather than their audience, their cohort, where they come from. So, you say that you don't like weighting and you don't like a quota—nobody likes waiting, but you know what I mean: 'weighting', as in grams. So, in terms of a model, you mentioned the co-operative model, and that's something I'm very, very interested in and there has been some experience of that in Wales. So, there must be a blueprint for effective governance that recognises what you both seem to agree on, in synergy, that, if we are really to put tenants at the heart, then we have to have that appropriate model in place. So, what is the appropriate model of governance as far as you are both concerned with your years of experience?

[106] **Mr Clarke:** First, I have a preference, as I've said, to have tenants providing a scrutiny and challenge role, supporting the board to be able to evidence the service delivery—the performance, et cetera of the executive. And that, for me, is my preference. I don't think that—. Sometimes, it is certainly raised with us that the ability to have CEOs on boards is not something that is supported amongst tenants, generally. So, as a model, I think that's more used in the private rented sector; I don't think it's applicable to the quasi-public sector in terms of housing associations and the public role that they perform. There are lots of potential conflicts that could arise as a consequence of that, so we're not in favour of having CEOs or directors on boards with voting rights, and I think it confuses the governance role.

[107] Community Housing Cymru, the representative body for the housing association sector, has developed a code of practice, or a code of governance, which was adopted as a result of a governance review. As I said, I think that the primary objective is to have the competencies on board to deliver as a governing body.

[108] **Mike Hedges:** One question, which is not going to fit into any of these sections that we're looking at, on the Welsh housing quality standard: housing associations have all reached it, or virtually reached it, so do you see the Welsh housing quality standard as a continuum or just being reached and

then stopped? At one time, it was put in that, after a certain time, housing would have replacement kitchens and bathrooms after 15 years, or was it 20 years? It was something in that region—but, when they started 10 years ago, those that were 12 years old have now become 22 years old. My experience of housing associations and local authorities is that they tick the box, ‘We’ve now brought all the housing up to standard’, without seeing that it’s a continuum. Do you see it as a continuum and do the tenants see it as a continuum?

[109] **Mr Clarke:** From my point of view, the Welsh housing quality standard is about achieving the standard and then maintaining it thereafter. So, that includes when the lifecycle of a product reaches a certain age or condition, it’s then turned over and renewed. So, it’s not just about reaching it; it’s about reaching it and then maintaining it thereafter.

14:45

[110] I sat on a group, I think some time ago now, with consultants from Altair Ltd, who did some work for us, to look at the development of a compliance policy on the Welsh housing quality standard across Wales, where boards would sign up to a compliance policy. I think, again, that that’s another area of transparency that needs to be published, whereby, you know, where exactly we are in terms of delivering on the full commitment for WHQS and monitoring and maintaining it after. That’s something, as I said, that’s more suitable for things like scrutiny to monitor, evaluate and then recommend.

[111] **Mr Wilton:** Just quickly, I think it would be healthy that we need to challenge these things and really look at the standards, because environmental and fuel poverty go together, and what we viewed as acceptable 10 years ago now needs to be relooked at, as to how, you know, warm and environmentally sound our homes and our stock, are, and to reduce that fuel poverty and the environmental impact. I think we must look at that part of it again and set new challenges to us all.

[112] **Mike Hedges:** I wouldn’t disagree with a word of that.

[113] **Nick Ramsay:** Okay. If we can move on to the issue of risks, do you believe that tenants are generally aware of the various risks that housing associations face?

[114] **Mr Wilton:** I think we covered that at the very beginning in terms of, 'How do you know about your regulatory assessment?', and 'Where's the public information?' I think there's a lot more we could do on that, and that's not just the regulator. I think, as a sector, there's a lot more we could do to try and make that openness. One thing I'll mention quickly is that I'm with the chair of the regulatory board on Thursday shooting a little video, very much on 'What is the regulatory board?' and 'What's the purpose of it?' I'd like to get Mike in future to maybe do something around, 'What is the cross-party housing group?', and 'What is the point of it?' I want to use video and combine it with social media to try and open up some of this, and try and open up, 'What are the three things to look for in a regulatory assessment?' No-one's going to read a 20-page document that's stuffed somewhere on the Welsh Assembly site. A video, to me, combined with social media, is a way that we can reach people. I talked to the head of regulation this morning about coming up to Merthyr and shooting some stuff with him around, 'What is co-regulation?' in two minutes. I think it's much more powerful to do those types of things, and that's something the tenant participation advisory service is going to be doing over the next year, to try and open up and help tenants ask the right questions and be aware of the structures.

[115] **Nick Ramsay:** Do you think that the Welsh Government regulatory team has sufficient oversight of risks?

[116] **Mr Clarke:** A risk register is published. It's a dynamic process. It's not a static process. It evolves over time. There are broader risks, and there are other regulators that impact on the housing association sector as well—care standards, et cetera, and a whole raft of other regulators as well. I think it does meet with those organisations and issues are added to the risk register accordingly. The focus, as I said earlier, has been on finance—financial viability and good governance—because from that derives good services. That's the presumption. But as I said, from the tenants' risk side, that's not the risk. It's about, 'Are you going to do my repairs', 'Am I going to have a new kitchen?' So, it's about service delivery and performance rather than—

[117] **Nick Ramsay:** Do you think that, in using social media and tools like that, there's a real opportunity to increase awareness?

[118] **Mr Clarke:** I've always supported a broad, diverse range of involvement. You cannot mandate one particular model. It requires an organisation to have an involvement strategy that embraces all types of involvement, including evenings as well as weekends, et cetera. The sector

doesn't seem to work evenings and it doesn't work on weekends.

[119] **Nick Ramsay:** It all stops at five o'clock.

[120] **Mr Clarke:** It all stops at four o'clock.

[121] **Nick Ramsay:** No risk after five o'clock.

[122] **Mr Clarke:** So, if you want to engage people, including young people, on the boards, then you need to have innovative ways of engaging them and, as I said in the paper, even compensating organisations to release really dynamic young females as well as ethnic minorities to be able to engage in boards and to support them to do so. I'd like to see more work done in terms of enabling that to happen.

[123] **Nick Ramsay:** Okay. Lots of interest—Rhiannon Passmore first, then Mike Hedges.

[124] **Rhianon Passmore:** So, do you believe that—this is obviously an opinion, but in terms of how proactive housing associations are being in terms of mitigating risks, I'm thinking the majority of you—. We've talked about things that really matter in terms of repairs, et cetera, and how warm, and WHQS, and in terms of the risk around welfare reform, I'm thinking in terms of the exponential debt that's being carried, and the arrears from some of our most vulnerable tenants who are, in the main, our cohort, our audience, in this regard. Are those risks being effectively mitigated, bearing in mind that we are at the very beginning of a process in terms of how much debt is going to be predicted—and evidence is accumulating—and the arrears that are accumulating around some of our tenants, particularly around universal credit?

[125] **Mr Wilton:** I think, from my perspective, there is a lot of tracking that goes on in housing associations and we are comfortable with the monitoring that they do. For me, the real risk—we were talking about this just before we came in—is that diversification risk. That sort of housing association—. You see it a lot in England now, where their focus seems to be on just becoming a housing developer and developing private sector homes and things like that. That really concerns me. I don't know where we stop becoming—. Why can't we just do things to the best of our ability? And that diversification, I think, takes executives' eyes away from doing the basics, and that is something, I think, we share as a concern with the sector. I understand why people need

to diversify or they need to do certain developments to raise money to cross-subsidise other things, but it's something that, I think, needs to be looked at, going forward, and can the regulatory body do that? The regulatory body just looks at their viability and looks at their governance. Where are we scrutinising their strategy?

[126] **Rhianon Passmore:** So, is there a risk that their very reason for being, the *raison d'être*, then, can actually be annulled because they're so busy with a property portfolio to be profitable? Do you feel that that is something that is potentially the case, or is that an exaggeration?

[127] **Mr Clarke:** Well, you only have to look across the border and see how housing associations have evolved in England, and there has been a move away from traditional forms of the high-risk housing, tenancies below market rents, to then the more attractive private rented sector property portfolios and the building and developing side of it. So, there is a danger that that will creep into Wales and, as I said, from our point of view, I think—

[128] **Rhianon Passmore:** So, are those risks being properly mitigated? That's my question.

[129] **Mr Clarke:** That's for the regulator to assess with each individual housing association. There are some subtle moves around mergers creating bigger housing associations, which may take their eye off the ball and look at the bigger regeneration programmes, et cetera. Now that could be a good thing in terms of economies of scale and the expertise within your organisation to blend and to provide, but it depends very much where the focus is. For tenants, I think the concerns are that you're way up there, now, with all these group structures and what have you, so, 'How can I address issues? How can I be involved? How can I feel that this is still my local association and I can get things done, I can speak to people without having to go through a robot, et cetera, to address my issues?'

