



Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

# Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

13/2/2017

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from the Meeting for the Following Business

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<br><a href="#">Bywgraffiad</a>   <a href="#">Biography</a>  | Ceidwadwyr Cymreig<br>Welsh Conservatives  |
| Neil Hamilton<br><a href="#">Bywgraffiad</a>   <a href="#">Biography</a>    | UKIP Cymru<br>UKIP Wales   |
| Mike Hedges<br><a href="#">Bywgraffiad</a>   <a href="#">Biography</a>      | Llafur<br>Labour   |
| Neil McEvoy<br><a href="#">Bywgraffiad</a>   <a href="#">Biography</a>      | Plaid Cymru<br>The Party of Wales  |
| Rhianon Passmore<br><a href="#">Bywgraffiad</a>   <a href="#">Biography</a> | Llafur<br>Labour   |
| Nick Ramsay<br><a href="#">Bywgraffiad</a>   <a href="#">Biography</a>      | Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor)<br>Welsh Conservatives (Committee Chair) |
| Lee Waters<br><a href="#">Bywgraffiad</a>   <a href="#">Biography</a>       | Llafur<br>Labour   |

**Eraill yn bresennol**  
**Others in attendance**

|               |   |
|---------------|---|
| Wendy Bourton | Cadeirydd, Pobl<br>Chair, Pobl  |
| Amanda Davies | Prif Weithredwr, Pobl<br>Chief Executive, Pobl  |
| Ceri Doyle    | CEO, Cartrefi Dinas Casnewydd<br>CEO, Newport City Homes  |
| Walis George  | Prif Weithredwr, Grŵp Cynefin<br>Chief Executive, Grŵp Cynefin                                    |
| Anne Hinchey  | Prif Weithredwr, Cymdeithas Tai Wales & West<br>Chief Executive, Wales & West Housing Association |

|                    |   |
|--------------------|---|
| John Arthur Jones  | Cadeirydd, Grŵp Cynefin<br>Chair, Grŵp Cynefin                                    |
| Sharon Lee         | Cadeirydd, Cymdeithas Tai Wales & West<br>Chair, Wales & West Housing Association |
| Jane Mudd          | Cadeirydd, Cartrefi Dinas Casnewydd<br>Chair, Newport City Homes                  |
| Neil Selwyn        | Swyddfa Archwilio Cymru<br>Wales Audit Office                                     |
| Huw Vaughan Thomas | Archwiliwr Cyffredinol Cymru<br>Auditor General for Wales                         |

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

|                  |   |
|------------------|---|
| Fay Buckle       | Clerc<br>Clerk                          |
| Claire Griffiths | Dirprwy Glerc<br>Deputy Clerk           |
| Meriel Singleton | Ail Glerc<br>Second Clerk               |
| Katie Wyatt      | Cynghorydd Cyfreithiol<br>Legal Adviser |

*Dechreuodd y cyfarfod am 13:18.*  
*The meeting began at 13:18.*

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

[1] **Nick Ramsay:** Welcome, members of the committee, to this afternoon's session of the Public Accounts Committee. Headsets are available for translation and sound amplification should you require it. Please ensure

that any electronic devices are on silent. In the event of an emergency, follow the ushers. No apologies have been received. Do any Members have any declarations of registerable interests they wish to declare? No.

### **Papurau i'w Nodi Papers to Note**

[2] **Nick Ramsay:** Okay. Item 2, we have some papers to note. First of all the minutes from the meeting held on 6 February.

[3] **Mike Hedges:** Agreed.

[4] **Nick Ramsay:** Okay. The minutes are agreed. Secondly, we've had a response on the governance review of the National Library of Wales, a Welsh Government response to the Auditor General for Wales's report. Happy to note that report? Good. Also, there's a letter, pack page 8, on the scrutiny of accounts 2015–16—a letter from the Welsh Government.

[5] **Mike Hedges:** Moved.

[6] **Nick Ramsay:** Moved? Well done, Mike Hedges. [*Interruption.*] Yes.

13:19

### **Ymchwiliad i Oruchwyliaeth Reoleiddiol ar Gymdeithasau Tai: Sesiwn Dystiolaeth 5 Inquiry into Regulatory Oversight of Housing Associations: Evidence Session 5**

[7] **Nick Ramsay:** Okay. Item 3 is evidence session 5 of our inquiry into the regulatory oversight of housing associations. We've got two witnesses who've kindly agreed to come and help us with our inquiry today. Would you like to give your name and position/organisation for our Record of Proceedings?

[8] **Ms Bourton:** I'm Wendy Bourton. I'm group chair of Pobl.

[9] **Ms Davies:** Hello. I'm Amanda Davies and I'm the group chief executive of Pobl group.

[10] **Nick Ramsay:** Great. As I say, thank you for being with us today. We've got quite a few witnesses and quite a few areas of questioning, so, if at any point I'm moving things on, it's just to try and get through the material we've got.

[11] I'll kick off with the first question. Can I ask you: in terms of the effectiveness of the regulation that is there, do you believe that regulation effectively serves housing associations, their tenants and service users?

[12] **Ms Bourton:** Shall I start?

[13] **Nick Ramsay:** Wendy Burton.

[14] **Ms Bourton:** Thank you. Yes, Wendy Bourton.

[15] **Nick Ramsay:** Bourton, sorry.

[16] **Ms Bourton:** It's all right. Yes, I do, and I think we very much welcome the approach that regulation has taken over the years to be much more co-production, co-regulation. You want a regulation that fits a modern governance, and very much the stance that the regulation officers and departments are taking is clearly doing that: open, honest discussions between us, recognising our respective positions, but, at the same time, being prepared to have those difficult decisions should we not be meeting the business objectives, the performance standards and our commitment to compliance that we've said. Now, that's something we take very seriously. Really, it should chime, and it does chime, with us at Pobl group, because we're very much about being in partnership across government, but, at the same time, exercising our responsibilities in terms of governance. So, yes, we do think—we're very pleased that the focus on tenants is recognised and maintained and continues in the new framework and dialogue, and it's something that we know, within Pobl, we're also echoing within our own practice, and risk-based, obviously.

[17] **Nick Ramsay:** Amanda.

[18] **Ms Davies:** Yes. I agree. I think, the direction of travel, regulation, is focused on the right things—finance, governance and outcomes for tenants. Risk focus—critical. I think, on a very practical basis, our experience during the merger and the opportunity there to work with the regulator, so that the regulator has an insight and understanding of our business, was really

important. So, to be fair to them, the regulator came to merger meetings, board meetings, staff meetings, and really took the time to understand and challenge the business case that we were putting forward for what was quite a big thing in terms of the housing sector.

[19] **Nick Ramsay:** Rhianon Passmore has a supplementary question.

[20] **Rhianon Passmore:** Thank you. In regard to openness and transparency, which you started off your comment with, do you believe that TPAS Cymru will be the organisation necessary to feed tenants' views into the system, and do you think there will be a deficit if that's lost, or do you feel that the organisation that will remain will be strengthened? What's your view?

[21] **Ms Bourton:** Well, I've looked at the responses from both TPAS Cymru and the Welsh federation of tenants, and I think what we've got to make sure is that TPAS Cymru does really step up to this challenge, because, clearly, we want to make sure that we don't have a lesser voice, that we have a greater voice. I support very much the position that's been taken to help TPAS Cymru develop in that way and make sure that it does take a higher priority perhaps in the way that it operates. So, something that I think—. It can be done. We can make sure that tenants' voices are as strong, but we have absolutely got to make sure that we see the emphasis and resources going in the right direction. It would be a shame to lose what the Welsh Tenants Federation has achieved.

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

[23] **Mike Hedges:** Amanda and I have already had discussions on some of these things before, so we're having them in public now, as opposed to in private. Pobl covers a very large area now. It covers from Newport down to the Pembrokeshire border. How do you ensure that tenants across the whole area get their voices heard? Because it's an entirely different organisation to what Gwalia was and, I assume, what the predecessor in east Wales was.

[24] **Ms Davies:** Yes. It is a challenge to make sure you do that. You have to do the usual things, the things that are really important, that you have tenants involved in your governance. So, we have a brilliant tenant on our group board. He's there—yes, he's a tenant, but he's there because of his skills and abilities. He's very talented. We've got the usual structures, the consultation structures, the scrutiny structures, but, actually, it's more than that. It's about making sure that every single person, every single customer

of Pobl group can get their views and opinions through to us. So, social media is important. I know there are people around this table who use social media very powerfully. For example—

[25] **Nick Ramsay:** A couple more than others.

[26] **Ms Davies:** A couple more than others. Exactly. So, for example, we were consulting on something simple like tile choices for our improvement programme. So, we put it out on social media. We get our first response in 19 seconds. Taking the opportunities when our tradesmen—

[27] **Nick Ramsay:** 19 seconds?

[28] **Ms Davies:** 19 seconds.

[29] **Nick Ramsay:** I didn't know people could type that fast.

[30] **Ms Davies:** So, it's about recognising in terms of modernising that relationship with our tenants. It's not all about the formal structures. It's about taking every opportunity we can, when we're doing a repair, when someone rings in to complain, that we take that opportunity to understand the individuals.

[31] **Ms Bourton:** Yes, and I think we very much have been aware of the tenants' groups that are there in place. You know, our front-line staff, every day, work in those communities, talking to tenants—tenants who perhaps other people don't have the opportunity of speaking to and finding out what the drum is, what the issues are. We have lots and lots of tenants' and residents' committees throughout the spectrum of where we work, and social media help us at board level to test this is really happening, because we can see video clips and see what's happening at the consultation events, as well as hearing what's happening from our front-line staff and through various research projects we have. We're doing specific research projects to make sure that we are heard in those localities, that we do also hear what's happening in those localities, and we're continuing to build on that.

[32] For the future, we've agreed that we are also going to have—because it is something we take seriously—a designated board member with responsibility for seeing engagement across the group, to make sure that we have a consistency of engagement in terms of all aspects of the group, but also we've got a proper, strategic, developed response in this area.



[33] **Mike Hedges:** So, you said it's going to be a designated board member. Will that be an executive or non-executive board member?

[34] **Ms Bourton:** Non-executive.

[35] **Mike Hedges:** Fine.

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

[37] **Lee Waters:** Can you just clarify what you've been telling us? You've described the board member you have who is there to represent tenants as having a very valuable contribution because of the other skill sets they have. What—*[Interruption.]* Sorry, can I just finish my understanding? You can tell me if I've misunderstood. I thought I heard you saying that you have somebody who is there who represents tenants and is very valuable because they are a skilled professional in their own right, not per se because they're there to represent tenants, and, actually, the way you properly engage tenants is through social media.

[38] **Ms Bourton:** No. I obviously didn't make myself that clear. What I was saying is that we've got the whole range of ways that we engage with tenants and service users and residents and communities, because, obviously, with the social care side of the business—. And we do all sorts of things. As you know, it's a wide proliferation of how we actually engage, and how people want to be engaged, because not everybody wants to have a landlord function on the board. But one of the things that we have decided is that we will have a very senior board member who's there because of the skills that they have in their skill box, who would take responsibility for ensuring the engagement across the whole of the business, be it social care or housing, will have a strategy attached to it and will actually have a measured review over it. And this is one of the things that's happened with Pobl. Separately, we have tenant board members who are on the Pobl board and on other boards across the group who've been there—. I mean, for the Pobl board, they all got interviewed, filled in an application form, went through interview, went through the process of setting objectives, have a job description, go through an appraisal, and have one-to-ones with me on a regular basis. So, that's a general day-to-day of the board, but in particular respect of tenant and service user involvement, we want to make sure that we have a proper, cohesive strategy and outcomes across our work, which is a big piece of work. It's going to take some time for the board member. It's going to be a

timely piece of work.

[39] **Lee Waters:** Okay, thank you for clarifying that. That makes sense. What I'm trying to test is that we have some early evidence in our inquiry to suggest that having tenants on the board compromised them, because they in effect ended up having to become a landlord and, actually, a more effective way of getting tenant scrutiny and tenant voice in the process would be to have some kind of formal process by which they were consulted and were allowed to scrutinise. I just wonder if you have any reflections on that.

[40] **Ms Bourton:** We do that, because we have—. Besides the main Pobl board, you'll be aware that we have other boards that sit across the business, and we have scrutiny, we have board scrutiny, by tenants. We have tenants' panels in a variety of different ways, depending on how people want to get involved, because, obviously, not everybody does want to be a board member and have a landlord function, for numerous reasons, which include the fact that, if you're a tenant, you don't always want to have that sort of relationship with your colleagues.

13:30

[41] **Lee Waters:** So, given that you have the other channels, and you have an overall all-embracing focus on engagement, do you feel having separate tenant representatives on the board adds value?

[42] **Ms Bourton:** I think, hearing the tenants' voice—. Yes I do, assuming that the person's there because of their skill set, and I also think—

[43] **Lee Waters:** Well, they're not there because of their skill set, they're there because they're representing the tenants.

[44] **Ms Bourton:** Yes, they are on our board. On our Pobl board, they are there because of their skill set as well, and their commitment to wanting to be a board member.

[45] **Ms Davies:** I think every non-exec on the board doesn't just bring one skill, or one set of skills. They'll bring their experience from their professional life, they'll bring their references from the world in which they live, and the same for tenants. So, we don't specifically reserve places on the group board for tenants, but if we've got an applicant for a vacancy who brings other skills that we need on the board and happens to be a tenant,

that's really good news for us.

[46] **Lee Waters:** Okay.

[47] **Mike Hedges:** What I would say, if you didn't have a tenant on the board you'd probably not have anybody on your board who lived in rented accommodation. I think tenants bring a viewpoint, in my opinion, whether you would agree or not, which is different to those who aren't tenants. Can I use an analogy I used last week about Swansea City Association Football Club, where the supporters' director is there able to bring the supporters' point of view? Surely the tenants' representative or member is there to bring the tenants' point of view, and an understanding of what it's like to be a tenant of Pobl, and not just them, but their neighbours et cetera. Don't you see that as a huge advantage?

[48] **Ms Bourton:** Yes, we do.

[49] **Nick Ramsay:** You don't have to give an opinion on Swansea City football club, but the way. [*Laughter.*] It's fine to stick to housing associations. But it's a good analogy. Wendy.

[50] **Ms Bourton:** I think, across the group, we have quite a lot of tenants involved in boards who clearly sit there being in rented accommodation. We do also have non-execs who sit there who are in rented accommodation, but who don't happen to be tenants, by the way. For us, it's about getting the right skill mix and getting the right diversity on boards, and that's important. Now, that doesn't always fall in the way that, perhaps, we've been used to seeing non-execs. So, we very much encourage young people to join our board—we have a young person's programme—and women to join our board, all of which brings different diversity answers, and I think it's really important to hear what it's like living in the rented sector, and we do that across the boards in our various organisations.

[51] **Nick Ramsay:** Rhianon Passmore, then Oscar.

[52] **Rhianon Passmore:** You've practically answered—it was just a question, really, around clarification. So, in terms of the different boards that you have, can you just outline, so that there is a clear view as to what boards you've got in terms of the different companies that are underneath your large headings—it's not just one board, is it—whether you have—you've already answered this, I think in terms of it's a skill set that you're looking

for—a view that, for instance, on the Seren executive board, I presume in terms of governance, there is definitively a tenant representative on that? So, it's just really to clarify those structures for us.

[53] **Ms Davies:** Very simply, the group is in three parts. So, we would have a homes and communities board, and it does what it says on the tin. That board is focused on housing and the regeneration of our communities. The care and support board is where—. The skills that we expect from non-execs are very different to those on the housing boards—it's a different market, a different sector—so we're looking for different kinds of people. The last one is a commercial board, where we operate our student accommodation and housing for sale, and, again, the non-execs who sit on that board are very different. They bring a very different experience and skill set with them.

[54] **Rhianon Passmore:** Okay. So, is there a definitive room, place or seat for a tenant representative on any of your boards?

[55] **Ms Davies:** No, but as I say, we would, if we were able to recruit, particularly on the housing side, people who are also tenants, that's an advantage. It has to be skills-based recruitment.

[56] **Rhianon Passmore:** And do you currently have a tenant? I think you've answered this.

[57] **Ms Davies:** Yes, we do. We do have tenants.

[58] **Ms Bourton:** All the housing boards have tenants.

[59] **Nick Ramsay:** Just to be clear on that, you don't have a tenant on the board for the sake of it—that's what you're saying—but you do recruit them if they've got the skills that you think are required to have.

[60] **Ms Bourton:** Yes, and we make sure that tenants are aware that we are recruiting. We have a very, very open recruitment process across the whole of society, really, where you would expect us to.

[61] **Nick Ramsay:** Oscar.

[62] **Mohammad Asghar:** Thank you very much, and good afternoon to both ladies. Given the lack of the reporting and reliance on self-evaluation, is the housing association sector in Wales open, transparent and accountable to

citizens in Wales? In the same light, how will you measure the performance of your community regeneration strategy within these parameters?

[63] **Ms Bourton:** I didn't hear the second part of your question, I'm sorry.