[130] **Nick Ramsay:** Lee Waters, on this specific point.

[131] **Lee Waters:** Yes, can I come in there, because this goes to the heart of the matter; this goes to the robustness of the regulation, doesn't it? You say in your evidence that holding in check those pushers, as you define them, who may want to diversify away from a high-cost social housing sector is exactly the test of the effectiveness of the regulator. You said earlier, both of you, that there was a danger of a cosy relationship developing, so if you're

both concerned that this is an area where the system may begin to unravel, are you confident that there is the relationship and the culture and the regulation is sufficiently strong to address this?

[132] **Mr Clarke:** I think the information feeds in to the people on the regulatory board that advises the Minister, and so the regulatory board has an overall picture of where the sector is going in terms of identifying the risks, responding to those, looking at, say, for instance, any rise in evictions, which there has been amongst some housing associations that are specifically—

[133] **Lee Waters:** So, are they holding in check, to use your term?

[134] **Mr Clarke:** Well, that's beyond my pay grade, if you like; it's for the Minister to look at the evidence presented by the regulatory board—

[135] **Lee Waters:** What's your judgment, based on what you've seen?

[136] **Mr Clarke:** I'm concerned at the rise in evictions, because arrears have remained fairly steady. Considering the pressures on tenants' rents and individual families, the rent arrears have remained fairly steady. There is also concern that they will leap, especially as universal credit is rolled out, but there have been 914 people made homeless in the housing association sector, a third of which are families—

[137] **Lee Waters:** So, you are concerned; they're not holding them in check.

[138] **Mr Clarke:** Well, I would say that I would never support people not paying their rent indefinitely, and I think that landlords need to have a balanced approach about how they address that. But there are those that won't pay, and those that can't pay, and that's the differential.

[139] **Lee Waters:** It would be helpful if you were just clear in your answer on this. I appreciate there's a need, while still receiving Welsh Government funding, to speak in riddles, but, in terms of the tests you apply, are they being held in check? From what you're saying, you don't think they are.

[140] **Mr Clarke:** I'm worried at the potential for the sector to go—given the conditions on the sector at the moment.

[141] **Lee Waters:** Okay, thank you.

[142] **Nick Ramsay:** Mike Hedges.

[143] **Mike Hedges:** Following very closely on from that, the financial resilience of housing associations: we've had something that I didn't believe would happen—nine years of phenomenally low interest rates. If you'd asked me in 2008 would we still be talking interest rates at this level, I'd have said, 'You must be joking; we're bound to get back up to what, historically, was normal, somewhere in the 5 per cent to 7 per cent region', which seemed to be normal for a very long period of time. How resilient are housing associations—are tenants aware how resilient they are—if we went back and if we'd had an increase in interest rates, and with the problems coming in with universal credit and others? So, it's a reduction in income and an increase in costs. I know some housing associations have borrowed under fixed rates and others have borrowed under variable rates. Are there concerns amongst tenants and among tenants' representatives? At what level does the resilience show that housing associations would hit a problem in terms of any increase in interest rates?

[144] **Mr Clarke:** From my point of view, it's an area that the regulatory board focused on when I was on the board. It was about stress testing those business models with all sorts of scenarios, of 1 per cent and 2 per cent. I've said the same on platforms myself that the wolf in the garden is the interest rates, as well as welfare reform, something that we don't have control over as a devolved nation. So, from my perspective, I think it's—. That stress testing has been undertaken by the regulators and, to my knowledge, to date, I think that all of them have passed the financial viability assessments. So, I would say, from that, if somebody hadn't passed the financial viability assessment, then that would kick start intervention by the regulator according to the Housing (Wales) Measure 2011, with an escalation of involvement under its current powers. That hasn't happened.

[145] **Mr Wilton:** Just to add to your question of—. You asked how concerned are tenants; they're not, because they're not aware. It's not something that's particularly discussed. It's not something particularly they're aware of, therefore—. It's because it's the role of the regulator to look at those things and I don't think we have that tenant engagement at the moment. I'd like to—that's part of some of the work I'm going to do this year about trying to open up the questions you need to ask, what three things you need to look at in that regulatory assessment—try and raise that awareness, because there isn't at the moment.

[146] **Mr Clarke:** Can I just—? Another point is, again, I think the landlords are starting to get better at how they proportion out how they spend their money. I look at it as: this is my rent, how is my rent being paid, what proportion of that rent is spent on repairs, on servicing debt, on servicing staffing and paying for buildings, et cetera? That, for me, is—. I can break that down to how many pence in a pound is paid out. There is interest in that area of activity, but, in terms of the national impacts in terms of interest rates and more global accounts, I think that's a very niche involvement of some tenants.

[147] **Mr Wilton:** That's why I like the Scottish model, the website that they have, where you can see the breakdown right down to how much is it costing to do repairs, how much is it costing—and you can compare against landlords. Now, there are sometimes good reasons why one costs this and another costs that, but it helps that debate. I think that Scottish value-for-money website really does open it up and allow tenants to ask those questions.

[148] **Mike Hedges:** I agree with you entirely. I think there may well be good reasons, and sometimes it's how money is allocated and how things are put in different piles, but it does generate questions when people are different to others. I think that in itself is useful for tenants, and for people like ourselves, to have that comparison so you can say why.

[149] **Nick Ramsay:** As Mike Hedges has said, since 2008 and before, we've had historically low interest rates, so if we can't get the system right at a time like this then what happens in the future when there is a change in interest rates or other fiscal policy? Neil McEvoy.

15:00

[150] **Neil McEvoy:** Just more philosophically, really, listening to what has been said, what you said about bedroom tax, what you say about the number of evictions, especially with families being evicted, if we look at the immense level of salary reward for chief executives—phrases like 'market rates'—well, I think if they were in the private sector they wouldn't get anywhere near that level of salary. I'm concerned as well at the kind of Big Brother attitude from housing associations, which I've picked up in my community. During the last election campaign, where tenants were intimidated by Wales and West into not displaying party colours, for example, concrete examples where, after

the event, tenants just didn't want to complain—they wanted to, emotionally, but felt so disempowered and so dominated by the association that they didn't want to go down the complaints procedure—do you think housing associations have moved away from their original ethos in the way that they've developed in twenty-first century Wales?

[151] **Mr Wilton:** I think there's a mixture there. I do believe there are some housing associations based in communities across Wales that really feel and are in touch with their communities—there's no doubt. I'm not going to use Merthyr Valleys Homes again, but they have a real sense of identity. And so, no, I think there is a mixture across Wales, and some really do want to see community regeneration, and they are the catalyst, often, to access some funds for those communities. But I don't know if you—. You see more of the individual casework, do you want to—?

[152] **Mr Clarke:** My concern, I think, is that—. I'm a fundamentalist supporter of collective involvement, as well as—. It works individually as well, and I think, as I said, we've moved towards more individual involvement. I think the issue of raising a complaint, and being able to support, to understand how to do that, where to go for support, et cetera, is a concern. You have to go through a three- or four-tier process before you can access the independent ombudsman. And I have seen good work and bad. I think there is a mix of housing associations—quite a broad mix—from the very small, localised vision, as well as the sort of, I would say, more corporate, larger, group-structured housing associations in Wales. And the trick, I think, is to try and maintain that localism feel as a big association, and that's not easy to do. I would have concerns around—. As I said, it's about accessing independent information, advice and support, and not having to take everything to the housing association to address every issue you have. And I think that the voluntary sector provides a good role, but you need to know who to go to for the right type of support in your local area, and that's something that, you know, we have done historically.

[153] **Nick Ramsay:** Okay. Oscar, did you have questions?

[154] **Mohammad Asghar:** Just on chief executives' pay.

[155] **Nick Ramsay:** Yes.

[156] **Mohammad Asghar:** Thank you very much, Chair. My questions relate to the chief executives' pay, actually—you know, we come down on that

level. In the written evidence to this committee, TPAS Cymru said that, in their words:

[157] ‘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’.

[158] Given this, how do you propose the Welsh Government measure the performance of housing associations to ensure consistency and value for money is achieved with senior executive pay? As I look here now, there are nine executives mentioned in our report here, and salary variation is between £116,000 to £151,000, and only Newport, Chair—one association called NPD Homes, another is Newport City Homes—the chief executive—

[159] **Nick Ramsay:** So what are you asking?

[160] **Mohammad Asghar:** What I’m asking is: is there really value for money?

[161] **Nick Ramsay:** [*Inaudible.*]—the level of pay and the quality of the service that is being provided.

[162] **Mohammad Asghar:** Yes. Is the quality of their services—

[163] **Mr Wilton:** I certainly couldn’t answer that and say whether there is a link; I’m not qualified to do that. What we did say in the evidence was that it’s not high up in tenant complaints because they’re just not aware of what the pay is.

[164] **Nick Ramsay:** We keep returning to this lack of awareness, don’t we, through a whole strand of questions?

[165] **Mr Wilton:** But the argument is, especially regarding the ONS and deregulation, have they got an obligation? There’s a difference between a legal obligation and a moral obligation. So, tenants aren’t outraged because they’re not subject to the same accountability, like you are with AM pay. You know, every so often, there’ll be a review and you all have to justify—. There isn’t that in this sector.

[166] **Nick Ramsay:** You can’t ask the right questions, unless you’ve got the information to start with to form a question.

[167] **Mr Wilton:** Yes. I think my concern is this: there's always somebody who'll produce a benchmark piece of paper and go, 'Ah, well, everyone else is paying this. We need to give ourselves a pay rise', because you can find someone to give you that benchmark and then it's just an arms race to the top. We've seen that with senior officials in councils and things like that. It just doesn't feel a healthy scenario and I think that accountability—if you can see that ratio of your senior salary to rents—would bring a bit more transparency to it.

[168] **Mr Clarke:** I would concur with that. I think it's about transparency. I think in some housing associations, you need specific skills and sometimes those skills are scarce and you need to pay a premium for them. But it's up to the housing associations to justify that in an open and transparent manner, I think.

[169] **Mr Wilton:** Certainly, housing associations have got a lot of old stock and it's a real challenge in terms of how they're going to—. You need certain skills and I think they should be rewarded, but, as I say, who knows what those are.

[170] **Nick Ramsay:** Mike Hedges.

[171] **Mike Hedges:** Don't you agree, though, that the problem with checking salaries against each other is that the bottom two move up to the average and you have a moving average, and the moving average keeps on going up and up and up? Somebody's got to be down at the bottom and as everybody moves up, then everybody keeps on moving and eventually people are earning very large sums of money like £141,000.

[172] **Nick Ramsay:** And on that note and optimistic point on what is today 'Blue Monday', is it? Anyway, can I thank our witnesses for being with us today: David Wilton and Steve Clarke? That's been a really interesting session. It was remiss of me at the start as well not to thank you for your evidence that you've provided. I know that other Members have thanked you throughout the course of the evidence session. It was very helpful in helping us frame our questions to you. So, thank you very much for being with us today.

[173] Okay, we'll now take a short break before reconvening in 10 minutes or so for our next evidence session with the Welsh Local Government

Association and the Chartered Institute of Housing Cymru.

*Gohiriwyd y cyfarfod rhwng 15:08 a 15:19.
The meeting adjourned between 15:08 and 15:19.*

**Ymchwiliad i Oruchwyliaeth Reoleiddiol ar Gymdeithasau Tai:
Sesiwn Dystiolaeth 2
Inquiry into Regulatory Oversight of Housing Associations:
Evidence Session 2**

[174] **Nick Ramsay:** I welcome Members back to this afternoon's meeting of the Public Accounts Committee. We are continuing with our inquiry into regulatory oversight of housing associations, and this is item 4, evidence session 2. Can I welcome our three witnesses? Thank you for being with us today; it helps our deliberations enormously. Would you like to give your name and position, and company organisation, for our Record of Proceedings?

[175] **Mr McKirdle:** I'm Jim McKirdle. I'm housing policy officer at the Welsh Local Government Association. I was initially the WLGA representative on the regulatory board for Wales, and I'm currently WLGA representative on the regulatory advisory group. I've also, for the last eight years, been a board member of a housing association here in Wales.

[176] **Mr Howell:** Hello, I'm Neil Howell, I'm the head of housing in Torfaen council. I'm also a WLGA housing advisor.

[177] **Mr Smart:** And I'm Gavin Smart, deputy chief exec of the Chartered Institute of Housing.

[178] **Nick Ramsay:** As I said, thank you very much for being with us today. If, at certain points, I appear to be moving things on, it's because we've got quite a large number of questions for you, so it's just so we can get through as much material as possible. Also, because there are three of you, don't feel that all of you have to answer every question. If there's something you feel is more appropriate to do, then do so. Okay, I'll kick off with the first question, on the face of it, a simple question: how effective do you think the regulation of housing associations in Wales is?

[179] **Mr McKirdle:** I think it's certainly more effective than it has been.

During my involvement with housing regulation, I've seen it become more effective and more real as roles have developed and capacities and skills have developed within the regulatory team and also the capacity and skills within housing associations to participate in the framework. So, I would certainly say that we're moving in the right direction and I think there's evidence in support of that in terms of the regulatory interventions that have taken place in a number of associations recently.

[180] **Nick Ramsay:** Gavin Smart.

[181] **Mr Smart:** I'd also say that actually you can see that process of improvement. We've got a new framework in place from the start of this year, which looks to send a clearer signal about the regulatory judgments that are being made. That seems to speak to me of a process of improvement. I don't think, with regulation, one ever says, 'We have now arrived and it cannot be improved anymore.' But I think you can see a trajectory of improvement, organisations taking it seriously and getting more involved in it. You can see the regulator refining its response and its approach in the light of changing circumstances.

[182] **Nick Ramsay:** And the type of interventions that you mentioned that you've seen, those are the type of interventions that you would expect to see in an effective regulatory framework.

[183] **Mr McKirdle:** Yes, I would agree that they are. I think that they've been proportionate and have achieved positive outcomes, by and large.

[184] **Nick Ramsay:** Great. Lee Waters.

[185] **Lee Waters:** Yes, thank you. A question to you, Mr McKirdle, if I may: you outlined at the beginning your experience in the housing sector, with perspective, I think I heard you right, from a housing association point of view, from a local government point of view and sitting on the regulatory board, understanding the regulator's perspective, too. So, I'm intrigued by your evidence, which confirms what we heard from the tenants' perspective, about the need for openness and transparency on the part of the regulator, which implies that it's not quite there. That's certainly the evidence—they said they thought there was more room for greater willingness to challenge and openness on the part of the regulator.

[186] **Mr McKirdle:** Without actually looking at my evidence, I think what we

were trying to say there was about openness and transparency on the part of housing association boards in relation to that point. So, the point I was trying to get across—I think it was mirrored with a capacity and skills issue for the regulator. It was about—in relation to co-regulation, you need to have capacity, skills and a willingness on both sides to enter into that co-regulatory approach. I think that that's what housing association boards and executives can bring to play in relation to making co-regulation a success.

[187] **Lee Waters:** I wasn't trying to catch you out, to be fair, I'm just trying to understand, from your experience—is that relationship working? You've said in your other evidence that you've got concerns about capacity. So, can you tell us how, in practice, that co-regulation relationship is working and have both sides got the balance right?

[188] **Mr McKirdle:** I think, as Gavin said about the development of any regulatory approach, you can never say you've arrived, but I think we are certainly making progress in that regard, in that during my time with the regulatory board and the regulatory advisory group, the issue of capacity and developing skills and experience within the regulatory team has been a common theme. I think, with any organisation growing into a new role, that shouldn't be a surprise. I think also, with the introduction of the new framework, with the number of different associations you have, the different appreciations of process, looking at self-assessment, something new, it's taken a period of time for associations to be able to interpret those locally, given their own circumstances, and to be able to participate fully. But I think there's certainly evidence that, through the development of the framework, in this latest iteration, there's more effective engagement now.

[189] **Lee Waters:** I'm trying to decode all the nuanced language that you gave us there. So it's got off to a good start, but there are teething problems on both sides. Is that a fair summary?

[190] **Mr McKirdle:** I think there were teething problems to start with, but it's getting off to a reasonable start—

[191] **Lee Waters:** So what needs to be done now?

[192] **Mr McKirdle:** I think that the latest iteration—the move to performance standards and self-compliance—is a reasonable approach, rather than sticking with the self-assessment and regulatory assessment regime that was there before. I think that some of the same work will have to be done, but I

think that associations will be able to engage with that in a more meaningful way.

[193] **Lee Waters:** From what I understand, from all the evidence we've had, for that to work properly there needs to be a robust challenge along the way, and the evidence seems to be, at present, that that's patchy.

[194] **Mr McKirdle:** There needs to be a robust challenge. In the first place, there needs to be robust challenges in the boardroom, in the associations themselves. I hope that the framework, in the way that it's cast and the responsibilities that are placed upon the association, not just for the regulator in this regard, actually encourages that robust challenge.

[195] **Lee Waters:** I don't think I'm going to get a straight answer out of you this afternoon.

[196] **Mr McKirdle:** I've been as clear as I could.