[64] **Mohammad Asghar:** The second part is: how will you measure the performance of your community regeneration strategy?

[65] **Ms Davies:** So, accountability is critical to us. In terms of the sector, we're accountable to a lot of people. We're accountable to our funders. So, in Pobl group, we have £0.5 billion of debt on our balance sheet, so the funding community is very interested in what we do. We're clearly accountable to the regulator, we're accountable to our staff—

[66] **Mohammad Asghar:** Half a million or—

[67] **Ms Davies:** Half a billion.

[68] **Mohammad Asghar:** Half a billion. So, £500 million.

[69] **Ms Davies:** Yes. So, we've got a lot of debt on our balance sheet. But we're also accountable to our customers. So, that accountability thread runs through our business. In terms of openness and transparency, I would say 'Absolutely'; in terms of our communication and our desire to share the business of the group, it is very open to anybody who wants to learn about our plans, our ambitions in Pobl. In terms of regeneration, this is a very important part of our strategy. So, Pobl, in partnership, particularly with local government and other local agencies, is investing considerable sums in regeneration. So, in Newport, we've got some large projects in the high street in Newport, taking, for instance, an old department store, which is derelict, to convert it into city centre living for older people. In Neath Port Talbot, in Port Talbot itself, we're taking an old cinema and converting that into apartments. Currently it's an eyesore. In Llanelli, we're doing some work on regenerating an old—what was the old Buckley's Brewery building there. So, we take our role in terms of physical regeneration very, very seriously. We invest, but that's always in partnership—in partnership with Welsh Government and local government.

[70] **Mohammad Asghar:** Okay.

[71] **Nick Ramsay:** What about the Welsh Government's regulation team? Do

you have confidence in their abilities?

[72] **Ms Bourton:** Yes, I think we do. That doesn't sound very strong does it? Yes, we do. Yes, we do.

[73] **Nick Ramsay:** 'I think we do'.

[74] **Ms Bourton:** And we really appreciated it—. It doesn't sound right. [*Laughter.*] We really appreciated it during the collaboration discussions, before we came to merger, where we had one of the regulation team attend meetings, and there was a degree of both openness and honesty about direction of travel, but also there was clarification over issues that we needed, and there was a sense that we were in this together—in different roles—and we were very much aware of the parameters of Welsh Government thinking. And it was useful for some of the members.

[75] **Nick Ramsay:** And the changes that happened, I think it was in January 2016—were there deficiencies before that that were addressed by those changes?

[76] **Ms Davies:** I think there's more focus.

[77] **Ms Bourton:** Yes.

[78] **Ms Davies:** I think the move to risk-based regulation is absolutely right. I think the regulator should be worried about the things that we're focused on and worried about. And I think that openness, building on the previous question, is critical: that we can talk openly and honestly about the challenges in the business and, importantly, about the things that we're doing to deal with them. So, building that relationship is really critical, that the regulator gets to know and understand us and that we understand and respect what their role is.

[79] **Ms Bourton:** And I think as well, we would be—the performance measures in our approach to governance would be there despite there being a regulator or not. This is our—. We have our own standards and our own approach to governance. It's helpful that they are on the same page, and you'd expect them to be on the same page, but for our members, and some who, perhaps, are not so close to this world, it gives them a steer on what Welsh Government, through the regulation team, think the main issues are for housing associations, where they see the horizon scanning coming up,

and where they see the need for some of the accountability that we all share that we need in this room.

[80] **Ms Davies:** I think that regulating the Pobl group will be different to regulating a small community-based housing association. So, it is important that that understanding of what we do is developed, and that the resource is there within the Welsh Government to be able to invest time in that.

[81] **Nick Ramsay:** So, it's not a one-size-fits-all situation.

[82] **Ms Davies:** It's not.

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

[84] **Lee Waters:** So, is that skill and understanding there because, as you set out earlier, you have quite a complex portfolio of interests? We've had some initial evidence as part of this inquiry that has questioned whether or not the regulation team has the capacity, in particular, and the skills. So, are you confident that the fit is right at the minute?

[85] **Ms Davies:** I think it's probably easier to focus on capacity. I think, in terms of capacity, it's really important that the Welsh Government invests in that capacity. In terms of skills, there's no evidence that the skills aren't there; I think it is a capacity issue. And, as I say, the important thing is that the regulator takes the time to learn and understand the business, and to talk with non-execs and spend time with the non-execs to really understand the risks. So, as I say, I believe it's a capacity issue rather than a very black-and-white skill issue.

[86] **Ms Bourton:** And it's evident that there's a range of skills now in the regulatory team officers, so that's where they're drawing across their range as well, and that was evident when we were talking about collaboration—that they'd go back to the office to get skill sets that perhaps aren't immediately available in the—

[87] **Lee Waters:** You mentioned the need for a different approach, depending on the nature of the business. We've had some evidence from Newport City Homes who have said that it welcomes the clarity of the new performance standard, but it

[88] 'looks forward to seeing the systematic application across the sector.'

[89] That would imply that, currently, it's not being applied consistently across the sector.

[90] 'It is imperative that those employed by the Regulator...understand the strategic context within which boards are operating.'

[91] Do you have any concerns in that regard?

[92] **Ms Davies:** I think it's important that strategic context is understood. In terms of systematic application, it's really hard for us to comment on that because all we can talk about is our Pobl experience. But from our point of view, for instance, our senior regulator is ex-Barclays Bank which is really helpful, because we're an organisation with a large funding portfolio, so to have someone who understands that is great. To draw in other colleagues from her team who have other skills, again, is really helpful. But, as I say, in terms of the diversity of Pobl, they're still learning.

[93] **Ms Bourton:** I'd agree with you.

[94] **Lee Waters:** So what do they need to do to learn faster?

[95] **Ms Davies:** Spend more time with us. We're open. Come and have a look.

[96] **Lee Waters:** And that's the capacity issue, is it? You just don't think there are enough of them to have the time to do that.

[97] **Ms Davies:** Yes, I think so. A bit more time.

[98] **Ms Bourton:** Time to walk it.

[99] **Ms Davies:** Feel it.

[100] **Ms Bourton:** You know, it's not enough to be in the boardroom.

[101] **Ms Davies:** You know, meet our customers; talk to our staff.

[102] **Ms Bourton:** And understand the community differences.

[103] **Lee Waters:** So, if they don't do those things currently, then, that's a



bit of a concern about how this core regulatory approach is going to work in practice.

[104] **Ms Bourton:** Well, we've yet to see that they don't do it; that they're not out and about since January.

[105] **Lee Waters:** You're yet to see that they don't do it. I'm sorry?

[106] **Ms Bourton:** Well, in this current year with Pobl, we've had the regulatory officer attend meetings, and expressed a view that they want to go out and about and visit our communities and our services. So, it's not our experience that they aren't doing that but, overall, in the past, there was definitely a feeling that they didn't attend the wider issues of the organisation. Am I not making myself very clear?

[107] **Lee Waters:** I'm confused by the language, I'm sorry.

[108] **Ms Bourton:** Sorry. What I'm saying is that the regulatory officer that we have has definitely expressed an interest that they will be out and about this year visiting communities. In the past, that wasn't the case.

[109] **Lee Waters:** Okay. It's just they haven't done it yet.

[110] **Ms Bourton:** They haven't done it yet.

[111] **Lee Waters:** Right, okay. Thank you.

[112] **Nick Ramsay:** On that, Mike Hedges.

[113] **Mike Hedges:** You talk about a debt of £0.5 billion, £500 million. This is at a time of historically incredibly low interest rates, and I didn't expect that they would last this low either. But how resilient are you if interest rates went up to 10 per cent, which historically would not be massively high, or 5 per cent, which is the norm? So, at 5 per cent, £0.5 billion equates to £25 million a year interest charges. How resilient are you to these sorts of movements?

13:45

[114] Dare I say it, I'm old enough to remember when interest rates went up to 15 per cent—don't we, Neil? [*Laughter.*]

[115] **Ms Davies:** I remember that.

[116] **Neil Hamilton:** I remember when they were 25 per cent.

[117] **Ms Davies:** I think there were two reasons why Gwalia and Seren merged: one was capacity, to be able to build more homes, create more jobs; the other was about resilience. It's no secret that, by merging, we're looking to develop efficiencies—efficient back offices, efficient procurement, efficient funding. So, currently, a large percentage of our portfolio is fixed. Over 72 per cent of our portfolio is fixed. Increasingly, we're looking to the capital markets for long-term, fixed-rate funding. So, what we want to do is to mitigate that risk in our financial plans by taking a fairly cautious view as to our borrowings. We would do the things that every other RSL would do—we would stress test our plan. We do this thing called perfect storm, where we throw as much bad news at the business plan as possible. We are a very resilient organisation.

[118] **Mike Hedges:** Every organisation would fail at a certain level of interest rate and a certain level of non-payment of rent. With 100 per cent interest rate and 100 per cent non-payment of rent, you'd fail immediately. At 0 per cent of both, you'd be flourishing. So, there's somewhere in there at which you'd fail. Are you happy with the position you're in at the moment?

[119] **Ms Davies:** Yes, we are happy.

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

[121] **Rhianon Passmore:** That leads me very nicely into my line of questioning around diversification. I might have jumped the gun, Chair. Do you want me to keep it or, as it's relevant to where we're at—?

[122] **Nick Ramsay:** That's fine, go for it.

[123] **Rhianon Passmore:** I think, obviously, in terms of your regulatory assessment for the whole group, I believe you're still outstanding from 2015. I believe the Gwalia Group also, in terms of its last assessment, I think, had issues around governance. So, I'm hoping that, in terms of my question in a minute, you can address those two points for me in terms of if those governance issues are seeking improvement and that you're on top of them.

[124] I suppose, in terms of the huge portfolio that you've got, in contrast to many others, you're in a unique position. We've already mentioned the £0.5 billion capacity in terms of your deficit, moving forward. We have got, as has been said by Mike Hedges, a very difficult scenario in terms of austerity, in terms of inflation, in terms of the uncertainty around the triggering of article 50. There are many things that are coming and looming that will cause people to slightly look into the future with a bit of gloom.

[125] How are you mitigating for those? You mentioned your stress testing and your perfect storm. You've mentioned that you feel that you are resilient. If we reach that really bad point where you are concerned greatly, what plans have you got to be able to look into that future and say that you're not going to—

[126] **Nick Ramsay:** You managed to get quite a lot into that question.

[127] **Rhianon Passmore:** It's quite a long question.

[128] **Ms Davies:** Okay, so where shall I start? Shall I start with diversification and then get gloomier?

[129] **Rhianon Passmore:** Yes. I'm thinking of the clock, Chair.

[130] **Ms Davies:** Okay, diversification. Yes, it is a diverse group. As I said earlier, though, on diversification, each separate business stream has its own board, its own leadership. This isn't new. So, we've been providing social care for 20 years. We've been in the student business for over a decade. We've been selling property for over 20 years. So, for Pobl group, it's not something we've just done overnight. We've built up a very good level of skill and expertise in terms of being able to manage that diversification.

[131] The reason for it, particularly on the commercial side, is to make profit. The reason we want to make profit is that we invest it back into our social purpose. If we don't make profit, we won't do it. So, that's very black and white: we're in the commercial business because we want to make some profit to invest in social housing.

[132] I'm going to give you one example, which I think really brings this to life. In Newport, there's a site called Loftus Garden Village—it's 250 homes. There is £1 million of grant in the site and £30 million of private finance. We were also able to generate a capital receipt for the Welsh Government for the

land. But, the really interesting thing about it is it's a community of people living together where 40 per cent of the houses are for sale, either on an outright or a shared-ownership basis, which is a really important way of enabling people to access housing, and 60 per cent are for rental, whether it's social rental or sub-market rental. So, that kind of—. I would encourage you, if anyone wanted to come and visit Loftus, Wendy and I would happily show you around, because that kind of expertise, by being diverse, allows us to fulfil the social purpose.

[133] In terms of the doom and gloom, that very active approach to risk management where we continually keep under review our business streams at a non-exec level and at exec level, often taking some quite difficult decisions about what we will do and what we won't do, particularly in social care, because that's a very difficult market, is just in our DNA.

[134] **Ms Bourton:** I think very much at board level, making sure that that mitigation is doable, because it's one thing to have perfect storm stress testing, but what you really need to put the effort into is how you work the mitigation out. One of the things we're watching very closely at the moment is the impact of universal credit on families. We're also watching the impact on our contractors for the development programme, because there is some early indication that some contractors are finding things difficult at the moment: there are cash flow issues, there are materials and obviously there's the workforce. So, the Pobl board's very alive, and the housing boards are very alive to this, as well as within the social care side of the business, these are very, very difficult times—difficult commissioning arrangements. An area of great concern is knowing where those lines lie in terms of where it becomes a major problem. If we don't get numbers through into a residential home, what do we do? How do we work with our partners? We know that our local authority partners and our health partners are struggling at the moment. How can we help them, but how can we also make sure that we deal with the issues for our business? So, shared risk is very important in respect of that.

[135] **Rhianon Passmore:** So, with regard to the huge portfolio that you do have, and the different elements within that, how do you not lose that focus on the core reason for you being there, which is to cater for vulnerable groups, which is to cater for accommodation—your core reason for being there? As we are approaching a volatile time, which has been acknowledged by many, what can you say to reassure me that that focus is going to remain for those who need you most, instead of just balancing your books?

[136] **Nick Ramsay:** What can you do to dispel the gloom?

[137] **Ms Bourton:** What can we do to dispel the gloom? Well, we've got some good stories in Pobl at the moment.

[138] **Rhianon Passmore:** I'm looking for systems, really.

[139] **Ms Bourton:** We've got some good stories and we've got some good systems. We're very—do you know, I've lost my thread? We're very, very assured, I think, that the issues around universal credit, being one of them, are—. We are working very closely with the front-line staff, we're understanding the issues, we're adjusting all the time, adjusting our services and making sure our services are as efficient and effective for the future as we go forward, because we understand what impact this is having in our communities.

[140] Throughout the board, social purpose is the DNA in the board. I think all the board members have to demonstrate that this is the reasoning that they're involved, or the non-execs are involved, across the group. I'm absolutely confident that, should we get into a risk situation, you will not see our social purpose losing its focus and concentration. First and foremost, we're about housing people, having a continuum of care to support those people in their communities, and making sure that they receive a good service and a safe home. I can't answer further than that.

[141] **Nick Ramsay:** That's fine. We're heading into the last 10 minutes of the session, so concise questions and answers are appreciated. Lee Waters, did you have some more questions?

[142] **Lee Waters:** Yes. Just moving on to the issue of pay, which is one of the issues we're looking at as part of this inquiry, you described a very sophisticated model that requires a sophisticated skill set. We're familiar with the argument that, in order to attract people with the right skills, we need to pay competitive wages to do that. I'm just interested—in terms of governance, what arrangements do you put in place to make sure that the performance of the organisation matches the pay?

[143] **Ms Bourton:** Right. As you would expect, for individual officers throughout the group, there's a strong personal performance professional development framework, where targets are set, and those targets are

reviewed on a very regular basis. Within the groups of the organisation, they have performance standards where they're also reported on on the board regularly, and then they're reviewed and adjusted accordingly. For the board itself, there's a performance framework—how well the boards perform. We're doing a governance review and, later, we're going to a meeting to consider this at group level. For the Pobl group, we have a set of performance standards that are reviewed and measured on a regular basis.

[144] **Lee Waters:** So, poor performance wouldn't be rewarded, then.

[145] **Ms Bourton:** Poor performance is not awarded, no.

[146] **Lee Waters:** Okay. Obviously, there hasn't yet been a regulatory assessment on Pobl, but the last published judgment was on the Gwalia group in June 2015. That highlighted a range of performance issues where the financial performance was below the sector average, where the principles of co-regulation were not always adhered to, that there was a breach of care regulations, and yet the previous chief executive of Gwalia was the highest paid in Wales, at £151,712. So, how could that have happened if what you're saying is correct?

[147] **Ms Bourton:** I can't tell you how Gwalia got to that situation because I wasn't part of the Gwalia team at that time. I've never been part of the Gwalia team in that sense. However, what I can tell you is that there was such a great deal of concern about the collaboration that both organisations came together and addressed the issues that we felt were important for a more modern, governance arrangement—that we have proper terms and conditions, and appraisals and targets for every aspect of our business, and that we would not allow ourselves ever to be in the situation that you've just described.

[148] **Lee Waters:** So, what you're saying is that the creation of Pobl was, in some ways, a reaction to that mismanagement and poor performance.

[149] **Ms Bourton:** No, nothing to do with it. That's quite separate.

[150] **Lee Waters:** So, there wasn't a response to the poor performance.

[151] **Ms Bourton:** No, it wasn't a response.

[152] **Lee Waters:** So, what was the response to the poor performance?

[153] **Ms Bourton:** Well, that would have been for Gwalia to have a response.

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

[155] **Ms Davies:** I think, in 2015, clearly, when we did our due diligence as part of the merger, these are things that were given very careful consideration. I can absolutely say that the situation that was reported on then is very, very different today. The governance arrangements are very different. The maintenance arrangements are very different. So, credit to the teams in Gwalia at the time, who worked very hard to improve that position.

[156] **Nick Ramsay:** Could that happen again?

[157] **Ms Bourton:** Not in Pobl.

[158] **Ms Davies:** No. I'm not going to say things don't go wrong, because, in any organisation, things go wrong. I think the test of an organisation is what you do when things go wrong and your ability to respond and react to the things that Rhianon described. You know, the external environment is a harsh one. There are things that can go wrong internally. The test—and the test of Pobl—is our ability to spot those, pre-empt them often, and to deal with them quickly so that the service delivery to tenants, and the impact on people's lives, is not affected.

[159] **Lee Waters:** I absolutely understand things go wrong, but the difficulty here is that, obviously, there's nobody in Gwalia now to hold accountable and ask questions to about this.

[160] **Ms Davies:** No, exactly.

[161] **Lee Waters:** Because you're clearly not willing or able to answer those questions. So, my interest is, if the argument of the sector is that these levels of pay are justified because of the demand of the sector, and there are arrangements in place to address poor performance when that arises, how that marries with the fact that, for several years—because these things didn't just happen suddenly—performance was lagging, and yet the pay was amongst the highest in the country.

[162] **Ms Bourton:** Well, how we're doing this within Pobl now is that we have a very robust and strong performance framework for every officer and front-

line member of staff in the business. We also have that for non-executives. We have an expectation—

[163] **Lee Waters:** So, those lessons been learned in the successor organisation. Is that what you're telling us?

14:00

[164] **Ms Bourton:** These things are definitely learnt within Pobl, because we understand what a business needs.

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

[166] **Nick Ramsay:** Neil Hamilton.

[167] **Neil Hamilton:** You're quite a sizeable business, with a turnover of £125 million a year, and quite a complex business in terms of your property portfolio. You have a large debt, at four times your annual turnover. In addition to providing social housing, you do student accommodation and nursing accommodation, you build homes for sale and rent, you're in commercial property, retail units and artists studios, I understand—I don't know what proportions these are in, obviously. It's quite a complex property management portfolio, and, just to follow up on the point that Mike made earlier on, I've lived through several property booms and slumps in the course of my lifetime, and, for all the talk of austerity, we've actually been living through a unprecedentedly long period of lax monetary policy, which has largely fed through into asset prices rather than income. We haven't had the property bubble in Wales that we've had in London or other areas, but this monetary policy is going to change at some stage; it is already changing in the United States. I wondered whether you feel, in the light of that, that we might be getting into more dangerous territory for people in the property business. If we look at your particular portfolio, do you think that the diversification that has come about as a result of your activities over the years and the merger that took place with Gwalia, do you think that those are the main risks to the business? Or do you see the spread of your interests as a risk in itself, possibly?

[168] **Ms Davies:** Okay, so I'll focus on the housing side and housing market. So, there's a huge housing need in Wales for both rented accommodation and for people to access the property market, whether it's through outright sale or through some other shared ownership option. The Welsh Government



has set a very ambitious target of 20,000 homes over the next five years, and Pobl will build 3,000 of those. So, in terms of judging my performance, the board is going to be having a very close eye on whether I deliver that target. So, in doing that, we clearly have to manage the risks, so that will be a mixture of housing for social rent, which we'll do in partnership with local government and will be partially grant funded. We're very good at that.

[169] Over the last decade, we've become very skilled at selling property, particularly on shared ownership, enabling people who otherwise would not be able to access the property market to access somewhere to part own. So, managing that sales risk is really important. So, understanding the property market and being able to adjust and vary our portfolio. So, if we saw a crash in property prices in the next year, we would switch to a rental solution. So, our businesses have that flexibility for us to provide to the market what the market needs. It is about having that flexibility, and, going back to the credit crunch, I guess, organisations like ours, when all the other developers or many developers in Wales shut up shop and weren't building any more, we were building through the credit crunch, were building for rent and we were building for shared ownership. So, we are resilient, we can adjust, we can flex, we can turn off the tap if we need to, but we're very cognisant of our social purpose and our main purpose, which is to build housing for the people of Wales.

[170] **Neil Hamilton:** Yes, nobody's denying that. Of course, that's absolutely right, so long as the commercial side of the business is ancillary to the provision of social housing, the risks are properly managed and you're lucky, then all is well. But, success, indeed survival, in the commercial property business depends on timing and cash flow, so you perhaps should be rather more cautious than your average property developer. Clearly, you've been quite successful, if you were building at the time when everybody else was going bust. Being counter-cyclical is, of course, so long as you get the decisions right, the way to riches. Even Donald Trump nearly went bust 20 years ago, but he's recovered. So, you're convinced, evidently, that this is—

[171] **Nick Ramsay:** I was wondering how Donald Trump would be brought into the regulation of housing associations.

[172] **Ms Davies:** We definitely don't rely on luck, and I didn't want to use the word 'counter-cyclical', but that's exactly what we are, with the ability to adjust, flex or scale down our programme if we need to. The most important thing is, with anything we commit to in terms of building, that we know

we've got the forward finance in place to build that, and that our business plan is able to support that level of debt, which is the point that Mike used, later. The important thing for me, though, is that we're meeting a very, very important need in Wales. The challenge for the board is to ensure, as you say, Neil, that we operate at that right level of risk, that we fulfil our social purpose and deliver with the Welsh Government on its agenda, but don't put at risk our business.

[173] **Ms Bourton:** It's why we've got board members who have got really deep and experienced commercial backgrounds in the development sector, as well as in the financial sector, because we need people with that skill set who are able to seek the assurance, when we go forward in terms of considering risk or stress testing, that not only can we identify where we need to mitigate, we've also got the ability to know that, when it comes to it, we will have in place what we need to mitigate the circumstances, hence that flexing. I think, at all times we're very aware that if we have to flex, if we have to change direction, the direction in our profit-losing organisations will not in any way jeopardise the social purpose and jeopardise our social housing. At the end of the day, what we're hoping, through our commercial enterprises and what we do through our commercial enterprises, is that we actually feed that back into the regeneration of our communities, making sure the people have the communities they want to live in. So, it will be enough to lever in additional finance.

[174] **Nick Ramsay:** Lee Waters is desperate to come in with a supplementary, so, briefly, Lee.

[175] **Lee Waters:** A couple of brief, related questions. You mentioned the skill set of the directors. Do you have any difficulty recruiting good directors?

[176] **Ms Bourton:** No, we haven't, and, in fact—it's not a waiting list, but we have people knocking on the door, which is great. But how we do this is in an organised way. We have a skills matrix that is kept constantly under review, we have periods of office, we have succession planning and we recruit using an open recruitment process.

[177] **Lee Waters:** Because one of the points we're looking at is the case of whether or not the board members should be paid and the law should be changed to do that.

[178] **Ms Bourton:** Well, my view is they should be paid, because I think it

provides diversity on the boards. We have working people who have extremely difficult—they have to take time off in holidays to come to meetings—

[179] **Lee Waters:** But you've just described a system working perfectly well. You've got an oversupply of skilled people.

[180] **Ms Bourton:** No, I think that's a different issue. They come, they attend, but it's difficult for them, and they have to take annual leave or holiday pay to attend, which means that there will be other people who don't even think about it—other skilled, experienced people whom we could bring into Pobl, but we don't see them because we're not paid. I think it's really important. On average, we're doing—I'm doing about two days a week, and people are doing one day a week—

[181] **Lee Waters:** I'm sure your role is very demanding.

[182] **Ms Bourton:** Well, it's zero hours and zero pay. I do think that, for diversity, paid non-execs is the answer.

[183] **Lee Waters:** Just finally, earlier, Amanda Davies mentioned that, in creating the new organisations, it was partly for economies of scale and to achieve efficiencies. So, I just want to ask about the cost savings that you achieved in doing that, and there is a question that committee's attention has been drawn to about the payments made in compensation for loss of office to former Gwalia staff members when the Pobl group was established. No loss-of-office payments are disclosed in the Grŵp Gwalia financial statements, but it's been put to us that payments were made. Obviously, you said it was done in order to save money overall, but can you just clarify the position on that, please?

[184] **Nick Ramsay:** We're into the last couple of minutes now, so just be as brief as you can.

[185] **Ms Davies:** So, the loss-of-office payment would have been made by the Gwalia board. The individual concerned was with the organisation a long time. He got not a penny more than he was entitled to under his contractual commitments.

[186] **Lee Waters:** Right. Why wasn't that disclosed, I guess, is the question.

[187] **Ms Davies:** I think it is disclosed, actually, Lee. I think is disclosed in the accounts, in one of the notes in the accounts.

[188] **Lee Waters:** Well, the information that we have as a committee is that—

[189] **Ms Davies:** But we can check that—

[190] **Lee Waters:** That'd be helpful.

[191] **Ms Davies:** There'd be no reason why we wouldn't want to disclose it.

[192] **Nick Ramsay:** We can check following the session.

[193] Last, but by no means least, Neil McEvoy.

[194] **Neil McEvoy:** Thanks, Chair. I'm aware of the time, so I'll be very quick. Do you rent properties from overseas or offshore companies?

[195] **Ms Davies:** No.

[196] **Neil McEvoy:** Good. Are there any checks that you do on tenants before offering them properties? I'm thinking particularly of Gwalia when they housed the paedophile gang in Kidwelly from London. So, are there any checks in place now to stop that happening again?

[197] **Ms Davies:** In terms of social housing for general tenants, no. In terms of specialist accommodation, we would expect to work with the local authority to fully understand the circumstances of a tenant, if it's supported housing. When we're renting intermediate rented housing, which is below the market, we would check. We would make sure that the rental was affordable for the individual, so we would go through the individual's income and expenditure to ensure that the rent was affordable.

[198] **Neil McEvoy:** But in terms of housing offenders like that in a local area, there are no checks—

[199] **Ms Davies:** Yes, there are. We would expect, with local government, to have a full understanding of the nature of those tenants, so that we can put in place the right levels of support, checks and balances.

[200] **Neil McEvoy:** Because they were put in Kidwelly and offended for years afterwards, as people know. So, that couldn't really happen again, could it?

[201] **Ms Davies:** We would not want that to happen again, no.

[202] **Neil McEvoy:** But could it happen again?

[203] **Ms Davies:** Well, what can I say? What I would say is we would want to make sure that we had full knowledge. We're very much in the hands of the quality of that information that's provided.

[204] **Neil McEvoy:** But have checks been put in place, then, to stop that happening in future?

[205] **Ms Davies:** Yes. That would be systematic. To pick up Rhianon's point, we would systematically want to check that as part of the process of housing people.

[206] **Nick Ramsay:** Okay. We're out of time. Can I thank our witnesses, Wendy Bourton and Amanda Davies, for being with us today? We'll send you a draft text of today before it's finalised, just for you to check. Very finally, the clerk informs me that we are in your neck of the woods on 20 March for the launching of a report, so if we could sort out a visit—I think you did extend the invitation earlier.

[207] **Ms Bourton:** Yes, absolutely.

[208] **Ms Davies:** Come and meet some tenants.

[209] **Nick Ramsay:** That's what it's all about, isn't it? We'll come and meet some tenants. Thank you. I was going to thank Mike Hedges as well, then, but I think he was just passing behind the witnesses.

[210] **Mike Hedges:** Thank you, Chair.

[211] **Nick Ramsay:** Thank you.

14:13

**Ymchwiliad i Oruchwyliaeth Reoleiddiol ar Gymdeithasau Tai: Sesiwn  
Dystiolaeth 6  
Inquiry into Regulatory Oversight of Housing Associations: Evidence  
Session 6**

[212] **Nick Ramsay:** We've got quite a few witnesses today, so apologies for keeping you outside for a few minutes. Just a reminder that translation is available on the headsets. Could I welcome our witnesses to this afternoon's session of the Public Accounts Committee? It's good to have you with us. Would you like to give your name and position in your organisation for our Record of Proceedings?

[213] **Mr Jones:** John Arthur Jones, cadeirydd Grŵp Cynefin, cymdeithas tai gofrestrdig. **Mr Jones:** John Arthur Jones, chair of Grŵp Cynefin, a registered housing association.

[214] **Mr George:** Walis George, prif weithredwr Grŵp Cynefin. **Mr George:** Walis George, chief executive of Grŵp Cynefin.

[215] **Nick Ramsay:** Diolch. We have a fair number of questions for you and I'll kick off with the first one. In terms of establishing how effective the regulation that we currently have is, do you think that it does effectively serve housing associations, their tenants and service users?

[216] **Mr George:** Rydw i'n meddwl, o'm mhrofiad i o fod yn ymwneud â threfniadau rheoleiddiol gwahanol iawn dros yn agos at 25 mlynedd, fod yr esblygiad sydd wedi bod mewn materion felly i'w groesawu ac rydw i'n meddwl bod lle'r ydym ni bellach yn amser priodol inni fod yn adolygu'r drefn at y dyfodol. Ond, yn sicr, yr esblygiad a'r cyfeiriad mae'r drefn wedi ei chymryd dros y cyfnod yna yw'r un priodol. Rwy'n meddwl bod adolygiad Essex yn 2008 yn sbardun hynod o bwysig o ran ailedrych ar beth oedd pwrpas rheoleiddio a'r ffordd o hwyluso **Mr George:** I think, from my experience of being involved with different regulatory arrangements over the last 25 years or so, that the evolution that's happened in that area is certainly to be welcomed, and I think where we are now is certainly an appropriate time for us to look at that arrangement for the future. But I think that the direction that the regime has taken over the last few years is appropriate. I think the Essex review in 2008 was very important in looking again at the purpose of regulation as a way of facilitating the work in the sector, rather than

gwaith y sector, yn hytrach na creating problems for it. So, I think rhwystro ni rhag darparu we're definitely on the right track. gwasanaethau a chartrefi newydd. Yn sicr, rydym ni ar y trywydd iawn, byddwn i'n awgrymu.

[217] 14:15

[218] **Nick Ramsay:** Would you like to comment too?

[219] **Mr Jones:** Nid oes gennyf ddim **Mr Jones:** I don't have anything to byd chwaneg i'w ychwanegu, dim add, except that it follows from the ond ei fod e'n dilyn o'r *Essex committee*, felly, a chyn belled ag *Essex committee*, and as far as we are concerned as a board, we've got rydym ni fel bwrdd yn y cwestiwn, nid nothing to complain about. We co-oes gennym ni ddim byd i'w gwyno operate very well. yn ei erbyn. Rydym ni'n cydweithredu'n dda iawn.

[220] **Nick Ramsay:** In terms of the Welsh Government regulation team, do you have absolute confidence in their abilities in managing the regulation framework?

[221] **Mr George:** Mae ein perthynas **Mr George:** I think our relationship ni gyda'r tîm rheoleiddio tai with the current regulatory team is a presennol yn un agored iawn ac yn very open one, and is very positive. If un gadarnhaol. Pe baech chi wedi you'd asked the same question to me gofyn yr un cwestiwn i mi efallai saith maybe seven years ago, perhaps my mlynedd yn ôl, mae'n bosib y byddai opinion would have been different fy marn i yn wahanol. Ond mae then. But changes have taken place in newidiadau wedi bod o fewn y tîm o relation to making sure they have the ran sicrhau bod ganddyn nhw y skills and the experiences required. sgiliau a'r profiadau. Mae'r ffaith eu And they've brought people in from bod nhw bellach wedi dod â phobl i the outside. Certainly, that's a step in mewn o'r tu allan i'r gwasanaeth sifil the right direction, and our merger traddodiadol yn bendant yn gam i'r process over three years ago and our cyfeiriad iawn. Trwy ein proses uno ni relationship since then—I can say it ychydig dros dair blynedd yn ôl, a'n has been a challenging relationship; perthynas ni oddi ar hynny, mae wedi it needs to be, of course—but it's bod yn berthynas heriol—ac mae also been very open. And the angen bod—ond yn gwbl agored. engagement we've had and the

Mae'r ymwneud rydym ni wedi ei engagement the management board gael, ac mae'r ymwneud y mae'r have had directly with the regulator bwrdd rheoli wedi ei gael yn in terms of that relationship has been uniongyrchol gyda rheoleiddio o ran very important. y berthynas yna, rwy'n meddwl, wedi bod yn hynod bwysig.

[222] **Nick Ramsay:** There were some changes made in January 2017, I believe, to the regulation. What sort of deficiencies were present before that were addressed by that change?