[197] **Lee Waters:** You're giving me a bucketful of caveats there. I'm just trying to get a clear picture of where it needs to be strengthened.

[198] **Nick Ramsay:** I think you are answering the question in your own way. But your point is about the strengthening of the current process.

[199] **Lee Waters:** I just appreciate more straight and simple answers, because—I'm not being difficult, I'm just trying to—. We need to try and understand how we can make it better. So, some clarity on that would be helpful.

[200] **Nick Ramsay:** Gavin Smart.

[201] **Mr Smart:** I think, sometimes, the thing to do with a new framework is you actually introduce it and then you wait. Because there's a period of acclimatisation where people get used to using a new apparatus. So I think in an early period of any framework—. For instance, elsewhere I've been involved in work in planning reform. Sometimes, the answer on planning reform is, 'We've now made the changes, we have to allow the system now to settle down again to allow the actors to get used to the way in which the new tools operate and the new processes operate'. It won't necessarily work absolutely as you intend it straight away. But that doesn't necessarily mean you have to change it; it means you allow time for processes to bed in and

then you review it after a period of time.

[202] **Lee Waters:** Okay. Thank you.

[203] **Nick Ramsay:** Rhianon Passmore.

[204] **Rhianon Passmore:** With regard to what you said about patchy scrutiny, from what I can understand from what has been said within housing associations themselves, we are at the beginning of that process of embedding those performance standards. But in terms of the actual self-assessment of performance of housing associations, I suppose, for me, is the regulatory body robust and rigorous enough—and you've mentioned the interventions earlier on, on a different scale—but in terms of that process and driving forward a more uniform pan-Wales approach to the robust scrutiny in the boardroom, is, really, the regulatory board, as it now stands within the new context, as strong as it can be and as rigorously applied in terms of what it's doing, to make everything else work? That's a convoluted question. So what I'm asking, I suppose, simply is: do you feel that the regulatory body is in the right place to be able to drive forward the progress that we want in terms of the scrutiny?

[205] **Mr McKirdle:** The regulatory board in its current form has only been in existence for just under a year. But I think I've seen positive evidence of the fact that it's now comprised of individuals rather than stakeholders, and this has allowed it to engage in more of the detail of some of those regulatory concerns. So, from what I'm seeing from the outside, through the regulatory advisory group and elsewhere, I think that it's bringing more focus to regulation than perhaps had previously been possible under the old model.

[206] **Rhianon Passmore:** So in terms of the performance standards that have been mentioned, and the self-assessment within housing associations, so we can get that correct scrutiny for board level, what needs to actually happen to make it less of a patchy experience across Wales?

[207] **Mr Smart:** I think, going back to the point I made before, some of this about allowing a system to bed in. I think, as I understand it, the way in which the regulator operates is that self-assessments are part of the evidence that they take account of, but not all of the evidence. One of the things that they'll be looking for is the degree to which there's a match-up of what they see in the self-assessment compared with their other independent assessments on how the organisation is performing. And I think

that's a good degree of scrutiny, because when you see differences between different data sets, that tells you that maybe something needs further investigation.

[208] **Rhianon Passmore:** But surely that's part of the problem if we're using different data sets—

15:30

[209] **Mr Smart:** Sorry; by data sets I meant different bits of evidence. So, if you see a dissonance between self-reporting and maybe another assessment that you've made of an organisation's performance, before a regulator that says, 'This is a place where we need to do a bit more work'. That's good; that's how you get scrutiny.

[210] **Rhianon Passmore:** So, is there uniformity in that system across Wales when it comes to housing associations in terms of how we expect them to be accessible to the public? Have we got lots of different systems, or have we got one system?

[211] **Mr Smart:** There's a single regulatory framework, which is the system under which everybody is regulated and assessed.

[212] **Nick Ramsay:** Is the tenant truly at the heart of the system, as the guidelines suggest they should be?

[213] **Mr Smart:** That is how the system is described and designed to operate. As committee members will understand, I operate in a UK context, so I operate in Scotland, Northern Ireland and England as well. It is a characteristic of the Welsh system that is less strongly represented in the English system, for instance. So, I think you can say that there is a noticeable difference in the setup of the Welsh regulatory framework, which places tenants at the centre of it in a different way to the way in which it happens in other devolved administrations and in England.

[214] **Nick Ramsay:** Do tenants have enough accessible information to really feel that they are able to play a part at the heart of the process?

[215] **Mr Smart:** I think that's difficult to answer. I did catch the end of the evidence with your previous guests, who I think indicated that on occasion they thought they might not do. It's hard to know for sure because what one

person regards as being sufficient, somebody else might regard as being difficult to understand. I'm not sure I see any deliberate impediments to stop that from happening, but there's probably a learning process here as well about how you make information available in as clear a format as possible so that tenants and residents can work with it easily.

[216] **Mr McKirdle:** I think what I can say is that certainly through my experience on the regulatory board and in terms of the advisory group, the voice of tenants is always heard through the representative structures that are there. Now, how effective are those structures, you can ask, but there's a clear space made and support for the tenant advisory panel and the views and the questions that are coming through from that direction. So, there's a genuine attempt to make that happen.

[217] **Rhianon Passmore:** Chair, if I may—

[218] **Nick Ramsay:** Rhianon Passmore.

[219] **Rhianon Passmore:** In terms of the tenant advisory panel, is that going to be in existence in the future? Because I got the impression that although it's now being managed by Welsh Government, it may be not surviving in its—

[220] **Mr McKirdle:** I've detected no threat to the tenant advisory panel; in fact, I think I've heard the chair of the regulatory board give an assurance that the tenant advisory panel will continue to be supported and valued in terms of the revised framework.

[221] **Rhianon Passmore:** Okay, good; thank you.

[222] **Nick Ramsay:** I think Mohammad Asghar had a question specifically for CIH Cymru.

[223] **Mohammad Asghar:** No, this is something else, Chair, but I'll ask anyway. The first question is to the three of you. The UK Government has legislated to avoid any issues that would have been posed to the reclassification by the Office for National Statistics on the status of housing associations. How critical do you think it is to see the Welsh Government bringing forward legislation to ensure that housing associations can still access finance from the private sector in order to build new homes in Wales?

[224] **Mr Smart:** This is a very important issue, both because of the impact that the classification of the housing association sector in Wales, Scotland, Northern Ireland and England has on UK public finances and on the effect that it may have long term on the ability of the housing association sector to be able to secure a continuing stream of private finance. All of the administrations have said that they are very keen to move to a position where the ONS is able to revisit its classification so that housing associations are classified again as private organisations. In CIH's view, that's a good and sensible thing to do, because we currently have a mixed economy model in the provision of housing in Wales, and actually in every nation in the UK. There is a very, very important role for local authorities and council housing to play. There's also a very important role for housing associations to play. We have such a demand for affordable housing that I don't think it can be about picking and choosing. A permanently reclassified housing association sector would end up with all of its new debt and all of its existing debt scoring against the UK public finances. That would simply not be helpful. In total across the whole of the UK, that's about £70 billion added to the UK national debt. More importantly, it's £5 billion or £5.5 billion in new financing every year added to the deficit, at a point when the deficit is £80 billion or £90 billion a year. That's a significant chunk of additional money that nobody needs to be sitting on the public books.

[225] **Nick Ramsay:** Oscar—okay? Mike Hedges.

[226] **Mike Hedges:** There are two things that have happened in recent times; there have been stock transfer and the merger of housing associations, creating some fairly to very large housing associations. I've got two separate questions. I think I'll do them one at a time rather than together. On housing stock transfer: have the housing associations created under stock transfer delivered what they promised to deliver? How are they working with local authorities in order to deal with local authorities' duty on homelessness?

[227] **Mr Howell:** As a head of housing in a local authority where stock transfer has happened, I can confirm, obviously, that Bron Afon Community Housing, which was created following the stock transfer—that they are actually delivering the promises that they made to tenants prior to stock transfer. Obviously, there is an effective mechanism in place to ensure that we monitor the delivery of all those commitments and those promises that were made in the offer document to tenants. Largely, they are around the delivery of the Welsh housing quality standard, so actually improving the

quality of the social rented properties in Torfaen—they are nigh on there in terms of delivering those standards. It's really important, I suppose, the relationship between the local authority and the large-scale voluntary transfer organisation in terms of the delivery of the wider local housing strategy. So, those relationships are really important. But, in terms of the delivery side, I can confirm that, from the local perspective, those commitments are being delivered.

[228] **Mr Smart:** My understanding is that 10 of the 11 stock transfers have delivered their Welsh housing quality standard commitments under the transfer agreements.