[223] **Mr George:** O'n persbectif ni, **Mr George:** Well, I think, from our roedd amrywiaeth o brofiadau a perspective, there were a variety of diffyg cysondeb, o bosib, o ran experiences and a lack of consistency dulliau rheoleiddio ar draws y sector in relation to methods of regulation drwy Gymru gyfan. Roedd profiadau across Wales. Experiences in some cymdeithasau tai mewn rhannau o parts of Wales were very different to Gymru yn wahanol iawn iawn i what you had in other parts. And I rannau eraill, ac rydw i'n meddwl think that's what has had specific bellach mai hynny sydd wedi cael y attention, to ensure consistency now. sylw penodol i sicrhau cysondeb. Ac And that gives us some security and mae hynny ei hun yn rhoi sicrwydd i assurance as a sector in relation to ni fel sector ac rydym ni'n gwybod yn what to expect from the regulator, union beth i'w ddisgwyl gan y and that is putting in a firm basis, rheoleiddiwr, a hynny yn ei dro yn hopefully, for an open relationship. amlwg yn gosod seiliau cadarn, gobeithio, ar gyfer perthynas agored.

[224] **Nick Ramsay:** So, to coin a phrase, it was a bit more of a postcode lottery before and there's more consistency across the board.

[225] **Mr George:** Rwy'n meddwl, yn **Mr George:** Certainly, I think, having sicr o fod wedi mynychu cyfarfodydd been involved in meetings with other gyda chyd-brif weithredwyr, bod chief executives, that impressions argraffiadau a theimladau pobl and feelings were very varied because wahanol yn amrywio'n helaeth iawn of different experiences people had oherwydd profiadau gwahanol—lle had—where similar situations arose roedd sefyllfaedd tebyg yn codi ac, and, maybe, the method used by the o bosibl, roedd y dull a oedd yn cael regulator at the time did vary from ei ddefnyddio gan y rheoleiddiwr ar y situation to situation. So, that lack of pryd yn amrywio o sefyllfa i sefyllfa. consistency was the problem, but



Felly, eto, y diffyg cysondeb yna oedd that certainly has improved over the  
y pryder, ond mae hynny wedi gwella, last few years.  
yn sicr, yn y blynyddoedd diwethaf  
yma.

[226] **Nick Ramsay:** Diolch. Oscar—Mohammad Ashgar.

[227] **Mohammad Asghar:** Thank you very much. Given the lack of public reporting, and the reliance on self-evaluation, is the housing association sector in Wales open, transparent and accountable to citizens in Wales?

[228] **Mr George:** Rydw i'n meddwl **Mr George:** I think we all have room  
bod gennym ni i gyd le i wella, heb for improvement, without doubt. But  
unrhyw amheuaeth. Ond rydw i'n I think that in terms of our values as  
meddwl, o ran ein gwerthoedd ni fel an organisation—I can only speak for  
sefydliad—ni fedraf i ond siarad am Cynefin in this sense—but we  
Grŵp Cynefin yn hyn o beth—rydym certainly feel that we are a body that  
ni'n bendant yn gweld ein hunain yn is part of the community where we  
gorff sydd yn perthyn i'r cymunedau work, and with a great emphasis on  
lle rydym ni'n gweithio, ac yn sicr yn that local accountability. That is  
rhoi pwyslais mawr ar yr atebolrwydd achieved in several ways including  
lleol yna. Mae hynny'n cael ei the membership of the association  
gyflawni mewn sawl ffordd, yn itself, which is hundreds of  
cynnwys, yn amlwg, aelodaeth y individuals and organisations across  
gymdeithas ei hun, sydd bellach yn our area of operation. But, more  
rhai cannoedd o unigolion a importantly, it is through our  
sefydliadau ar draws ein hardal involvement directly with tenants and  
gweithredu ni—ond yn bwysicach, yn with communities, and obviously with  
amlwg, yr ymwneud yn uniongyrchol local authorities in particular.  
gyda thenantiaid, gyda'r cymunedau,  
a gyda'r awdurdodau lleol yn  
arbennig.

[229] **Mohammad Asghar:** And how will you measure the performance of the community regeneration strategy?

[230] **Mr George:** O ran ein **Mr George:** In terms of our strategy,  
strategaeth ni ein hunan, rydych you mean?  
chi'n ei feddwl?

[231] **Mohammad Asghar:** Yes.

[232] **Mr George:** Mae'r egwyddorion craidd rydym ni'n eu dilyn ym mhob agwedd ar ein gwaith ni yn ymwneud â cheisio ymateb i'r angen lleol. Fel y soniais i'n gynharach, ffurfiwyd Grŵp Cynefin dim ond tair blynedd yn ôl, ond roedd y ddwy gyn-gymdeithas—Cymdeithas Tai Clwyd a Chymdeithas Tai Eryri—wedi'u sefydlu yn y 1970au i ymateb yn uniongyrchol i ddiffygion ac anghenion tai lleol ar y pryd. Ac mae'r gwreiddiau yna yn dal yn rhan o'n DNA ni fel sefydliad. Nid ydym yn gorff masnachol; rydym ni'n gymdeithas sy'n gweithredu er budd y cymunedau lle rydym ni'n gweithio, ac felly mae'n rhaid i ni gychwyn drwy ddeall ac adnabod yr anghenion lleol, ac i weithio gyda chymunedau er mwyn ffeindio ffyrdd ymarferol o ddatrys hynny. Mae hynny'n wir o ran sut rydym ni'n mynd ati i ateb yr angen am gartrefi newydd. Mae'n bendant yn wir o ran y modelau gwasanaeth rydym ni'n eu cynnig wrth gyfarch ein gwasanaethau ni fel landlordiaid. Ond o ran gwaith cymunedol ehangach rydym ni'n ei wneud, yn sicr, dyna'r gwreiddyn.

**Mr George:** The core principles that we follow in every part of our work are to do with dealing with local demand. As I mentioned, we were only formed three years ago, but the previous associations—Cymdeithas Tai Clwyd and Cymdeithas Tai Eryri—were established in the 1970s and they responded directly to deficiencies and local housing needs at the time. And those roots are still part of our DNA as an organisation. We're not a commercial body; we operate for the benefit of the communities where we operate, and we have to start, therefore, by understanding and recognising local need and to work with communities in order to find practical ways of resolving those needs. That's true in terms of how we meet the need for new homes, and certainly true in terms of the service models that we provide in introducing our services as landlords. But in terms of the broader community work that we do, those are certainly the roots of that.

[233] **Mohammad Asghar:** In our previous scrutiny, I think they were also saying that they use social media. In your organisation, are you quite aware of it and using it these days?

[234] **Mr George:** Mae hyd yn oed rhywun o'm cenhedlaeth i bellach yn gwerthfawrogi pwysigrwydd cyfryngau cymdeithasol—trydar, Facebook ac yn y blaen. Ac, wrth gwrs, rydym ni yn defnyddio'r dulliau

**Mr George:** Even someone from my generation does appreciate the importance of social media, whether it's Twitter or Facebook. Of course, we do use those approaches, but I would argue—and I don't think it's

yna. Ond byddwn i yn dadlau—ac nid ydw i'n credu mai fy oedran i sydd yn cyfrif am hyn—mai cysylltiad uniongyrchol gyda phobl a gyda chymunedau sydd yn bwysig. Un peth yw cael mynediad at wybodaeth; peth arall yw gallu cyfathrebu'n uniongyrchol. Rydw i'n meddwl bod y ffyrdd rydym ni'n eu defnyddio i weithio gyda thenantiaid a gyda'r cymunedau ehangach yn golygu bod ein hadnoddau ni yn mynd i mewn i'r gwaith ymarferol pwysig yna.

my age that's relevant here—I think it's direct communication with people and communities that's important. It's one thing to have access to information, but it's another thing to communicate directly. I think that the ways that we are working with tenants and communities in a broader sense does mean that our resources are going in to the practical work, which is very important.

[235] **Mohammad Asghar:** Thank you.

[236] **Nick Ramsay:** Hence why you're here today. Okay, lots of interest has been spurred now by this. So, first of all, Lee Waters.

[237] **Lee Waters:** I guess the principle at stake is the openness, rather than the means in which you do that, whether that be more traditional forms or through social media. In the report that the Welsh Government did into Grŵp Cynefin in May, the two areas they did pick up on were your self-evaluation skills and your failure to fully comply with the Community Housing Cymru code of governance. So, I just wonder if you can tell us a little bit about your progress in both those areas, and what that says about openness.

[238] **Mr George:** Digon teg. Rydw i'n meddwl, o ran yr hunan-arfarniad, bod y broses rydym ni wedi'i rhoi ar waith ers dwy flynedd wedi bod yn fwriadol yn un mwy cymhleth. Yn hytrach na bod yn broses yn ganolog, dim ond er mwyn casglu data a gwneud gwaith dadansoddi a gwerthuso, yr hyn rydym ni wedi ceisio ei wneud ydy sicrhau bod y trefn hunan-arfarnu yn declyn i'n rheolwyr gwasanaeth ni ei ddefnyddio. Felly, mewn ychydig wythnosau bydd John yn fan hyn, a

**Mr George:** That's a fair question. I think, in relation to self-evaluation, the process we've put in place over the last two years has been intentionally more complex. Rather than being a central process in order to collect data and analyse and evaluate that what we'd like to do, what we've done is to ensure that the self-evaluation procedure is a tool for our service managers to use. So, in a few weeks, John here, and the board, will have a series of presentations from each manager

gweddill y bwrdd, yn derbyn cyfres o gyflwyniadau gan bob rheolwr o fewn y gymdeithas o ran canlyniadau'r broses yna ar gyfer y gwasanaethau unigol. Bydd yr hunan-arfarniad terfynol yn cael ei gyhoeddi ar ein gwefan ni. Bydd ar gael i'n tenantiaid ni ac i randdeiliaid eraill.

within the association in relation to the results of that process for the individual services. The final self-evaluation will be on our website, and it will be available to our tenants and other stakeholders.

[239] O ran yr asesiad rheoleiddio sy'n cael ei gyhoeddi, ein harferiad ni yw i hynny gael ei gyhoeddi ar y wefan ac rydym ni hefyd yn ei ddosbarthu'n uniongyrchol i randdeiliaid allweddol, ac yn arbennig yn yr awdurdodau lleol.

In relation to the regulatory assessment that we publish, we always publish that on our website and we also distribute it directly to the key stakeholders and also to the local authorities.

[240] O ran y pwynt am y cod llywodraethu, y prif faes lle nad oeddem ni'n cydymffurfio oedd paratoi cynllunio olyniaeth ar gyfer aelodau'r bwrdd. Mae hynny'n rhywbeth rydym ni wedi mynd i'r afael ag ef dros y flwyddyn ddiwethaf. Rydw i'n siŵr y gwnewch chi werthfawrogi, ar ôl dwy flynedd ers uno, roedd yna lawer o faterion eraill wedi cymryd ein sylw ni a'n hegni ni tan y flwyddyn ddiwethaf, ond rydym ni bellach wedi cyflwyno yn y flwyddyn ddiwethaf yma drefn arfarnu aelodau unigol. Fe gafwyd sesiynau gweithdy gydag aelodau'r bwrdd ar ddiwedd y flwyddyn galendr, ac un o'r pethau pwysicaf sydd wedi dod allan o hynny nawr yw cynllun olyniaeth, sydd nawr yn arwain i mewn i gynllun recriwtio. Os gallaf i roi plÿg bach, yn fuan iawn, byddwn ni'n defnyddio'r cyfryngau cymdeithasol i gychwyn ymgyrch

Regarding the code of governance, the main area where we weren't compliant was in preparing succession strategies for members of the board, and that's something we have looked at over the last year. I'm sure you'll appreciate that after two years of a merger situation, many issues needed our attention. But now, we have, in the last year, introduced a process of evaluating individual members. We've have workshops with the Board members at the end of the calendar year, and one of the most important things out of that now is a succession strategy, which leads to a recruitment strategy. If I may give a little plug, we will be using social media very soon to start on a new recruitment strategy for three new board members. We'd like to ensure more variety in relation to age and gender.

recriwtio ar gyfer tri aelod bwrdd newydd i'r gymdeithas. Rydym ni'n awyddus iawn i sicrhau mwy o amrywiaeth o ran oedran yn ogystal â rhyw.

[241] **Lee Waters:** Thank you, that's clear. You mentioned that you put the self-evaluation reports on your website. How do you empower tenants to be able to be fully involved and to challenge the executive?

[242] **Mr George:** Mae yna ddwy lefel ymarferol ar hyn o bryd. Eto, fe wna i bwysleisio ein bod ni'n cydnabod bod yna le i adeiladu ac i ddatblygu ar y drefn yma ymhellach. Mae'r broses ymarferol o gasglu gwybodaeth am fodlonrwydd neu anfodlonrwydd tenantiaid gyda gwasanaethau presennol—mae hynny'n cael ei gyfarch mewn mwy nag un ffordd: mae yna broses o gynnal arolygon am wasanaethau unigol, a byddwn ni'n fuan iawn yn cynnal arolwg o'n holl denantiaid ni i gymharu'r canlyniadau gydag arolwg tebyg jest cyn uno tair mlynedd yn ôl. Yn ogystal â hynny, rydym ni'n trio cynnwys tenantiaid yn y gwaith craffu yn fewnol. Un o'r anfanteision sydd gennym ni yw nad oes gennym ni ddwysedd o gartrefi sylweddol mewn unrhyw un ardal; mae'n stoc ni wedi'i wasgaru ar draws cymunedau gwahanol ledled y gogledd. I roi'r peth mewn cyd-destun i chi, yn y lleoliad gyda'r nifer fwyaf o unedau sydd dan ein rheolaeth ni mae tua 70 o gartrefi. Mewn ardaloedd eraill rwy'n credu bod un neu ddau o gartrefi mewn pentrefi unigol. Felly, mae rhai o'r dulliau traddodiadol o

**Mr George:** There are two practical levels at the moment. I will emphasise that we do see that there is room for developing that further. The practical process of collecting information with regard to satisfaction or dissatisfaction of tenants is happening—and we look at that in more than one way: there is a process of running surveys, and very soon we'll be running a survey of all our tenants to compare the results with a similar exercise three years ago, before the merger. We also try to include tenants in the internal scrutiny work. One of the disadvantages is that we don't have a great concentration of homes within any one area; they are spread right across north Wales. To put it in context for you, I think the location with the highest number of units has about 70 units. In other areas, we might have just one or two units in individual villages. So, some of the traditional methods of having tenant societies are just not practical in our areas. We have tried over the years to do that; it just doesn't work.

gael cymdeithasau tenantiaid a fforymau tenantiaid sefydlog jest ddim yn ymarferol yn ein hardal ni. Rydym ni wedi ymgeisio dros y blynyddoedd; nid ydynt yn gweithio.

[243] Felly, mae'r ffocws ar y berthynas gyda thenantiaid unigol a chreu cyfleoedd a llwybrau i denantiaid unigol i gymryd rhan i'r graddau maen nhw'n dymuno gwneud hynny. I raddau, mae hynny'n gallu bod yn denantiaid jest yn derbyn gwybodaeth drwy e-bost ac yn rhoi barn ar fater penodol. Ond rydym ni, trwy hynny, yn adnabod unigolion sy'n cael eu datblygu wedyn i gymryd rhan yn fwy mewn gwaith craffu. Mae gennym ni denant-archwilwyr, sy'n mynd ati i ymgynghori gyda thenantiaid am ansawdd y gwasanaethau y maen nhw'n eu derbyn. Mae adroddiadau'r tenant-archwilwyr yn dod yn syth atom ni fel tîm arweinyddiaeth. A wedyn, o fewn ein prosesau llywodraethu ni, mae gennym ni bwyllgor cwsmeriaid a chymunedau. Mae mwyafrif aelodau'r pwyllgor hwnnw yn denantiaid, ac mae eu ffocws nhw trwy'r flwyddyn ar waith craffu ansawdd gwasanaethau. Mae'r pwyllgor yna hefyd â nifer o bwerau dirprwyedig i gytuno nifer o bolisiau gweithredol, yn ymwneud â gwasanaethau tai yn arbennig. Ac mae'r wybodaeth yna i gyd, yn y pen draw, yn dod i mewn i'r bwrdd rheoli, ac mae'r hunan arfarniad terfynol hefyd yn cael ei graffu'n fanwl iawn gan y pwyllgor yna cyn iddo fe

So, the focus is on the relationship with individual tenants and creating ways for tenants to take part to whichever extent they wish to do so. Now, that could just be tenants having information by e-mail and giving an opinion. But also, in that way, we identify individuals who are then developed to take a greater part in scrutiny work. We have tenant auditors, who consult with other tenants about the quality of services they receive, and their reports come straight to us as a leadership team. Then, within our governance processes, we have a customer and communities committee. Most of the members of that committee are tenants, and their focus throughout the year is on scrutinising of the quality of services. That committee also has devolved powers to agree various operational policies in relation to housing services specifically. And that information then all comes into the management board, and the final self-evaluation is also scrutinised very carefully by that committee before it gets to the board.

gyrraedd y bwrdd.

[244] **Lee Waters:** And do you have a specific tenant-member on your main board?

[245] **Mr George:** Mae gennym ni ddau denant ar y bwrdd rheoli, ond nid ydyn nhw yna oherwydd eu bod nhw'n denantiaid. Maen nhw yna oherwydd y sgiliau a'r profiad sydd ganddyn nhw. Mae un o gefndir busnes, a'r llall â phrofiad, adnabyddiaeth, o gymunedau lleol. Felly, nid ydym ni'n clustnodi lleygdenantiaid ar y bwrdd ei hun. Mae'r broses—roedd y broses wreiddiol, mae'n ddrwg gen i—o ffurfio'r bwrdd yn seiliedig ar sgiliau a phrofiad. Rydym ni wedi recriwtio tri aelod newydd i'r bwrdd ers uno—eto, ar sail y sgiliau a'r profiad—ac mae'r broses roeddwn i'n cyfeirio ati hi yn gynharach, o ran mi fydd ar waith yn fuan iawn, eto ar y pwyslais yna. Rydym ni yn gweld, os ydym ni'n llwyddiannus yn denu tenantiaid unigol i gymryd rhan yng ngwaith y gymdeithas, bod hwnnw'n gallu creu llwybr drwodd i faterion llywodraethu, i'r rhai sydd â diddordeb.

We have two tenants on the management board, but they're not there because they're tenants. They're there because of the skills and experience they have. One is from a business background, and one has experience and awareness of local communities. So, we don't earmark places for tenants on the board itself. The process—the original process, rather—of drawing up the board was based on skills and experience. We have recruited three new members to the board since the merger, again on the basis of skills and experience, and the process I was referring to earlier, in that it will be in place soon, also has the same emphasis. We see that, if we are successful in attracting individual tenants to take part in the work of the association, that could be a pathway through to governance issues, for those who are interested.

[246] **Lee Waters:** Will you be prioritising that skill set of getting tenants on, or is that going to be random?

[247] **Mr George:** Fe fyddwn i'n dadlau bod yna wahaniaeth rhwng sgiliau a phrofiad ar un llaw, a bod yn denant. O'm profiad i ar hyd y blynyddoedd, nid ydy pob tenant eisiau bod yn ymwneud â threfniadau

**Mr George:** I would argue there's a difference between skills and experience on the one hand, and being a tenant. In my experience, not every tenant wants to be involved with the landlord's governance

llywodraethu'r landlord. Efallai eu bod nhw eisiau cael cyfle i ddweud eu dweud am y gwasanaeth lleol, felly dyna lle mae'r egni a'r ffocws yn mynd. Mae gennym ni swyddogion penodol yn gweithio gyda thenantiaid, yn cynnal digwyddiadau o bob math ar bynciau gwahanol, mewn lleoliadau gwahanol—eto, er mwyn tynnu pobl i mewn i'r gweithgarwch ac i'r berthynas yna. O ran y materion mwy canolog yna, sy'n pontio'r gwaith lleol a'r gwaith llywodraethu, yn sicr yn y fanna, rydym ni'n gweld y cyfle i denantiaid siapio ein gwasanaethau ni i'r dyfodol. Mae gennym ni weithgor sefydlog sy'n gyrru ein holl strategaeth cyfranogiad tenantiaid ni. Felly, maen nhw'n llythrennol yng nghanol y prosesau yna, ac rydw i'n meddwl ei bod yn bwysig iawn bod tenantiaid yn cael yr opsiynau a'r dewisiadau, a hyd yn hyn nid oes galw wedi bod o blith ein tenantiaid ni i gael unrhyw lefydd yn benodol i denantiaid ar y bwrdd rheoli.

arrangements. They may want the opportunity to give their opinion on local services, so that's where the energy and the focus is. We have specific officers working with tenants, holding events on all sort of different topics, in different locations—again, in order to draw people into that activity and relationship. In relation to those more central activities, which bridge the governance work and the local work, certainly, that's where we see the opportunity for tenants to shape our services for the future. We have a working group that drives our tenant engagement strategy. So, they are literally at the centre of those processes, and I do think it's very important that the tenants have those options and choices, and up until now there has been no demand from our tenants to have specific places for tenants on the management board.

[248] **Nick Ramsay:** John Arthur Jones, as chair, would you concur with that, or would you have a different perspective?

[249] **Mr Jones:** Ydw. Yn y fforwm tenantiaid, maen nhw fel *mystery shoppers* yn mynd rownd, ac maen nhw'n adrodd yn ôl i'r pwyllgor. A hefyd mae yna fws sy'n mynd o gwmpas y wahanol ystadau yn ystod yr haf, y gwahanol ardaloedd o gylch dwy neu dair blynedd, felly. A hefyd mae'r diwrnod agored—diwrnod teuluol—i gael y tenantiaid i gyd at ei

**Mr Jones:** Yes. In the tenants forum, they're like mystery shoppers going around, and they report back to the committee. And also there's a bus that goes around the different estates during the summer, in different areas, on a cycle of two or three years. And there's also an open day—a family day—to get the tenants together, old and young, involved in



gilydd, yn hen ac yn ifanc, mewn activities, and there was an example of that in the Urdd Centre in Llanuwchllyn.

[250] **Lee Waters:** And do you have any sense, proportionally or percentage wise, of how many of your tenants you engage with who give you active feedback on your services?

[251] **Mr George:** Ar hyn o bryd, mae'r nifer byddem ni'n cyfrif yn denantiaid gweithredol yn y cyswllt yna yn tua 96/97 o bobl, sydd yn ganran o lai na 5 y cant o'n holl denantiaethau ni. A dyna'r her, yn amlwg, o ran sut rydym ni'n llwyddo ymgysylltu â thenantiaid mwy niferus ar draws ardal mor fawr, mewn ffordd ymarferol ond sydd yn golygu rhywbeth iddyn nhw, yn hytrach na jest rhyw brosesau sy'n bodloni ni o ran dangos ein bod ni'n ceisio hyrwyddo cyfranogiad.

**Mr George:** At present, the number I would count as active tenants in that context would be about 96 or 97, which is less than 5 per cent of all our tenants. And that's the challenge, of course, in terms of how we engage with more numerous tenants across such a big area, in a practical way that means something to them, rather than just processes that satisfy us in terms of showing that we're trying to increase participation.

[252] **Nick Ramsay:** Okay. We need—*[Interruption.]* We need to make some progress.

[253] **Lee Waters:** Can I just ask one final question?

[254] **Nick Ramsay:** Very briefly, Lee.

[255] **Lee Waters:** It's conceivable in terms of formal governance that you could end up with no tenant-members on your board in the next round of recruitment.

[256] **Mr George:** Fe allai fod. Ond y ffordd arall, gall hanner y bwrdd fod yn denantiaid hefyd. Mi oedd gan Tai Eryri cyn uno—. Mi oedd gan y gymdeithas honno le i nifer penodol o denantiaid ar y bwrdd. Yn hanesyddol, anhawster recriwtio pobl

**Mr George:** That could happen. On the other hand, half the board could be tenants. Tai Eryri, before the merger, had space for a specific number of tenants on the board. Historically, difficultly in recruiting people with any interest in the issue

â diddordeb oedd y broblem yn fanna. Ond, fel roeddwn i'n sôn yn gynharach, mae esblygiad yn nhrefniadau llywodraethu ni, a'n gwaith cyfranogiad ni, yn mynd i ddibynnu ar beth mae ein tenantiaid ni yn dweud eu bod nhw eisiau. A'r gamp i ni ydy sicrhau bod yna gyfle iddyn nhw fynegi barn, a'u bod nhw'n gwyntyllu opsiynau wrth i'r amser mynd yn ei flaen. Nid yw'n rhywbeth sefydlog.

[257] **Lee Waters:** Diolch.

14:30

[258] **Nick Ramsay:** Okay, Mike Hedges then Neil McEvoy.

[259] **Mike Hedges:** Of course, tenants give you some experience on your board that no-one else can give, and that's experience of being a tenant of your group, and no-one else can bring that experience to your meetings, to actually understand what it's actually like to be a tenant. The question I've got, though, is: you cover a very large geographical area—I think you're one of the very few organisations that covers a larger area than Betsi Cadwaladr health board—how do you ensure equity of treatment to your tenants across the whole area?

[260] **Mr George:** Mae'r ffordd rydym ni wedi ymateb i'r her yma o gadw'r ffocws ar adnabyddiaeth a chysylltiad gyda chymunedau lleol yn llwyr ddibynnol ar y modelau gwasanaeth rydym ni wedi rhoi ar waith. Rydym ni wedi cadw, ac yn llawn bwriadu cadw, y lleoliadau swyddfa a etifeddwyd gan y ddwy gyn-gymdeithas yn Ninbych, Penygroes, Bala, a Llangefni. Mae hynny wedyn yn ein galluogi ni i fod o fewn dim mwy nag awr o gyrraedd unrhyw denant yn

**Mr George:** The way that we've responded to this challenge of keeping the focus on engagement with local communities is totally dependent on the service models that we've put in place. We have kept, and we fully intend to keep, the office locations that were inherited from the previous associations in Denbigh, Penygroes, Bala, and Llangefni. That has allowed us then to be within no more than an hour's reach of any tenant within our area of operation,

unrhyw rhan o'r hardal gweithredu ni, ac mae'r holl wasanaeth yn seiliedig arnom ni yn estyn allan ac yn mynd allan at ein tenantiaid ni a defnyddwyr gwasanaethau eraill yn y gymuned.

and our entire service is based on us going out and engaging with our tenants and our service users in the community.

[261] Mae'r modelau gwasanaeth lleol yna yn golygu bod gennym ni swyddogion—swyddogion tai, swyddogion cynnal a chadw—sydd â pherthynas hirdymor gyda'r tenantiaid mewn ardal benodol, felly, yn hytrach na chael hanner dwsin neu fwy o swyddogion yn delio ag agweddau gwahanol o ein gwaith ni. Yr holl ddiben yw bod gennym ni berthynas gyda'r tenantiaid yna i sicrhau bod gennym ni ddealltwriaeth o'u sefyllfa nhw, ond hefyd, gobeithio, ei fod yn berthynas agored sy'n golygu dôn nhw atom ni pan fydd gennym nhw unrhyw anawsterau anarferol gyda'r eiddo, o ran cynnal eu tenantiaeth, neu, wrth gwrs, materion eraill sy'n effeithio ar eu gallu nhw i fyw yn ddiogel ac i fyw yn annibynnol.

Those local service models mean that we have housing officers and maintenance officers who have a long-term relationship with the tenants in specific areas, rather than having about half a dozen or more officers dealing with different aspects of our work. The whole point is that we have a relationship with those tenants to make sure that we have an understanding of their situation, but also, hopefully, it is an open relationship so that they will come to us when they have any practical problems with the property, maintaining their tenancies, or, of course, other issues that affect their ability to live safely and independently.

[262] Rwy'n credu ei bod hi'n bwysig hefyd i mi ychwanegu, law yn llaw â'r gwasanaethau tenantiaid traddodiadol yna, os gaf i roi e felly, mae gennym ni ddiddordeb mewn nifer wasanaethau cymunedol eraill. Ar yr un llaw, rydym ni'n gweithio gyda dioddefwyr trais yn y cartref a phobl digartref; ar y llaw arall rydym ni'n rheoli asiantaethau gofal a thrwsio ym mhedair o'r chwech sir ar draws y gogledd. Mae hynny yn ei

I think it's important also for me to add that, hand in hand with that traditional tenant service, if I can put it like that, we have an interest in other community services. On the one hand, we work with domestic violence sufferers and homeless people; on the other, we manage care and repair agencies across north Wales. That in itself, I think, does give us a perspective and an understanding of the difference

hun, rwy'n meddwl, yn rhoi persbectif a dealltwriaeth gwell o lawer i ni o ran y gwahaniaeth rhwng cymunedau gwahanol. Mae ein gwaith ni, wrth mynd ati i ddarparu cartrefi newydd, yn seiliedig ar asesiad manwl iawn o anghenion cymunedau unigol, gwaith fel arfer ar lefel cyngor cymuned, yn adnabod yr angen i sicrhau bod yr hyn rŷm ni'n ei ddarparu yn ymateb i'w hanghenion lleol nhw, nid yn ymateb i gymuned 30 milltir i ffwrdd, er enghraifft.

between different communities. Our work, in terms of providing new homes, is based on a very detailed assessment of the needs of individual communities, work usually done at community council level, identifying the need to ensure that what we provide does respond to the local needs, and not the needs of a community 30 miles away, for example.

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

[264] **Neil McEvoy:** I'm just wondering what engagement you had with members before merging.

[265] **Mr George:** Aelodau o'r Cynulliad, neu aelodau o'r—?

**Mr George:** Members of the Assembly, you mean, or members of—?

[266] **Neil McEvoy:** Sorry, tenants.

[267] **Mr George:** O, reit. Gwnaed y penderfyniad gwreiddiol o ran y dymuniad i uno ar ddiwedd 2012, felly roedd y cyfnod trwy 2013 yn gyfnod o weithio gyda thenantiaid a gyda staff i ddatblygu cynigion mwy manwl. Felly, mae'r modelau gwasanaeth roeddwn i'n cyfeirio atynt yn gynharach, mae'r rheini'n seiliedig ar y gwaith gwnaethom ni gyda thenantiaid yn y cyfnod hynny, dim o ran ymgynghori i gael eu barn nhw am ein syniadau ni, ond i dynnu'r tenantiaid hynny oedd yn weithgar i fewn i'r gwaith o

**Mr George:** Oh, right. The original decision in relation to the desire to merge was made at the end of 2012, so the period throughout 2013 was one of working with tenants and staff to develop more detailed proposals. So, the service models I referred to earlier are based on the work we did with tenants during that period, not in relation to consultation to get their opinion on our ideas, but to draw in those tenants who were interested into the work of developing options, and looking at evaluating those. Those proposals then were reflected

ddatblygu opsiynau, ac i bwysu a mesur a gwerthuso hynny. Fe gafodd y cynigion hynny wedyn eu hadlewyrchu mewn dogfen ymgynghori fanwl—mae honno gen i o fy mlaen i os bydd rhywun yn dymuno gweld copi—a fe gafodd y ddogfen honno ei hanfon at bob tenant, at bob Aelod Cynulliad yn y gogledd, at bob Aelod Seneddol, at bob awdurdod lleol, sefydliadau trydydd sector, sefydliadau tai cenedlaethol, a phawb arall roeddem yn gallu meddwl amdany'n nhw.

in a detailed consultation document—I have a copy here if anyone would like to see it—and that document was sent to every tenant, and every Assembly Member in north Wales, and every MP, and every local authority, third sector organisations, national housing organisations, and everyone else we could think of.

[268] I ddod yn ôl at y pwyntiau blaenorol sydd wedi cael eu gwneud, dyna pam, rwy'n meddwl—dyna'r ffordd rydym ni wedi rhoi ar waith o ddechrau'r gymdeithas. Wrth i bethau newid, wrth i'r sefyllfa fynd yn fwy heriol, y gamp i ni ydy gallu parhau i sicrhau ein bod ni'n cyfarch anghenion lleol, a'n bod ni'n rhoi ein hadnoddau ni i gynnal y berthynas yna gyda thenantiaid a gyda chymunedau.

To come back to the points that were made earlier, that's why, I think—that's the way we've worked from the very beginning. As things change, as the situation becomes more challenging, the challenge for us is to continue to ensure that we look at local needs, and that we use our resources to sustain that relationship with tenants and communities.

[269] **Neil McEvoy:** Do you think there's more scope for more mergers in Wales amongst associations?

[270] **Mr George:** Yr ateb onest ydy nid wyf yn gwybod. Yn amlwg, fe wnaethom ni ddilyn y trywydd yna o ran Cymdeithas Tai Eryri a Chymdeithas Tai Clwyd, lle'r oedd gennyh chi ddwy gymdeithas o'r un anian, o'r un hanes, o'r un gwerthoedd, ac yn sicr yn gweld eu priod waith nhw fel darparu ar gyfer anghenion lleol mewn cymunedau

**Mr George:** The honest answer is that I don't know. Clearly, we went along that path in relation to Eryri and Clwyd housing associations, where we had two associations of the same type, historically very similar, and with the same values, and certainly that saw their work as providing for local needs in rural communities, with a particular focus on sustaining

gwledig gyda ffocws arbennig o ran Welsh as a community language. So, cynnal y Gymraeg fel iaith it was a nice marriage for us. I'm gymunedol. Felly, roedd yn priodas certainly not saying, on the back of iawn i ni. Nid wyf i, yn sicr, yn dweud that experience, that merger is the ar gefn y profiad yna taw uno yw'r answer for everyone. But I do think, ateb i bawb. Ond, rydw i'n meddwl, as the world becomes more wrth i'r byd fynd yn fwy heriol, bod challenging, that collaboration cydweithredu rhwng sefydliadau, between organisations, sharing rhannu adnoddau ymarferol, a practical resources, and working chydweithio wrth ddarparu together in providing services, is gwasanaethau, yn sicr yn rhywbeth something very important that we rydw i'n meddwl ei bod hi'n bwysig should all do. iawn i ni i gyd sicrhau ein bod ni'n eu cyflawni.

[271] **Neil McEvoy:** A very quick one—do you rent any properties from any offshore companies?

[272] **Mr George:** Na. [*Chwerthin.*] **Mr George:** No. [*Laughter.*]

[273] **Neil McEvoy:** Some do.