[229] **Mike Hedges:** On the Welsh housing quality standard, do you see it as a continuum or as a one-off? Because those houses that were started 10 years ago had 12-year-old bathrooms and kitchens et cetera. They've now got 22-year-old bathrooms and kitchens. Should they now be picked up? And should the Welsh housing quality standard be amended now, certainly in terms of energy efficiency and insulation? When it was first set up, it was in a different world to the one we are in now.

[230] **Mr McKirdle:** I certainly agree that seeing the WHQS as a continuum around maintaining what you've achieved, and ensuring that all of the elements in tenants' homes are maintained effectively and cost-effectively, is something that we should be seeing as a priority. I would also have some sympathy with a view around standards that were set some years ago being revisited in relation to that. I think energy efficiency is a very good area that we need to be looking at again.

[231] **Mr Smart:** I'd support that, and actually add that it's in the interests of both tenants and landlords that you continue to maintain the quality of the stock. No landlord wants to be managing a stock that it is declining. One of the reasons we ended up with Welsh housing quality standard and the various decent homes programmes in other countries was because we had had a stock that had declined. You end up with a very expensive catch-up programme. It's much more economical to make sure that you stay on top of the quality of the homes you manage. But, yes, some of the standards were designed some time ago. We now certainly would have probably had more of a focus on environmental standards. It makes sense to revisit these things.

[232] **Nick Ramsay:** Just going back to the stock transfer issue. Do you think that the stock transfer housing associations have as good a track record in

delivering the commitments of their transfer agreement?

[233] **Mr Smart:** As good a track record as who?

[234] **Nick Ramsay:** As non-transferred stock.

[235] **Mr Smart:** The comparison is tricky because the situation is different. So, typically, stock transfers, actually, in all parts of the UK, were seen as mechanism for delivering significant new investment to homes that had been underinvested in for a long period of time. So, one of the major purposes of stock transfer was to unleash investment that wasn't going to be available otherwise to bring homes back up to standard.

[236] **Nick Ramsay:** So you're not comparing like with like.

[237] **Mr Smart:** The situation in what might be called traditional housing associations would have been different, because they would not have been starved of investment in the same way as council housing has been in some cases, because of what was happening with UK public finances.

[238] **Nick Ramsay:** Yes. Rhianon Passmore.

[239] **Rhianon Passmore:** To explore the link, then, between those with stock transfer and the link with homelessness, we have the local authority statutory duty around homelessness. I don't know whether there's been any effective study in terms of how that homelessness is measured between those that have stock transferred and those that haven't stock transferred. I don't know whether there is any understanding that you can enlighten me around that point. Secondly, in terms of the links with local authorities, from housing associations, around that very important homeless duty, I'm thinking of implications of the Immigration Act and the pilots going on in England around the right to check, and I'm thinking of issues around 'welfare reform' and all of those issues that are driving homelessness. So, has there been any study?

[240] **Mr McKirdle:** I'm not aware of any study that has been a comparison between the responses between traditional housing associations and large-scale voluntary transfers in relation to homelessness response. I think what my experience, from what I hear from authorities, is that I don't think that there's an unfavourable comparison. Obviously—and I'm sure Neil will contribute—but when you've had a stock transfer in your area, this is a big

partner, not just in terms of meeting your homelessness duties but a whole range of other local opportunities around regeneration, skills, employment and everything else. So, the partnership working between the local authority and the transferring organisation is multifaceted, but also very important. So, I think that we need to support housing associations and local authorities to meet the requirements of new duties. I think, in our evidence, we'd provided the example of what's ongoing between the Welsh Government, ourselves and Community Housing Cymru to develop co-operation agreement frameworks, so that, where organisations need support to have those dialogues between each other, there's a framework there so that people can do a self-assessment of those arrangements, perhaps have an annual review, and to come up with an action plan for any work around homelessness or other areas that need improvement. Those are not the only conversations that are happening. There's a day-to-day dialogue, but hopefully this gives a formalised structure to support those conversations happening when they need to take place.

[241] **Rhianon Passmore:** So, I presume, then, that they have needed to take place, those conversations, in terms of what you've just said.

[242] **Mr McKirdle:** We're dealing with people here who are working together, organisations that are working together, and often people who work side by side in a local authority prior to transfer in the LSVT situation. So, as with any big organisations, there's a need to have open conversations about casework and about decisions, and to be supportive and challenging of each other. That's part of a healthy set of relationships about how you develop, especially in the context of new legislation and changed responsibilities.

[243] **Mr Smart:** The other thing to say, I think, is that you will see some variation. Jim is right—it's very important to put in place the right frameworks, but, at the end of the day, this is also about relationships between people. So, part of the quality of the relationship is to do with the framework that you put in place, and part of the quality of the relationship is to do with the relationships between people. So, you will see some variation, but what the framework is designed to do is to ensure that it's all operating in a similar manner.

[244] **Nick Ramsay:** Mike Hedges.

[245] **Mike Hedges:** And the last point on this, on housing associations,

there's been a substantial number of mergers, sometimes over long distances. I mention the Gwalia Pobl one, which is sort of Newport to Carmarthenshire, possibly into Pembrokeshire. It's a fairly large distance. Do you see any problems with ties with local authorities being loosened as it spreads out over a larger area, and, more specifically, the ability to provide local services being reduced because the association is itself covering a very large geographical area?

[246] **Mr McKirdle:** I think there are certainly challenges when you work across a number of authority areas because, if you just have to concentrate on one set of relationships, then physically that takes a set amount of time. If you're going to replicate that 10 times, then you've got to recognise the importance of those relationships to your services and your business, and to put appropriate resources into doing that, and, certainly, to make sure that you invest with everybody equally to develop those relationships. So, I think it's a big challenge.

[247] **Mr Smart:** That is, I think, quite a correct statement of the challenge, of course—a statement of the obvious, quite importantly, is that you still retain, of course, tenants and homes in each of those areas in which you operate. By the very nature of that, you are still doing local service delivery and you still need to have engagement with your local stakeholders in every locality, because you can't operate if you don't.

15:45

[248] **Mike Hedges:** Yes, but you can be a long distance away from head office, as it were.

[249] **Mr Smart:** It's possible, and that's the challenge that Jim has described, but there are a number of different models that you can use to manage that relationship.

[250] **Mr McKirdle:** I think local authorities can have a role in terms of ensuring that the tenants in the area of this housing association are still citizens of that local authority area and so deserve the representation and support from the local authority in relation to that, as well.

[251] **Nick Ramsay:** How effective do you think the governance arrangements are in housing associations, and how effective is the Welsh Government's regulatory oversight? Are they picking up on issues quickly

enough?

[252] **Mr Smart:** I think this takes us back to where we started, doesn't it, in the sense that I think the story is one of improvement. The story is one of trying to respond to a changing and, I think, actually, a more challenging and more difficult environment. But you would never say that you've arrived; there is always more to do. I think that the new framework that's been in place from the start of the year is a welcome step forward. I think it gives a very clear indication of where the regulator thinks you are. It's welcome in the degree to which it's graded more than it was before. That allows greater variety of intervention and engagement by the regulator. I think that's all signs of a system that's moving in the right direction and doing the right kind of thing, although there have been some regulatory interventions, which also, I think, shows you that a regulator is aware of where things aren't operating as well as they might do. But, of course, the sector consists of quite a large number of organisations; you would expect some variation, and if you've got variation, you'll have some people at the top and you'll have some people closer to the bottom.

[253] **Nick Ramsay:** Thanks. Mike Hedges, did you have any questions on governance?

[254] **Mike Hedges:** Yes, just one very brief one: the housing stock transfer governance and the governance of what they call the traditional housing associations are different. Which is providing the best model?

[255] **Mr Smart:** I don't think that that's a dichotomy that I quite accept, because over time, actually, as stock transfers age, they change in character as well, and they can, in fact, imperceptibly become more and more like a traditional housing association. So, I don't think that there's—. It's not about saying, 'This model' or 'That model'. The most important thing about governance is to be regularly reviewing your governance and asking, 'Is it still fit for purpose where we are today?'

[256] **Mike Hedges:** All right, I'll rephrase that—the board make-up is different.

[257] **Mr Smart:** The board make-up is different and that is part of the governance arrangements, and that would be one of the things that one might expect an organisation to review over time. We expect traditional housing associations and stock transfer housing associations to be around

for decades. It would be a very strange situation if organisations that were around for decades never revisited their governance and never said, 'Are the arrangements we put in place when we started still the right ones now?'