[274] **Nick Ramsay:** A very clear answer. Rhianon Passmore.

[275] **Rhianon Passmore:** Diolch. Thank you, Chair. Before I talk a little bit to your diversification and your portfolio, around that, which is, I gather, smaller than most, can you just answer my query in regard to the code of governance, because it's said you don't comply fully with that code of governance, and the context with that? Have you now published your full accounts on your website in regard to the openness and transparency theme?

[276] **Mr George:** Mae yna ddau **Mr George:** There are two points bwynt. Mae'n cyfrifon ni'n cael eu there. Our accounts are published cyhoeddi yn flynyddol. Felly, mi oedd annually. So, the accounts of the last cyfrifon y flwyddyn ariannol financial year went out on the ddiwethaf wedi mynd allan ar y wefan website after the annual meeting, ar ôl y cyfarfod blynyddol, eto oedd which was a public event, back in yn ddigwyddiad cyhoeddus, yn ôl ym September. Our annual meeting this mis Medi. Bydd ein cyfarfod year will be in July, and the same blynyddol ni eleni ym mis Gorffennaf, thing will happen again. a bydd union yr un peth yn digwydd

eto.

[277] Fel gwnes i sôn mewn ymateb i gwestiwn blaenorol, o ran y cod llywodraethu, rydym ni newydd wneud ein hail asesiad o ran cydymffurfio â'r cod erbyn hyn. Roedd cyfarfod o'n pwyllgor llywodraethu ni fis yn ôl yn derbyn yr adroddiad yna. Oherwydd y camau rydym wedi'u cymryd dros y chwe mis diwethaf, yn arbennig o ran adnabod anghenion olyniaeth a llunio cynllun recriwtio, rydym ni bellach yn cydymffurfio'n llawn â'r cod, rydw i'n falch o ddweud.

As I mentioned in response to a previous question, in terms of the governance code, we've just completed our re-assessment of our compliance with the code. We had a meeting of our governance committee a month ago to accept that report. Because of the steps we've taken over the last six months, in particular in terms of identifying succession needs and drawing up a recruitment scheme, we do now comply fully with the code, I'm pleased to say.

[278] **Rhianon Passmore:** Okay, thank you. Diolch. In regard to the fact that 54 per cent of your group's borrowing is at a fixed rate of interest, compared to an average across the other groups of around 75 per cent, do you feel that you are resilient as an organisation in facing future issues, whether it's volatile interest rates, whether it's article 50, whether it's future volatility in the markets, or whether it's just universal credit impact in terms of rent arrears building around your social housing portfolio?

[279] **Mr George:** Océ. Cwestiwn syml. Yn anffodus, nid oes ateb syml o gwbl. Rydw i'n meddwl mai lle rydym ni erbyn hyn, rydym ni mewn sefyllfa gadarn iawn yn ariannol, rydw i'n falch o ddweud. Ac, yn amlwg, dyna oedd un o nodau'r uno—creu sefydliad oedd gyda mwy o'r *resilience* yna, gan adnabod yn llwyr yr holl ansicrwydd sydd yna, am y rhesymau rydych chi wedi'u hamlinellu.

**Mr George:** Okay. A simple question. Unfortunately, there isn't a simple answer. I think that where we are now, we're in very robust position financially, I'm pleased to say. And, obviously, that was one of the aims of the merger—creating a more resilient organisation, recognising fully all the uncertainty that exists, for the reasons that you've have outlined.

[280] Wrth edrych ar falans y portffolio benthyciadau presennol, yn sicr, wrth inni symud yn ein

In looking at the balance in the portfolio of borrowing at present, certainly, as we move forward—. We

blaenau—. Rydym ni'n edrych ar hyn o bryd ar gynigion ac yn bwriadu mynd allan i'r farchnad ar gyfer benthyciadau sylweddol ychwanegol yn y cyfnod nesaf yma. Yn sicr, o edrych ar falans y portffolio, bydd hynny'n un o'r pethau canolog y byddwn ni'n chwilio amdano fe. So, y mwyaf yn y byd o sicrwydd sydd yna i ni, y gorau'n y byd, yn amlwg, i bawb.

are looking at proposals and intend to go out to the market for significant additional borrowing in the next period. Certainly, in terms of looking at the balance of the portfolio, that's one of the central things that we'll be looking for. So, the more security we have, the better for everyone, obviously.

[281] Mae'r gwaith rydym ni yn ei wneud o ran y trysorlys—. Mae'r gwaith sydd wedi dechrau rownd y bwrdd, yn ymwneud â phrosesau profion straen, yn amlwg, o ran sut i adnabod y senarios gwahanol yma a'r cyfuniad yna o ffactorau a allai greu pwysau ariannol, yn rhywbeth sy'n ganolog i waith y bwrdd.

The work we are doing in terms of the treasury—. The work that's started around the board, to do with stress tests, clearly, in terms of identifying these different scenarios and that combination of factors that could create financial pressures, is something that is central to the work of the board.

[282] Mi oedd y bwrdd yn rhan uniongyrchol o'r prosesau yna yn ystod yr hydref ac mae hynny'n drefn rydym ni'n llawn bwriadu parhau, oherwydd mae yna gymaint o ansicrwydd o ran y dyfodol, am yr union resymau rydych chi wedi'u hamlinellu.

The board was directly involved in those processes in the autumn and that's something we fully intend to continue, because there is so much uncertainty about the future, for precisely the reasons you've outlined.

[283] **Rhianon Passmore:** Do you feel that the Welsh Government regulatory team has the capacity, in terms of its team members, to be able to effectively assist you in your job?

[284] **Mr George:** Yn sicr, mae'r newidiadau sydd wedi cael eu gwneud i aelodaeth y tîm yn y flwyddyn ddiwethaf yn bendant wedi cryfhau'r sefyllfa. Fe wnes i'r sylw yn gynharach fod y ffaith fod y tîm

**Mr George:** Certainly, the changes that have been made to the membership of the team in the last year have definitely strengthened the situation. I mentioned earlier that the fact that the team now includes



bellach yn cynnwys pobl sydd wedi dod i mewn o'r tu allan i'r gwasanaeth sifil yn bendant yn gam ymlaen—pobl â phrofiad ymarferol o fod ar ein hochr ni i'r bwrdd, ac o edrych ar yr anghenion buddsoddi a'r holl ansicrwydd sy'n gallu dod gyda hynny, fel ein bod ni yn asesu risg yn effeithiol ac yn gyson. Mae unrhyw gyngor a gwybodaeth y gallwn eu derbyn gan y rheoleiddiwr yn hynny o beth, o'n rhan ni, i'w groesawu.

people who have come in from outside the civil service is certainly a step forward—people with practical experience from being on our side of the table, and of looking at the investment needs and all the uncertainty that can come with it, so that we do assess risk effectively and consistently. Any advice and information that we can have from the regulator in that regard is something that we very much welcome.

[285] **Rhianon Passmore:** Okay. In regard to—. I don't know if John would like to participate in this question, but, in terms of the ONS reclassification and Welsh Government's control of day-to-day affairs, do you feel that there is too much Welsh Government participation in what you do daily, day to day, or do you feel that it's too distant? What's your perspective on that?

[286] **Mr Jones:** Rwy'n meddwl bod gyda ni, fel bwrdd rŵan, berthynas reit agos. Mae yna bobl o'r tîm rheoleiddio yn dod i gyfarfodydd ein bwrdd ni'n achlysurol ac i bethau ac yn arsylwi gweithgaredd y bwrdd. Mae i'w weld yn gweithio yn effeithiol iawn ar y funud.

**Mr Jones:** I think that we have, as a board, a good relationship. People from the regulatory team do come to our board meetings occasionally and to events and observe the activity of the board. It seems to work very effectively at the moment.

[287] **Rhianon Passmore:** Okay. And in regard to the ONS reclassification and what impact that will have within the organisation in terms of the Welsh position, is there a view from your organisation?

[288] **Mr Jones:** Amser a ddengys, a dweud y gwir, beth ddaw ohono fo. A fydd yna fwy o ymyrraeth yn dod, nid wyf yn gwybod, er mwyn cadw mwy o gyfamodau a phethau felly? Amser a ddengys.

**Mr Jones:** We'll have to wait and see, to be honest. I'm not sure what's going to come of that. Will there be more intervention, I don't know, in order to retain more covenants and so on? We'll have to wait and see.

[289] **Mr George:** Os caf ychwanegu,

**Mr George:** If I could add, certainly in

yn sicr o ran yr ymateb rydym ni wedi ei roi i Lywodraeth Cymru eisoes, nid oes neb yn mynd i gefnogi unrhyw awgrym o ddadreoleiddio'r sector yng Nghymru. Rwy'n meddwl bod y sector yng Nghymru yn dal yn gweld ei hun gyda phwrpas cymdeithasol. Nid ydym yn gyrff masnachol, er bod rhaid inni bellach ystyried arferion mwy masnachol er mwyn darparu. Felly, yn hynny o beth, os oes rhywbeth yn mynd i amharu ar ein gallu ni i gynyddu ein buddsoddiad ni mewn cartrefi ar gyfer pobl leol, yna mae yna risg yn hynny o beth. Felly, rwy'n meddwl, o ran lle rydym ni'n dod, hwnnw ydy'r *issue* o ran yr ailgategoreiddio o ran sut y gallai amharu ar ein gallu ni i fuddsoddi mwy yn y dyfodol.

terms of the response that we've given to the Welsh Government previously, no-one is going to support any suggestion of deregulating the sector in Wales. I think the sector in Wales still sees itself as having a social purpose. We're not commercial bodies, even though we now have to consider more commercial practices in terms of provision. So, in that regard, if anything is going to affect our ability to invest in homes for local people, then there is a risk in that. So, in terms of where we're coming from, that is the issue in terms of the reclassification in terms of how it could affect our ability to invest more in the future.

[290] **Rhianon Passmore:** Okay. And lastly, in terms of the core purpose of your organisation in tackling social housing for the more vulnerable residents in your area, how would you proportionally scale up that level of work compared to your other work around care and repair and maintenance? What proportion of your work is primarily dedicated to social housing compared to other diversified areas?

[291] **Mr George:** A gaf i ymateb i ddechrau drwy ddweud na fyddwn i o reidrwydd yn cytuno taw ein pwrpas craidd ni yw dim ond darparu tai cymdeithasol? Mae'n wir taw dyna yw rhan ganolog ein busnes ni, ond o ddechrau Cymdeithas Tai Clwyd yn 1974 a dechrau Tai Eryri yn 1978, yr hyn a oedd yn gyrru'r sylfaenwyr yna oedd ymateb i anghenion tai lleol er mwyn cadw pobl yn eu cymunedau, rhywbeth bellach y byddem yn ei alw yn ddatblygu cynaliadwy, am a wn i.

**Mr George:** May I respond to begin by saying that I wouldn't necessarily agree that our core purpose is just to provide social housing? It is true that that's a central part of our business, but from the beginning of Cymdeithas Tai Clwyd in 1974 and Tai Eryri in 1978, what drove those founders was meeting demand locally in order to keep people in their communities, something we would now call sustainable development, I suppose. So, from the very

Felly, o'r cychwyn un, rydym wedi gweld darparu llety gyda diben ehangach sy'n ymwneud â chynnal cymunedau gwledig, ac yn ein cydestun ni, yn helaeth iawn, cymunedau Cymraeg. Felly, nid yw'r genhadaeth yna wedi newid. Mae darparu tai i bobl anghenus sydd ag anghenion cymdeithasol yn ganolog i'n gwaith ni. Ein stoc tai presennol ni yw tua 3,600 o gartrefi rhent cymdeithasol. Mae gyda ni bortffolio o eiddo canolraddol—modelau rhannu ecwiti ac yn y blaen—o tua 900 o gartrefi.

[292] Mae rhai rhannau o'n hardal weithredu ni yn y siroedd mwy dwyreiniol. Mae yna gyfleoedd masnachol llawer mwy sylweddol yno nag yn yr ardaloedd y byddem yn gyfrif fel ein cadarnleoedd ni mewn cymunedau gwledig yn siroedd Dinbych, Conwy, Gwynedd a Môn. Nid ein bwriad ni yw cael ein llywio gan anghenion y farchnad. Ein gwaith ni yw ymateb i anghenion lleol, a dyna'r her, a dyna pam mewn sawl rhan o'n hardal weithredu ni, boed e gyda grant gan y Llywodraeth, boed e gyda sybsidi o unrhyw fath arall drwy'r drefn gynllunio a chyda cymorth awdurdodau lleol, mae'n rhaid i ni ffeindio ffordd o sicrhau mai tai fforddiadwy sy'n parhau i fod yn brif ffocws. Ond rwy'n pwysleisio tai fforddiadwy, nid dim ond tai cymdeithasol.

[293] Os yw'n ffocws ni ar anghenion lleol gwledig, mae'n

beginning, we have seen providing accommodation with a wider purpose relating to sustaining rural communities, and in our context, to a large extent, Welsh-speaking communities. So, that mission hasn't changed. Providing housing for people in need who have social needs is central to our work. Our current housing stock is about 3,600 of socially rented homes. We have a portfolio of intermediate premises—equity-sharing models and so on—of about 900 homes.

Some parts of our operating area are in the more eastern counties. There are far more substantial commercial opportunities there than in what I would consider to be our heartlands in rural communities in Denbigh, Conwy, Gwynedd and Môn. It is not our intention to be driven by market demand. We want to respond to local needs, and that's the challenge, and that's why in many parts of our operation, whether it is with a Government grant, a subsidy of any other type through the planning regime or with the support of local authorities, we have to find a way to ensure that affordable housing is our main focus. But I do emphasise affordable housing, not just social housing.

If our focus is on local rural needs, it is very important that we are able to

bwysig iawn inni allu cynnig ystod o fodolau. A gaf i sôn am un model rydym yn ei gwblhau nawr ym mhentref Mynytho ym Mhen Llŷn, lle mae prisiau'r farchnad ar gyfer tai tair llofft tua £250,000 ar hyn o bryd? Oherwydd ein bod ni wrthi yn adeiladu naw o dai ar fodel rhannu ecwiti, bydd modd i deulu lleol brynu'r eiddo yna am ychydig dros £100,000, sydd dal yn sylweddol o feddwl am gyfartaledd incwm lleol. Ond er mwyn gweld tai fel modd o gadw pobl yn eu cymunedau, mae'n bwysig iawn ein bod yn gallu cynnig opsiynau felly law yn llaw â'n bara menyn ni fel landlord cymdeithasol, ac nid wyf yn gweld unrhyw wrthdaro rhwng y ddau beth, achos y canlyniadau lleol sydd yn bwysig i ni.

provide a range of models. May I mention one model that we are currently completing in the village of Mynytho in the Llŷn peninsula, where the market prices for three-bedroomed housing is currently about £250,000? Because we are building nine houses on the shared equity model, a local family will be able to buy that property for just over £100,000, which is still substantial considering the average local income. But in order to see housing as a means of keeping people in their communities, it is very important that we are able to offer such options in parallel with our core function as a social landlord, and I don't see any conflict between the two, because it is the local outcomes that are important to us.

[294] **Rhianon Passmore:** Okay. And if I follow that up briefly—I understand what you're saying, clearly—what I'd like to understand, really, is how you are catering for those most at need, those most vulnerable in your communities and how you balance that, then, with that wider agenda of meeting local need? You've mentioned language, you've mentioned other areas. How do you describe that balance to me, because it's a very careful one, isn't it?

14:45

[295] **Mr George:** Eto, nid wyf yn gweld gwrthdaro fel rydych chi efallai yn awgrymu. Ein prif waith ni ydy ymateb i anghenion pobl heb opsiynau eraill, ac felly yn amlwg y rheini sydd fwyaf mewn angen yw'r rhai sy'n cael y flaenoriaeth. Dyna'r prif angen rydym yn ceisio ymateb iddo fe. Ond mewn sawl rhan o'n

**Mr George:** Again, I don't see a conflict in the way that you perhaps suggest. Our core function is to respond to the needs of people without any other options, and therefore those in most need are obviously prioritised. That is the main need that we are trying to respond to. But in several parts of the

hardal weithredu ni, nid diweithdra yw'r *issue*—pobl sydd mewn gwaith, ond ar incwm isel iawn, iawn, mewn marchnad dai lle mae prisiau lleol allan o'u cyrraedd nhw. Felly, mae'r union ffactorau sydd yn dylanwadu ar anallu pobl i gael cartref addas efallai'n wahanol, a'r gamp i ni ydy sicrhau ein bod ni yn parhau i ddarparu ar gyfer yr anghenion cymdeithasol yna, ond hefyd, fel rwy'n dweud, yr anghenion lleol ychwanegol yna. Ond mae'r rheini yn ychwanegol i'n prif waith ni fel landlord cymdeithasol.

areas in which we operate, it's not employment that's the issue—people who are in work but on low incomes in a housing market where local housing prices are out of their reach. So, the factors that do influence on the inability of people to have an appropriate home are maybe different, and the challenge for us is to ensure that we provide for those social needs, but also, as I said, those additional community local needs. But those are in addition to our main role as a social landlord.