[258] **Mr Howell:** Could I just add a comment in here? I think it's really important, I suppose, that the training and development of board members is put in place. Obviously, again, thinking about the experience of the stock transfer locally in Torfaen, I would suggest that, initially, you're talking about running a multimillion-pound organisation in terms of stock transfer and large-scale voluntary transfer, and perhaps the board members who were first appointed didn't have the necessary skills and experience, et cetera. A lot of training, support and development was required to actually bring them up to the appropriate standard. I think that's an ongoing process. It's really important that those board members have actually got the skills and experience required to run such a large organisation, which is very, very varied as well.

[259] **Nick Ramsay:** Rhianon Passmore on that point.

[260] **Rhianon Passmore:** So, who has the responsibility or where is the split in responsibility between who provides that support and that training? Obviously, tenants will move on or move out or go somewhere else, and, in terms of where that responsibility lies, where do you see that?

[261] **Mr Smart:** Board development is the responsibility of the board and the organisation, to support their board to ensure that the board has the skills and competencies that it needs to do its job. The board is critically important in the proper running of an organisation and you need to ensure that your board has got the right mix of skills and competencies to manage the organisation, as it now is.

[262] **Rhianon Passmore:** I think that's the key point in terms of: are we in an optimum position in Wales in terms of that board make-up, and is there more of a role for Welsh Government in determining what is the best and most optimum exemplar model for that board governance structure?

[263] **Mr Smart:** In the light of housing association classification, I think it would be very difficult for the Government to specify what the board structure of every board should be for a housing association in Wales. I think that'll be a reclassification risk.

[264] **Rhianon Passmore:** So, are we in the optimum place then—that's my question—in terms of current board make-up?

[265] **Mr Smart:** I think I've said that I don't think you ever arrive in an optimal place. You can always improve—

[266] **Nick Ramsay:** Is there still a place for local authority representation on that board, following the transfer?

[267] **Mr Smart:** For stock transfer associations, I think, especially in the early period after stock transfer—. If we remember, in the UK, the earliest stock transfer took place in 1989. So, things change across such a long time period. But, as Jim and Ian have both said, particularly in the early years, while a stock transfer is still delivering its transfer promises, it makes sense to have a very, very clear relationship between a local authority and the newly formed stock transfer association. But, things change over time. After 15, 20 and 25 years, the stock transfer promises will have long been delivered and that organisation will probably look quite different and will be doing quite different things.

[268] **Nick Ramsay:** So, there's no need then for that local authority—

[269] **Mr Smart:** I don't think I said that.

[270] **Nick Ramsay:** I'm putting words in your mouth.

[271] **Mr Smart:** What I'm trying to say is that I think it would not be unusual for organisations to review their governance structures over time and say, 'Here's where we started and where we still need to be'.

[272] **Nick Ramsay:** Rhianon, and then Lee Waters just has a quick point on that.

[273] **Rhianon Passmore:** With respect, what we heard earlier on from our witnesses is that the governance structures that we've got now are not struggling, but they can be improved. So, I'm just trying to get a flavour, particularly from the WLGA, but potentially from you in terms of your role as to, in Wales, whether you feel that we've got it right. I know it's a journey, but, in terms of where we sit right now, there must be a view on whether scrutiny and challenge from potentially more tenants or not is right.

[274] **Mr McKirdle:** I think it was right that the first themed review that the new regulatory board commissioned was into governance in Wales. I think that they identified that, if you don't get governance right or you've got problems with governance, then that doesn't give you a solid foundation on which to develop any improvement within an organisation. So, I think that—and not to avoid the question—we're looking in the right place, if we are looking to build stable improvements on housing associations in Wales, by starting to look at governance and continuing to look at governance and to improve it in terms of a whole range of issues. But equality and diversity for one, I think, is something that we need to continue to examine.

[275] **Mr Howell:** Community Housing Cymru have developed a code of guidance on governance, and the vast majority of, that I'm aware, registered social landlords and large-scale voluntary transfers in Wales have adopted that code of guidance. Obviously, there's some really good practice examples in there.

[276] **Lee Waters:** That's a good example because, as I understand it, everybody signs up to it, but not everyone's following it. That's the evidence we've had. So, just to tease out what you say, Mr McKirdle—you're saying that it's right that this is the first area to look at. So, that implies that there are problems with governance. Is that a correct implication that I'm drawing?

[277] **Mr McKirdle:** I think that's what the review established—that there were areas where governance could certainly be improved. There were recommendations there to support that improvement.

[278] **Lee Waters:** And Community Housing Cymru has come up with best practice and it's broadly agreed that's the right thing to do and the right areas to look at. So, what are the barriers stopping that being widely adopted, do you think?

[279] **Mr McKirdle:** I think it takes time. Gavin's described a journey and I think we're in the early days of that journey in terms of bringing about some fairly fundamental changes to governance of associations in Wales. Organisations will respond at different rates, and I think that we're moving in the right direction, but I don't think that's something you can make happen overnight.

[280] **Lee Waters:** So, if the committee wanted to take a less relaxed approach than what's in this report, what type of things should we be

thinking of recommending to speed things up, because you're describing a fairly organic process there?

[281] **Mr Smart:** Could I just ask—?

[282] **Lee Waters:** I'm happy to bring you in, Mr Smart, but could Mr McKirdle just develop his thought on that?

[283] **Mr McKirdle:** I think, certainly, the capacity of the regulation team would be an area that you would want to take some consideration of and I think that would be a reasonable place to start to look.

[284] **Lee Waters:** That's all?

[285] **Mr McKirdle:** If I think of anything else, I'll come back, but, at the moment, that's one suggestion.

[286] **Lee Waters:** That's a fairly modest advance, isn't it?

[287] **Mr McKirdle:** It's been a consistent issue that has been identified through tenant engagement and I think it continues. What I hear from other stakeholders is that that's an area that fundamentally gives them some concern.

[288] **Lee Waters:** And diversity, you implied, was also an area—

[289] **Mr McKirdle:** In terms of boards—

[290] **Lee Waters:** Yes.

[291] **Mr McKirdle:** —people's experiences, there's a need to ensure greater diversity in all sorts of ways in terms of housing association boards in Wales.

[292] **Lee Waters:** Okay. Mr Smart, I know you wanted to come in on that, but I also wanted to ask you about the ONS reclassification, which you referred to just a short while ago. I'm just wondering, in your answer, if you can also help us to understand the experience in England and whether or not there are things we need to be looking out for.

[293] **Mr Smart:** Okay. Just very quickly on the previous question—I was going to intervene where Jim finished, really—which is that one of the things

that I think the regulator is looking for, and quite rightly should be looking for, and maybe the committee would want to kind of commend and say this is the right area to be looking in—you would expect boards to be regularly reviewing their make-up, their skills, and their competencies. What you want to ensure is that the make-up, the skills, and competencies across the board are commensurate with the challenges the organisation is now facing, and that, as those challenges change, the board reflects on that and checks that it still thinks that it has the right skills and competencies and it can evidence that it's done that bit of work. That's really important, and, if that doesn't happen, you do end up in a situation where boards may not be properly skilled to deal with the issues that they're now addressing.

[294] **Lee Waters:** Yes, but, in a way, that's within the spirit of the CHC toolkit—

[295] **Mr Smart:** It is.

[296] **Lee Waters:** —which isn't always being fully implemented. So—

[297] **Mr Smart:** So, you would want the regulator to be checking that that was happening.

[298] **Lee Waters:** Yes. I mean, you might think they should be doing that anyway.

[299] **Mr Smart:** I'm sure they are, but you might want to see that.

[300] **Lee Waters:** Okay. So, on the ONS—

[301] **Mr Smart:** On the experience from England.

[302] **Lee Waters:** Yes, please.

[303] **Mr Smart:** The most important thing, actually, to say about the experience from England is that the ONS is very clear that every regulatory framework is different, and so you need to be thinking about changes to the regulatory framework within the context of the framework within which you're operating. So, the assessment for England set out a number of areas of concern where the ONS felt that the regulatory framework kind of overstepped the boundary and interfered with the strategic independence of the housing association sector. And the response of the regulator and the

Government in England has been to try to redesign the regulatory framework to address those individual concerns. I think the most important point from England, which is the one I think the ONS has repeated in the work that it's done in Scotland, Wales, and Northern Ireland as well, is that it's not simply about technical control, it's also about demonstrating strategic independence.

[304] **Nick Ramsay:** Gavin, are you saying that, because of the ONS, the Government will be better off taking a more hands-off approach generally?

[305] **Mr Smart:** No, I'm not saying that. What I'm saying is that, within the English context—and the same thing is happening, I think, in Wales, Scotland and Northern Ireland—what every administration is having to do is to find the right balance between ensuring it's got sufficient reassurance about performance in the sector without overstepping the mark that makes it look as if, effectively, the Government is a back-seat driver. If, in the ONS's judgment, the Government, through its regulator, is a back-seat driver, then there is a risk of reclassification. So, it's a balancing act, and you have to be looking for the right framework that gives Government the confidence that the regulator can perform its function without removing the day-to-day strategic independence of the organisation.

[306] **Lee Waters:** One of the concerns we—

[307] **Nick Ramsay:** [*Inaudible.*]—a balancing act.

[308] **Lee Waters:** Sorry. One of the concerns we heard from the last witnesses is that, in deregulating, the amount of reporting and transparency would be reduced, and that, therefore, could reduce the amount of transparency within the system.

[309] **Mr Smart:** I don't think—certainly within the English context, and I don't think within the Welsh context either—that the ONS's major concern is with reporting. It's usually with sign-off, it's with the ability to appoint directors and officers. It's sometimes to do with the make-up of boards, but that's the area in which the ONS is concentrating its remarks. It's less about reporting, it's more about: do the arrangements appear to fetter the strategic independence of the organisation? Is it allowed to operate as a separate entity and make its own decisions?

[310] **Lee Waters:** The tenants' associations were expecting the obligations

and the amount of data they are producing and reporting would be lessened and that could have an adverse impact on the amount of transparency. Is that a reasonable fear, or do you think that's misplaced?

[311] **Mr Smart:** I'm not sure, is the honest answer to you, because, as I say, my understanding is that it has been more around questions about things like regulatory sign off of disposal of assets, the ability to appoint directors, what happens in the case of regulatory intervention, and the triggers for that, and how swingeing that is. Those have been the things that have exercised the ONS, in my understanding.

[312] **Lee Waters:** Right. Can I ask the other witnesses: would you be expecting a less onerous reporting regime under deregulation?

16:00

[313] **Mr McKirdle:** Not necessarily, and I would hope that if the regime had changed then there would be still the relationship between associations and their tenants where they would want to see, voluntarily if you like, a maximum amount of information and engagement provided, and opportunities for engagement provided, for tenants. That said, my understanding is broadly the same as Gavin's, in that the ONS's focus has really been on those instruments of control rather than on some of those wider issues.

[314] **Lee Waters:** Okay. Thank you.

[315] **Nick Ramsay:** Mike.

[316] **Mike Hedges:** Are we going on to risk?

[317] **Nick Ramsay:** Just before you do that, Oscar, did you have a small supplementary question?

[318] **Mohammad Asghar:** Yes, on this, Chair. I would like to ask the panel regarding the sharing of best practice among the associations. Just recently somebody mentioned about the skills or not among the board members. And the thing is: how do you propose that the Welsh Government measure the performance of housing associations to ensure consistency and value for money is achieved with senior executive pay? At the moment there is a huge variation among the various associations in Wales.

[319] They are all writing their answers. [*Laughter.*]

[320] **Mr Smart:** I suppose the first thing to say is that consistency and value for money is about more than simply chief executive pay. You certainly want to be assured that the way in which housing associations are running themselves is efficient across the whole of the business, if we can describe it as that. And you want to be satisfied that the board is satisfying itself that the organisation and performance is where it should be. Chief executive pay is a part of that picture but it's far from the whole part of it. We're talking about organisations with a multi-million pound turnover. Most of that money is reinvested in providing services and investing in the stock, and chief executive pay as a proportion of that multi-million pound turnover is only a part of the story.

[321] **Mr McKirdle:** You would see, in the contribution that we submitted, that we'd focused in on the issue of transparency here. I think transparency is important, married with the responsibility that the board has for oversight, and the suggestion we've made is that housing associations may wish to use the pay policy statement model, where there's a public and a publicly available statement of the principles that they will use, some of the ratios involved in terms of making decisions about pay and other matters, and I think, if transparency is something that we'd like to see delivered, then I think that is one suggestion about how that might be assisted.

[322] **Mohammad Asghar:** You haven't mentioned—anybody here—the sharing of best practice among the associations.

[323] **Mr Howell:** Community Housing Cymru have got a role—well, do play a proactive role in terms of sharing best practice. The organisation—a big plug for CIH, obviously—do a great job in terms of raising the profile of good practice. A positive in this area, in terms of the regulation, is, obviously, that all the regulatory assessments are published on the Welsh Government website. So, obviously, anybody can review the assessments, the self-evaluation assessments, that have been undertaken over the last number of years.

[324] **Nick Ramsay:** So, that should aid the whole process of carrying across best practice.

[325] **Mr Smart:** It should. Neil kindly plugged CIH. At CIH, in particular, we

provide a range of services that help organisations invest in their board members and in their growth and encourage organisations to have in place good practice governance arrangements that cover the whole of an organisation's performance.

[326] **Nick Ramsay:** Neil McEvoy.

[327] **Neil McEvoy:** Yes, I'm just following on from the question there about chief executives' pay. Do the amounts cause any of you any concern?

[328] **Mr Smart:** I wouldn't want to comment on individual amounts. I think what I would want to draw your attention to is that this has to be about good governance. Organisations should have a clear, transparent governance rationale for the decisions that they have made in terms of recruitment of senior staff. They should have an approach to agreeing remuneration, and that should recognise that they are looking to achieve value for money in senior appointments. I think, in your previous session, one of your previous witnesses noted that some of the skills and competencies for which associations are recruiting are in relatively scarce supply, and some are required at quite a high level, and you might expect to pay a market rate for that. But you should be being very clear about the way in which you are arriving at the decision about what the rate of pay is.

[329] **Neil McEvoy:** I just wondered whether you shared a concern that a lot of people have in Wales now that, in sectors like this, for a particular kind of individual, there's almost a gravy train. That causes me concern; I wonder whether it was of any concern to you.

[330] **Mr Smart:** Again, for me, this is about good governance. So, we're talking about the governance of independent organisations. It's not for me to second-guess the decisions that they make, but what is important is that those organisations can demonstrate there is proper governance and scrutiny around the decisions that they make when employing executives.

[331] **Mr McKirdle:** I think they've got to be able to justify those decisions, and I think it's only right that they should do to local stakeholders and, most importantly, their tenants, so that, when they're making those decisions, they're open to scrutiny and are able to justify those.

[332] **Neil McEvoy:** In terms of governance, have any mergers caused you any concern at all?

[333] **Mr Smart:** I wouldn't want to talk about particular cases, partly because, of course, my remit is across the whole of the UK and there are two and a bit thousand housing associations in the UK, so it's hard to keep track of all of them, but—

[334] **Neil McEvoy:** Cantref in particular, in Wales.

[335] **Mr Smart:** —you always want to be reassured that the governance processes that are happening around remuneration, around strategy, around merger, are proper and transparent and thorough. That's what you should be expecting, because we're talking about organisations that are independent. They aren't run by a Government department, they are run by independent boards, so it's all about the quality of governance, the quality of boards.

[336] **Lee Waters:** But they're spending public money. You have this remarkably laissez-faire statement in your evidence, which echoes what you've just said that it's up to the—as independent organisations, it's up to the governing body responsible to stakeholders to justify this, if challenged. This is primarily public money, in one form or another. They've moved out of a democratically accountable framework into a semi-detached one, the sector is very well paid—not just the chief executives, the whole senior management team—and I don't find it particularly persuasive to simply say, 'Leave them alone, they're independent, they've got to get on with it'. I think, to be fair to the WLGA, they saw the role for challenge and justifying it; you seem a little more relaxed than that.

[337] **Mr Smart:** No, I'm quite happy with the role around challenge and justification, but we also have a policy framework that now involves working with independent organisations and I'm very conscious in everything that I say that the reclassification debate is present in all of these discussions. We have to find the right balance between challenge and scrutiny and independence. I'm certainly not advocating poor performance, I'm certainly not advocating organisations being allowed to get away with doing things that are not good, but we also need to recognise that we are talking about an independent sector, and one of the reasons, as I understand it, that the Welsh Government wanted to work with the housing association sector is because it has the ability to bring in private finance that can augment public spending. So actually, they are spending public money and private money.

[338] **Lee Waters:** So, the judgment is: are there sufficient drivers to ensure

that they are spending that money well? Is there transparency, and can they justify the decisions? And we've heard both from you and the previous witnesses there is concern about the governance, there's concern about capacity, there's concern about scrutiny, there's concern about following the best practice, and there's concerns about challenge from tenants, not simply paying lip service to having them on boards and binding them into decisions that neuter their role for scrutiny. So, it's not simply good enough to assert that they're independent organisations when they're spending public money and the judgment for us is: is that battery of tools to hold them to account sufficiently robust?