[296] **Nick Ramsay:** Did you want to comment at all, John Arthur Jones?

[297] **Mr Jones:** Mae'r gwaith cynnal a chadw yn cael ei wneud gan yr is-gwmnïau. Felly, mae dau is-gwmni yn gwneud hynny yn y pedair sir, fel rydym wedi cyfeirio ato fo yn gynharach. Felly, mae'n cael ei wneud gan yr is-gwmnïau, sydd ddim yn dylanwadu ar y prif gwmni felly, gan fynd ag amser y rheini.

**Mr Jones:** The work of maintenance is done by the subsidiaries. So, two subsidiaries do that in the four counties, as we referred to earlier. So, it's done by the subsidiaries, which doesn't influence on the main company, or take their time.

[298] **Nick Ramsay:** And you mentioned earlier that you're confident that you are responding to local needs and you've got a balancing act to form in your role. How are you ensuring that that local responsiveness is there?

[299] **Mr George:** Eto, mae yna sawl haen i hynny. Rwy'n credu bod rhaid inni gychwyn gyda'n perthynas ni gyda'r awdurdodau lleol unigol, fel yr awdurdodau tai strategol ym mhob sir, ac rwy'n falch o ddweud bod gyda ni berthynas iach iawn gyda nhw, ac rydym ni yn glir iawn, iawn taw eu priod le nhw yw i

**Mr George:** Again, I think there are several aspects to that. I think we have to begin with our relationship with the individual local authorities, which are the strategic housing authorities in every authority, and we have a very good relationship with them, and we're very clear that it is their responsibility to prioritise on

flaenoriaethu ar anghenion a'r the needs and resources that are adnoddau sydd ar gael, megis trwy'r available, such as through the social system grant tai cymdeithasol ar housing grant system, for example, gyfer anghenion lleol. Ond y gamp i for local needs. But the challenge for ni yw berwi hynna i lawr i lefel us it to boil that down to community cymunedau unigol, a dyna le mae'r level, and that's where the berthynas sydd gyda ni gyda'r relationship we have with those cymunedau yna—hynny yw y communities, namely those cymunedau lle rydym ni'n byw, y communities we live in, and the cymunedau lle mae'n staff ni'n byw— communities our staff live in, is key yn allweddol i hynny. Ond yn to that. But on a practical level, we ymarferol, rydym wedi buddsoddi have invested with other partners, gyda phartneriaid eraill, yn cynnwys y including the Government in terms of Llywodraeth, o ran rhwydwaith o a rural enabling scheme, which is hwyluso tai gwledig, sydd ar hyn o currently operating in Gwynedd, Môn and Conwy, and even though we bryd yn gweithredu yng Ngwynedd, employ them, they are working on an Môn a Chonwy, ac er taw ni sy'n eu individual community level to identify cyflogi nhw, gweithio ar lefel local needs and make sure that the cymunedau unigol maen nhw'n ei solutions for that are something that wneud i adnabod anghenion lleol, ac meet the demand that we have wedyn i sicrhau bod yr ymateb i noted. And the individual authorities hynny, y datrysiad i hynny, yn are a central part of that, on the rhywbeth sy'n cyfarch yr angen sydd housing and planning side. And the wedi cael ei adnabod. Ac mae'r social housing providers, such as awdurdodau lleol unigol yn rhan ourselves, are brought into that ganolog o'r gwaith yna, ar yr ochr tai process to offer solutions, hopefully, a chynllunio. Mae darparwyr tai on a local level, which are cymdeithasol fel ni wedyn yn cael ein appropriate, and then, in our case, tynnu mewn i'r broses i gynnig we also ensure that there are special atebion, gobeithio, lleol priodol, ac lettings policies, which give priority yn ein hachos ni, rydym hefyd yn to candidates with links to their local sicrhau bod polisïau gosod arbennig, sy'n rhoi blaenoriaeth wedyn i areas, whether that's a current link, ymgeiswyr gyda chysylltiad â'r or maybe a previous link, or a link to gymuned leol yna, boed cysylltiad do with work, for example. presennol neu gysylltiad oherwydd gwaith neu yn y gorffennol, felly.

[300] **Nick Ramsay:** Great. Neil Hamilton, do you have any questions?

[301] **Neil Hamilton:** Rhianon has anticipated most of my questions, to

which I have no objection, of course. *[Laughter.]* You seem to me to be admirably conservative, with a small ‘c’, organisation focused on your core job of providing social and affordable housing. Do you have a lot to do with the Government’s regulatory team, apart from them sitting in on your meetings? Have they been able to add value to what you do, to warn you of risks that perhaps you hadn’t spotted, or to participate in any positive and practical way to help you with your business?

[302] **Mr George:** A gaf jest wneud sylw yn gyntaf na fyddwn yn credu ein bod ni’n gorff ceidwadol o gwbl? Rwy’n meddwl ei bod ni’n un o’r sefydliadau mwyaf amrywiol sydd yn bodoli o fewn y sector cymdeithasau tai yng Nghymru, ond o bosib sydd ddim yn arallgyfeirio i feysydd masnachol, fel, o bosib, rhai o’r esiamplau eraill rydych chi fel pwyllgor wedi derbyn, felly.

**Mr George:** Could I just make a comment first that I don’t think we are a conservative body at all? I think that we’re one of the most diverse organisations in the housing association sector in Wales, but not perhaps diversifying into commercial aspects that you as a committee have heard about, for example.

[303] Mae’n perthynas ni gyda’r rheoleiddiwr yn un gwerthfawr. Mae’r camau ymarferol mae’r rheoleiddiwr yn eu cymryd, megis cyhoeddi asesiad o risg y sector gyfan—rwy’n gwybod bod ein bwrdd ni yn cael tipyn o gysur o weld pethau ymarferol felly yn cael eu darparu, o gymharu, yn amlwg, gyda’r gofrestr risg rydym ni ein hunain yn ei darparu. Mae’r gwaith craffu maen nhw’n gwneud ar ein rhagolygon ariannol 30 mlynedd yn amlwg yn hynod bwysig o ran cysur a sicrwydd i’n benthydwyr ni hefyd. Ac rwy’n meddwl, o ran y berthynas ehangach yna, mae rhai o’r pethau ymarferol sydd wedi cael eu cyflwyno yn ddiweddar, fel y gofyniad i gael cofrestr asedau a rhwymedigaethau, a’r gwaith pellach sydd angen cael ei

Our relationship with the regulator is very valuable. The practical steps that the regulator is taking, in terms of publishing risk assessments of the whole sector—I know that our board is quite comforted by seeing those kinds of practical elements being provided, compared, obviously, with the risk register that we provide. The scrutiny that they do on our 30-year financial forecasts is very important in terms of providing comfort and security to our lenders as well. And in terms of that broader relationship, some of the practical elements that have been introduced recently, such as the requirement to have an assets and liabilities register, and the further work that’s been done now in terms of developing our governance arrangements further, are all there

wneud nawr o ran datblygu'n because of that link with the trefniadau llywodraethu ni ymhellach, regulator.  
i gyd yn dod oherwydd y cysylltiad yna gyda'r rheoleiddiwr.

[304] Mae yna falans. Nid wyf erioed There is a balance to be struck. I wedi cael esiamp! lle mae'r have never had an example where the rheoleiddiwr wedi dweud wrthym ni regulator has told us what to do. But beth i'w wneud. Ond maen nhw'n fwy they're more than ready to question na pharod i gwestiynu a herio mewn and challenge in appropriate areas, meysydd priodol, ac rwy'n meddwl and I think that that is the exact taw dyna yw'r union falans sydd yn balance that's appropriate, because briodol, achos cyfrifoldeb byrddau it's the responsibility of the regulator rheoli yn y pen draw ydy pwyso a to weigh those risks, but the mesur y risgiau yna, ond mae gan y regulator has a very important role, rheoleiddiwr rôl bwysig iawn, i in terms of ensuring that that work is sicrhau, yn amlwg, fod y gwaith yna done effectively.  
yn cael ei wneud yn effeithiol.

[305] **Neil Hamilton:** You don't think that there are any instances where they're perhaps too intrusive, or they don't get in your way, shall we say.

[306] **Mr George:** Nid dyna'n profiad **Mr George:** That's not our ni. Yn amlwg, mae unrhyw beth sy'n experience. I think anything that is mynd i leihau biwrocratiaeth i'w going to reduce bureaucracy is to be groesawu, ac, o bosib, bydd rhai o'r welcomed, and maybe some of those newidiadau a fydd yn ofynnol yn changes that will be required dilyn adroddiad yr ONS yn arwain at following the ONS report will lead to bethau felly. Ond rwy'n meddwl bod issues such as that. But I think that balans y berthynas yna, eu the balance of that relationship and hadnabyddiaeth nhw o'n busnes ni their awareness of our business and a'n ein cyd-destun lleol ni'n our local context is key, and that has allweddol, ac mae'n rhaid i hynny fod to be a continuing relationship, and yn berthynas barhaus, a ddim yn not something that happens only rhywbeth sy'n digwydd ond o dro i occasionally.  
dro.

[307] **Neil Hamilton:** Diolch yn fawr. **Neil Hamilton:** Thank you very much.

[308] **Nick Ramsay:** Mohammad Asghar.



[309] **Mohammad Asghar:** Thank you, Chair. What is your opinion on the Government's new ratings system?

[310] **Mr George:** Wel, hyd y gwn i, nid yw Llywodraeth Cymru wedi cymeradwyo *ratings system* ar gyfer cymdeithasau tai yng Nghymru, felly ni allaf roi barn ar y rheini, mae arnaf i ofn.

**Mr George:** Well, as far as I know, Welsh Government haven't approved a ratings system for housing associations in Wales, so I feel that I can't give an opinion on that.

[311] **Mohammad Asghar:** You mentioned earlier market needs and local needs, and affordable housing. So, basically, the Government has a certain agenda to build 20,000 homes, in the next few—. How confident are you that you are going to participate in that need for the Government?

[312] **Mr George:** Wel, yn sicr, o ran y gwaith rydym ni wedi ei wneud yn y flwyddyn ddiwethaf, ers cyhoeddi'r targed 20,000, ac mae'r gwaith rydym ni'n ei wneud nawr, gyda'r bwrdd, i edrych ar beth yw'n huchelgais ni at y dyfodol, yn sicr ein bod ni'n dymuno cynyddu yr hyn rydym ni'n ei gyfrannu o ran y cyflenwad o gartrefi newydd.

**Mr George:** Well, certainly, in relation to the work that we have done in the last year, since publishing the 20,000 target, and the work we're doing now with the board to look at what our ambition is for the future, certainly we would like to increase what we contribute in relation to the number of new houses.

[313] Yn y tair blynedd ddiwethaf, rydym ni wedi ychwanegu oddeutu 200 o gartrefi at ein stoc ni. Ar hyn o bryd, rydym ni'n gobeithio y byddwn ni'n darparu rhyw 100 y flwyddyn, yn y pedair blynedd nesaf, tuag at y targed 20,000 yna, os bydd amodau yn caniatáu, yn cynnwys trefniadau ariannu ac yn y blaen.

In the last three years, we have added some 200 homes to our stock. At the moment, we are hoping that we'll be providing some 100 a year, over the next four years, towards that 20,000 target, if conditions allow, of course, including finance, including funding arrangements and so on.

[314] Rwy'n meddwl beth sy'n gam pwysig tuag at hynny yw ein bod ni fel buddsoddwr, os leiciwch chi, yn y penderfyniadau buddsoddi rydym yn eu yn eu gwneud—maen nhw'n

I think what's important in relation to that is that we as investors, if you like, in looking at the investment decisions that we make—that they're are based on risk assessment and,

seiliedig ar asesiad o risg, yn amlwg, ond hefyd asesiad angen. Ac mae cael y balans iawn rhwng beth ydy'r datrysiad priodol a'r angen mewn un gymuned, a'r risgiau cysylltiedig â hynny, yn wahanol iawn i beth sy'n ddatrysiad priodol mewn cymuned arall. Ac, felly, mae'n rhaid inni gael hyblygrwydd yn y modelau rŷm ni'n eu defnyddio, o ran yr hyn sy'n cael ei ddarparu ar lawr gwlad, ond, yn amlwg, mae'r prosesau rŷm ni'n eu defnyddio o ran pwysu a mesur risg, er mwyn gwneud y penderfyniadau buddsoddi yna, yn seiliedig, yn amlwg, ar fformat cyffredin. Mae gan y Llywodraeth rôl allweddol yn hyn o beth i roi sefydlogrwydd i'r sector, ac mae cyhoeddi'r cytundeb tai ym mis Rhagfyr yn gam pwysig tuag at hynny, o ran beth fydd dulliau rheoleiddio, beth fydd y polisi rhent cenedlaethol ac yn y blaen.

obviously, also assessment of need. And getting that balance right between the correct solutions in one community and the related risks is very different to what would be an appropriate solution in another community. So, we have to have flexibility in the models that we use, and in what is provided at grass-roots level. But, of course, the processes we use in relation to balancing the risk to make those investment decisions are based on a common format. The Government has a role in giving security to the sector, and the announcement in September for housing was a very important step towards that, in relation to regulation and what the national rent policy and so on will be.

[315] Ac felly, os cawn ni'r sicrwydd yna, mae modd i ni, yn ein tro wedyn, wrth gwrs, wneud penderfyniadau buddsoddi tymor hir, mynd at y marchnadoedd arian, ac ymrwymo ein hunain i allu cynyddu'r cyflenwad y gorau y medrwn ni.

And so, if we have that security, then we can then move on, of course, and make long-term investment decisions, going to the markets, and committing to give the best supply we can.

[316] **Mohammad Asghar:** Thank you very much. I know that all different housing associations are working their best to make sure the housing sector is catered for—everybody in the country. So, are you really co-ordinating with others in achieving the Government's desire?

[317] **Mr George:** Yn sicr. Hynny yw, ni fedraf i siarad am rannau eraill o Gymru, ond, yn y gogledd, mae'r ffaith bod yna lai o gymdeithasau tai,

**Mr George:** Certainly. That is, I can't speak for other parts of Wales, but, in the north, the fact that there are fewer housing associations, on the

ar un llaw, yn ei gwneud hi'n haws i allu trafod ar y cyd. Ond efallai yn bwysicach o lawer na hynny mae'r berthynas gyda'r awdurdodau lleol unigol. Ac mae rhai awdurdodau lleol, wrth gwrs, wedi trosglwyddo eu stoc, ond mae mwyafrif yr awdurdodau lleol yn dal yn landlordiaid, ac maen nhw eu hunain nawr yn awyddus ac yn barod iawn i ychwanegu at y stoc tai rhent cymdeithasol yn arbennig.

one hand, makes it easier to discuss things. But perhaps more importantly still is the relationship with the individual local authorities. And some authorities have transferred stock, of course, but the majority of local authorities are still landlords, and they themselves are very eager now to add to the social housing stock in particular.

[318] Felly, mae'n rhaid cydweithio, a dyna le mae rhai o'r partneriaethau rŷm ni'n ynghlwm â nhw, o ran y partneriaethau mwy strategol, ar lefel sirol, dywedwch, ond efallai partneriaethau ymarferol, o ran cyflawni'n lleol. Ac eto, fe wnafl sôn am esiampl gwasanaeth hwyluswyr tai gwledig, lle mae gennym ni dri awdurdod lleol, awdurdod y parc cenedlaethol, a phedair cymdeithas dai yn eistedd rownd y bwrdd, ac yn cytuno ar ffordd ymlaen, o ran ardaloedd lle mae gwaith angen sylw, ac wedi hynny pwy o blith y partneriaid sydd yn y lle priodol i dreial cyfarch yr angen yna.

So, we have to collaborate, and that's where some of the partnerships I'm involved in, in terms of the more strategic ones, say, on a county level, but also practical ones, are in terms of delivering locally. And, again, I'll talk about the example of the rural housing enablers, where we have three local authorities, the national park authority, and four housing authorities sitting around the table and agreeing on the way ahead, in terms of areas where work needs to be done, and then who among the partners are best placed to address that need.

[319] **Mohammad Asghar:** Thank you.

[320] **Nick Ramsay:** Did you want to add a final comment, John Arthur Jones?

[321] **Mr Jones:** Na, nid oes gen i ddim byd ychwanegol i'w—  
**Mr Jones:** No, I have nothing additional to add, thank you.

[322] **Nick Ramsay:** Okay. Well, we're just about out of time, so that brings this evidence session to a close. Diolch yn fawr. May I thank John Arthur Jones and Walis George for being with us today—our witnesses? We will send

you a transcript of today's proceedings for you to check before we finalise it. Diolch yn fawr.

[323] We will now take a short break. If we can return at 3 p.m., that would be marvellous.