[339] **Mr Smart:** And I think we've discussed that, haven't we, at length, and I think we've all said we think that the framework that it is in place is a good framework, that it's moving in the right direction, but, with regulation, you never arrive, not least of all because actually the risks and challenges that the sector faces have changed over time and have got more difficult over time, actually. The period since 2008 has been very, very volatile, has created a series of new and difficult challenges, and you would expect organisations to raise their game to respond to that, and the regulatory framework also needs to examine how it responds to it. But I'm definitely not in a position where I think that no challenge is suitable, and I'm definitely not in a position where I think that we have arrived.

[340] **Lee Waters:** And you feel that we have the indicators in place to be able to measure if they have raised their game sufficiently.

[341] **Mr Smart:** We've got a new framework that's been in place from the start of the year. I think that looks like a good framework. We need to see how it settles down and beds in, but, if you look at what the regulator says it expects to see organisations doing, the evidence it will be looking for when it makes these judgments, the risks that it expects organisations to be taking account of—the multi-variant risk analysis that it expects to see, the stress testing—that feels to me like a good framework. Now, one of the challenges in regulation is that hindsight is 20/20, so there's always a risk that you're fighting the last war, and every regulator, I think, is trying to get on the front foot and say, 'Are we putting in place now mechanisms that allow us to think ahead as well?' Current best practice around legislation is around these kind of stress tests, risk assessments. That's not only for regulators and housing, it's regulators in other sectors as well. It's regarded as being the best mechanism for trying to ensure that we're ready for the next challenge, as well as the last one.

[342] **Lee Waters:** Okay, thank you.

[343] **Nick Ramsay:** We're heading into the last five or 10 minutes or so, and there's still a few more areas to cover. Neil McEvoy.

[344] **Neil McEvoy:** Just a quick one, because I've got the view of the CIH UK—fine. The other two witnesses—I wonder whether any mergers had caused you any concerns, in particular Cantref.

[345] **Mr McKirdle:** I don't think we'd had any involvement in the Cantref transfer—merger, rather.

[346] **Neil McEvoy:** Okay.

[347] **Nick Ramsay:** Rhianon Passmore.

[348] **Rhianon Passmore:** We've touched on risks and we've touched on a number of the questions that I want to ask, but in regard to how you see the sector facing those risks in the future, whether it's interest rates or welfare reform, how would you encapsulate what the risks are to the sector moving forward, and do you feel that those risks are being effectively mitigated, as much as it's in our control in Wales?

[349] **Mr McKirdle:** I think the short answer is 'yes, so far'. I think Gavin just talked about the dynamic nature of risk and environment, and I think there are some risks here that we wouldn't have foreseen back in 2008, 2000 and whatever—

[350] **Rhianon Passmore:** Can you tell us what you feel they are?

[351] **Mr McKirdle:** What those risks are? I think there's an ongoing concern around welfare reform, the impacts on incomes in poor households, their ability to pay the rent, to keep a roof over their heads. I think there are business challenges that arise from that for housing associations. I think that there are challenges in terms of meeting the rightly ambitious targets that Governments have around things like the WHQS, energy efficiency, the delivery of 20,000 additional affordable homes. There are a variety of different challenges and I think organisations, not just housing associations but housing associations in particular, need to make sure that they've got the right capacity and skills to be able to respond to those challenges and

those changing contexts.

[352] **Rhianon Passmore:** And in terms of diversification, the reason in my mind for having housing associations, do we feel in Wales that we are still focusing on the most vulnerable of our tenants, and those who are needing that support moving forward? And are we mitigating for that effectively?

[353] **Mr McKirdle:** I think largely we are, especially from what I understand you do when you compare Wales with colleagues in England and the approaches adopted by housing associations there. I think we can be rightly proud that housing associations in Wales are maintaining that focus on the most vulnerable.

[354] **Nick Ramsay:** And moving on to Mike Hedges on risk.

[355] **Mike Hedges:** On risk—two concerns. The first one is interest rates—they're phenomenally low at the moment. And, no, I didn't expect them to stay this low for so long either. I remember paying a mortgage on 15 per cent. How resilient are housing associations to a substantial increase in the borrowing cost, because a number of them have borrowed on fixed term, a fixed rate, but others who have borrowed on a variable rate have done quite well in recent years but leave themselves at risk? And is there any concern that a change in Office for National Statistics classification may make interest rates higher because it will make the risk appear higher? Most lenders to housing associations believe that if all goes wrong, the Welsh Government or the English Government, the Westminster Government, or the Scottish Government will come in as the last resort. If the ONS is changed and they don't come in as the last resort, is there not a danger of interest rates being increased?

[356] **Mr Smart:** Shall I have a first go?

[357] **Nick Ramsay:** Gavin Smart.

[358] **Mr Smart:** So, first of all, I think most commentators expect that interest rates will rise at some point, given that they are the lowest rate they have been for 318 years—it may not be the hardest guess in the world—but most associations will operate a portfolio of both fixed and variable PEP, and they will also make use of what get called interest rate hedging strategies, derivatives, and swap some other instruments to try to manage out the risk in their business plans. Most hedging strategies were actually devised to deal

with upward rate rises and, in fact, where the sector did experience some challenges a couple of years ago was when rates dropped to unprecedentedly low levels. But people have revised their hedging strategies to take account of the fact that, actually, rates can go down as well as up. So, with a proper Treasury management strategy in place, most associations will have frameworks ready to deal with any rise in interest rates.

16:15

[359] You asked about reclassification and whether or not an apparent kind of stepping back by Government might result in an increase in the cost of debt. We have already seen the cost of debt for housing associations rise to some degree, but if you look at what the ratings agencies, in particular, are saying, they take a view across a whole range of factors. The regulatory framework, as well as the willingness of the Government to intervene, is only one part of the evidence that banks, ratings agencies and other financiers look at when they're looking at the cost of debt for an individual organisation. They're also looking at the operating environment, they're looking at the business model, they're looking at the level of risk attached to the different things that the organisation is doing, and they're looking at welfare reform. So, I'm not sure that a movement in one single one of those indicators would necessarily produce a significant sharp increase in the cost of borrowing. They tend to be looking across the piece.

[360] **Mr Howell:** There is a requirement, obviously, for housing associations to have a 30-year business plan and, obviously, will be regularly reviewing those—the assumptions in the business plan—and they'll be undertaking stress testing of those assumptions. So, they've probably got a fair handle in terms of the extremes that may happen in terms of breaking that business plan.

[361] **Nick Ramsay:** Gavin Smart, looking through the evidence that you provided—or the organisation provided—part of that says that,

[362] 'the Regulatory team seems under-resourced as it strives to fully implement and work to this approach.'

[363] Can you elaborate on that?

[364] **Mr Smart:** I think a number of us have said that it's been a theme that's been referred to consistently within a Welsh context and, actually, not

only within Wales. As the environment gets more challenging, which I think it will do, and as we see greater volatility and a greater degree of risk, it does ask questions of the resourcing of the regulator, because you want to make sure that your regulatory function is able to stay across the breadth of those challenges, across the breadth of all the organisations that it regulates. So, I think there are some challenges into the future in operating a risk-based framework in an environment where we think that there is more risk. That does create challenges for the capacity of the regulator, and that was the thinking behind that. I think Jim said something similar earlier on as well.

[365] **Nick Ramsay:** Because that does pose some very serious questions. If, moving forward, the situation is going to get worse, and that team's not up to the job it's tasked with, how do we ensure that the standards are being maintained?

[366] **Mr Smart:** It does ask some questions. I think it's less about the team not necessarily being up to the job; it's also simply about capacity as well.

[367] **Nick Ramsay:** Great. Thank you. Can I thank our witnesses, Gavin Smart, Neil Howell and Jim McKirdle, for being with us today? That's been really helpful. We will be providing you with a transcript of our questions and your answers today, just for you to peruse, to make sure that it is an accurate record of the evidence session. But thank you for being with us. That's been really helpful to our deliberations.

16:18

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod**

**Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting**

Cynnig:

Motion:

bod y pwyllgor yn penderfynu that the committee resolves to gwahardd y cyhoedd o eitemau 6 a 7 exclude the public from items 6 and o gyfarfod heddiw ac eitemau 1 a 2 7 of today's meeting and items 1 and o'r cyfarfod ar 23 Ionawr 2017 yn 2 of the meeting on 23 January 2017 unol â Rheol Sefydlog 17.42(ix).

in accordance with Standing Order 17.42(ix).

Cynigiwyd y cynnig.

Motion moved.

[368] **Nick Ramsay:** Item 5—just getting the wording right—I propose, in accordance with Standing Order 17.42(ix), that the committee resolves to meet in private for items 6 and 7 of today’s meeting and item 1 of the next meeting, on 23 January. I got there in the end.

Derbyniwyd y cynnig.

Motion agreed.

Daeth rhan gyhoeddus y cyfarfod i ben am 16:19.

The public part of the meeting ended at 16:19.

Drafft – Draft