*Gohiriwyd y cyfarfod rhwng 14:55 ac 15:02.  
The meeting adjourned between 14:55 and 15:02.*

**Ymchwiliad i Oruchwyliaeth Reoleiddiol ar Gymdeithasau Tai: Sesiwn  
Dystiolaeth 7  
Inquiry into Regulatory Oversight of Housing Associations: Evidence  
Session 7**

[324] **Nick Ramsay:** Can I welcome members of the committee back? Item 5 on the agenda—we are continuing our inquiry into the regulatory oversight of housing associations. This is evidence session 7. Can I welcome our witnesses? Thank you for agreeing to be with us today. Would you like to give your name and organisations for the Record of Proceedings?

[325] **Ms Lee:** My name is Sharon Lee. I'm the chair of Wales & West Housing. I'm very hoarse, so I apologise for my voice.

[326] **Ms Hinchey:** Anne Hinchey, chief executive of Wales & West Housing.

[327] **Nick Ramsay:** Hopefully your voice will last for the next 40 minutes or so, and we can get you some more water if you need it.

[328] **Neil McEvoy:** Can I declare an interest? I've known Anne Hinchey for some years. Thanks.

[329] **Nick Ramsay:** Okay, that's been recorded. I'll kick off with the first question—we've got a fair number for you. First of all, in terms of the effectiveness of the regulation that's in place, how effectively do you think it serves housing associations, their tenants and service users?

[330] **Ms Hinchey:** I think regulation in Wales has been on a journey over, probably, the last 10 years or so, and started from a place that is quite significantly different to where we are today. So, we were last inspected, prior to 2015, in 2007, which obviously gives a fair idea of the timescales. At that

time, the inspection, and it was an inspection regime where we had a group—it felt like loads but probably about 10 people—come in, spend a fortnight with us, and no prior communication, no involvement, no discussions, no getting to know us. So, it felt very much ‘done to’. Over the years, I think that journey with the Welsh Government as regulator has been very much, building upon the Essex review, understanding where the important issues are and how you can get there better by talking to each other, understanding the circumstances. So, I think that journey has been critical. We are now at that place, I think, where we have learned those lessons in terms of what didn’t work so well in the past, and the changes that have only recently been implemented will take us a stage further again on that.

[331] **Nick Ramsay:** And what sort of things didn’t work in the past? There were changes made in January 2017. What problems that existed before, at the start of this journey, as you termed it, have now been rectified?

[332] **Ms Hinchey:** Back at the start of the journey, I think the problems were, as I’ve just said, that we weren’t communicated with. There wasn’t any engagement. So, it very much felt as if the team came in, they looked at what they looked at—and some of it was very much at the widget level—but what they didn’t do was understand the context, the wider issues. They didn’t have the time and the people in those two weeks to go and cover everything that they needed to do. So, that journey change has been around investing time in going to understand organisations, spending time with us as executives, with our board, with our tenants, with our staff, so that when they do then look at specifics, they have a wealth of knowledge. I think the recent changes last month, and building upon that, are very much around, having done that, that clarity of output about what actually it is that you are saying has come out of that engagement.

[333] **Nick Ramsay:** Sharon Lee.

[334] **Ms Lee:** Just to add to what Anne said, for us—and I can only speak for us as a board and obviously not for the whole sector—it’s very important to us as a board that regulation is effective. I think it’s important for us in terms of governance that we have a strong regulator and that the process is robust. My personal view is that I think it has been effective. Our regulator attends a number of board meetings each year. I became chair in May of last year. At my very first meeting as chair, our regulator was there and was incredibly supportive. He spoke to me before the meeting and wanted to meet with me.

He made it very clear that he was there if I needed to contact him about any issues regarding governance in the association. So, that was very welcome in that relationship.

[335] I think co-regulation, for us as a board, has helped us to be sharp. It's strengthened us in terms of our focus on governance. We developed our self-evaluation and we've sort of styled it in a Wales & West way. So, we've made it a continuous living process, which, again, as a board, is wonderful for us because we get regular, updated information. That is good. Moving into the future, I think having greater emphasis on risk would be very good for the sector. Again, for us as a board, that will focus us even more than we already are on risk. It's encouraging, when I speak to tenants that have been engaged with the regulator, that they've found that process very helpful as well.

[336] **Nick Ramsay:** And, as an organisation, do you have confidence in the skills and the abilities of the Welsh regulation team that you deal with?

[337] **Ms Lee:** Certainly, I've only really met our current regulator. My impression is that he has the necessary skills. He's very, very knowledgeable about us as an organisation. We're slightly different to most organisations in Wales. We have a systems-thinking approach. When we were going through the regulatory process towards the end of 2015, one of my concerns as a board member was whether the regulator would get us. Would he understand that we weren't driven by targets? We had a systems-thinking approach, and I was very confident that he did. He completely understood that, and that was reflected in the regulatory assessment.

[338] **Ms Hinchey:** I think one of the benefits of the team approach taken by the Welsh Government as the regulator has been that not only do we have our own named regulators, but also they have the ability to call on people with more specialist skills sitting behind them and alongside them in the office as well. We found that to be incredibly useful.

[339] **Nick Ramsay:** Thanks. Lee Waters.

[340] **Lee Waters:** Yes, thank you. I just want to ask you about your point about the journey that the regulation system's undergone, and specifically about the example of the Tai Cantref merger last year, and what lessons have been learned from that, because that can hardly be seen as a success of the co-regulation approach and the housing association finding itself in that

position, can it?

[341] **Ms Hinchey:** I suppose it depends on how you define success. I think it was a success in the extent that that association did not go bust. So, if you're looking at trying to define or work out what was the positive in terms of it, there was a very real likelihood at one stage that that might have been the first default failure in the sector, not just in Wales, but in the UK as a whole, and that did not happen. So, obviously, I can't comment on anything that led up to it, because we were not involved at that stage. So, I would say that I don't think that it was a failure of regulation, because, if you like, the unthinkable did not happen. And then, as we worked with the regulator, having been selected as the preferred partner, the regulator was very clear in terms of their expectations and what we wanted, what they wanted us to do and how to do it in terms of making sure that it went to a very successful conclusion.

[342] **Lee Waters:** I guess it's quite hard to be able to draw judgments as clearly as you have, for us, because we don't have access to information. This process has not really been characterised by its openness, has it?

[343] **Ms Hinchey:** Again, that's very difficult for me to comment on. If you are referring to the statutory inquiry report, which I think you are, then the only point at which we saw the statutory inquiry was as part of our due diligence, after having been selected as the preferred partner. So, again, in terms of understanding what happened and what the issues were, then, you know, I cannot comment on anything that happened.

[344] **Lee Waters:** But there was somebody from your housing association who was co-opted onto the board of Tai Cantref—it was as part of the inquiry, pardon me, into Tai Cantref—was there not, which is also slightly unorthodox?

[345] **Ms Hinchey:** Okay, I think you're referring to Mark Glinwood, who is a co-opted member of the Wales & West Housing board. Mark was co-opted onto the Wales & West Housing board before the statutory inquiry was initiated, so there was no conflict at that stage. We were unaware of his involvement in the statutory inquiry during the entire process. The statutory inquiry was concluded and reported on well before we became involved as an association. At the point at which we discussed whether or not we were going to enter into conversation with Tai Cantref over a merger, Mark immediately declared an interest, took no part in the conversations and, you

know, didn't vote on anything.

[346] **Ms Lee:** I would echo Anne's comments. When Mark has been in board meetings where we've discussed Tai Cantref, he's declared an interest. From my understanding, the report never made any recommendations, it never advised for or against merger, so, we don't think there was such a conflict of interest that necessitated Mark Glinwood not being co-opted, or remaining a co-optee on our board.

[347] **Lee Waters:** Are you frustrated that that report was never made public? Because, obviously, we're not able to understand those judgments and what happened without that.

[348] **Ms Lee:** I think that's obviously not our decision, and I don't have a strong view on whether it should be made public or not. I think, certainly for us, as an organisation, we know how we deal with things as a board, how we manage risk in our organisation, what our relationship is like with each other and the executive team. So, yes, it's very difficult to say.

[349] **Lee Waters:** Because the difficulty is that, if the sector wants to be seen to be defined as being open and having that kind of culture where transparency is the norm, having anomalies like this, where a significant incident occurred and there are no published findings around it, doesn't really help the overall reputation, does it?

[350] **Ms Hinchey:** I think, as the chair has indicated, the report is not our report. There were no recommendations—

[351] **Lee Waters:** I do understand that. My question to you, with respect, was whether you were disappointed whether that report had been not made public or not, and was it helpful to the overall reputation of the sector being characterised by openness?

[352] **Ms Hinchey:** I can't comment on what people's perceptions of it were. I understand that there are some frustrations about that report not being in the public domain. I think there are pros and cons on different bits of it. Some of it, as we went through the process, would have been helpful, so that people understood that some of the things that people were saying were in it were actually not in it, and that would have been helpful in terms of not having to try and deflect or defend something that did not exist in reality. At the same time, there are other elements in there that were commercially



sensitive and very, very people sensitive. So, I think, overall, there was a balance that had to be made.

[353] **Nick Ramsay:** Do you think that balance was got right? You're not going to answer that. [*Laughter.*] Lee, have you finished your line of questions?

15:15

[354] **Lee Waters:** You're kind of making my point for me, really. There's a suspicion the sector's not being completely transparent, and you won't be really drawn on how you feel about that perception. It would be helpful to get an idea from you of whether or not you think lessons can be learned from this to make the society more transparent.

[355] **Ms Hinchey:** That I absolutely can comment on in terms of that. I think there are lessons that can be learned as a sector, both for housing associations as organisations and also for Welsh Government as regulator. So, I do think there are lessons to be learned, absolutely.

[356] **Lee Waters:** So what are the lessons?

[357] **Ms Hinchey:** I think there are some issues around—and, to be fair to the regulator, I think some of the changes that have been introduced in January of this year are going to be helpful in that respect. So I think the focus on governance, the focus on management, and how organisations are managed and how they're governed, is absolutely key. I think the issue around making sure that organisations address risk and look at the issues that may impact on them in terms of business ventures that may not necessarily be correct is a lesson that could be learned. So, I think some of those lessons that could be learned have fed into the process of the change to the regulatory process.

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

[359] **Nick Ramsay:** Okay, a couple of supplementaries on this. Neil Hamilton first, then Rhianon Passmore.

[360] **Neil Hamilton:** Sharon said that she had no strong views on the publication of this report. The decision not to publish has been justified on grounds that it would be likely to prejudice commercial interests. I assume

that the commercial interests referred to are not the commercial interests of your company but somebody else's. Obviously we haven't seen the report, so I've no idea what they might be.

[361] **Ms Hinchey:** The issues around the commercial sensitivity contained within the report relate to some of the business interests that Cantref were involved in that subsequently, due to the transfer of engagements, have now become our issues to deal with, and how we deal with them in the best way—being the most cost-effective in terms of protecting services to tenants, financial viability, negotiations with external partners—a lot of that is wrapped up in some of the detail that is contained in that report, where they have looked at specific ventures.

[362] **Neil Hamilton:** This is commercially confidential information that you're referring to, then, in terms of figures.

[363] **Ms Hinchey:** Yes, there is that level of info.

[364] **Neil Hamilton:** The other point that I wanted to raise was that you said in your evidence that you didn't think that the Tai Cantref situation was a failure of regulation. But we could take the same view of the great financial crash of 2008. That wasn't a failure of banking regulation because actually the only business that went bust was Northern Rock, albeit the Treasury has purchased a quarter of the national debt, nearly £400 million, as a result. That doesn't seem to me to be a great success. So, the fact that the patient didn't actually die having had an unnecessary cardiac arrest doesn't seem to me to be the equivalent of success, although there may be, as you say, lessons to be learned.

[365] **Ms Hinchey:** I think it's a slightly unfair analogy. That's not quite the point that I was making. One of the things around the sector as a whole and some of the stuff that you've already heard around this table in relation to the involvement of lenders, the access to borrowing, and all of that, a lot of that is bound up in the stability and the security of the housing association sector as a whole. So, the fact that the sector, working with Welsh Government, managed to resolve a crisis before it became a disaster in terms of it going to the wall is actually a very positive thing.

[366] **Neil Hamilton:** Yes. That the patient didn't die is a success. Right.

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

[368] **Rhianon Passmore:** Thank you. Bearing in mind there is no regulatory opinion published around this, I don't want to rehash what's been said previously. We've talked about lessons to be learned and we've talked about the regulatory framework refresh in January. Have there been any lessons that are unlearned from this that perhaps could have been systemically strengthened within the regulatory refresh from January? Is it strong enough as it stands?

[369] **Ms Hinchey:** I think the focus, as I said just now, on risk and on governance and management are absolutely the issues that are the right ones to focus on. When you look at the lessons learned, not just from Cantref but from other organisations, both in Wales and across the border, then you will find that they generally stem from those types of issues: governance and management, and leadership. So I think those are the big things where the lesson has been learned. I can't think of anything that has not been addressed, moving forward, as a lesson that I would consider to be learned from, from recent events.

[370] **Rhianon Passmore:** Okay; thank you.

[371] **Nick Ramsay:** And Neil McEvoy.

[372] **Neil McEvoy:** When was Wales & West Housing Association made aware of the option of Cantref, and by whom?

[373] **Ms Hinchey:** The first contact that we had in relation to understanding anything about Cantref was a telephone call from the interim strategic director at Cantref, and that was a telephone call to me. That was in—I think it was the end of March. I'm not 100 per cent sure on that, Neil, but it was around about that time. And that call was along the lines of, 'We have an issue; there are a number of things that we're looking at in relation to how do we resolve this. If this becomes time-critical and there are no other options, would you as an organisation be prepared to consider stepping in to, in effect, rescue the situation if that became necessary?' The timing was very handy, in relation—we had a board meeting very soon after that. I took that request to our board, and the board said, yes, to continue the conversation, if that became necessary. Very quickly following that, it became clear that Cantref had been given additional time by the lenders to look at what the position was and, in which case, those conversations went no further. Then it became part of the general request that went out looking

for a merger partner.

[374] **Neil McEvoy:** Okay. So, there were board discussions by Wales & West before the formal invites went out to other organisations.

[375] **Ms Hinchey:** There was a conversation at the board, which was that, in the event that somebody had to step in, would we consider being one of the options that Cantref had.

[376] **Neil McEvoy:** Okay. Were there any informal discussions about the takeover between Wales & West and James Tickell?

[377] **Ms Hinchey:** None.

[378] **Neil McEvoy:** None. Okay. Was there a language impact assessment made?

[379] **Ms Hinchey:** We didn't do a language—. Of the merger, or—?

[380] **Neil McEvoy:** Yes.

[381] **Ms Hinchey:** Of the merger. No, we didn't do a language impact assessment, but our approach through the merger has been very much that it is going to be business as usual. So we have not done anything that has impacted on the Welsh language adversely. In fact, if anything, it has been the complete opposite: we have learned from how Cantref did things, either through the medium of Welsh, or accessibility, and we are rolling that into the wider Wales & West.

[382] **Neil McEvoy:** Okay. Just anecdotally, I've heard of Welsh-speaking staff using English, whereas previously they would use Welsh. You are not aware of that.

[383] **Ms Hinchey:** No, and we have made it absolutely clear to all our staff, both in west Wales and across Wales, that they can communicate in the language of their choice.

[384] **Neil McEvoy:** Okay. Was there a member of the housing regulation team present as an observer at any meeting where Cantref was discussed?

[385] **Ms Hinchey:** At the Wales & West board?

[386] **Neil McEvoy:** Yes.

[387] **Ms Lee:** Yes.

[388] **Neil McEvoy:** Who was that, and why were they there?

[389] **Ms Lee:** As part of their usual visits to us as a board. On a regular basis, the regulator attends our board meetings. For me as chair, I was very, very happy to see the regulator at the meetings where Cantref was on the agenda along with everything else. I think that's only a good thing.

[390] **Neil McEvoy:** Okay; thanks.

[391] **Nick Ramsay:** Right. Mike Hedges.

[392] **Mike Hedges:** You're in 15 of the 22 local authorities in Wales, aren't you? That's an awful lot of places to cover. Two questions on that: how do you ensure that you treat each community and each area exactly the same and fairly? And the second question is: is there not a problem in dealing from a head office with places that are not necessarily many miles away in terms of distance, but in terms of going into bits of west Wales and north Wales, distance and time are not exactly the same as going down the M4? So, are there difficulties in actually getting to some of these places quickly from head office, and is there not a danger of people at head office not getting out to some of the places that are maybe only 100 or 120 miles away, but are three and a half hours by road?

[393] **Ms Hinchey:** Okay; a couple of strands there. So, perhaps I can deal with them almost in reverse order. First of all, we do have a head office. That office is in Cardiff. We also have an office in Ewloe in Flintshire, and we have an office in Newcastle Emlyn in west Wales. That is the same office that Cantref had. We gave a commitment that we would retain it and keep it open, and that is what we have done. So, there is no difference at all in relation to how the residents are served from our offices. Having said that, we don't deliver our front-line services from our offices. Although we do work in 15 local authorities, the way in which we have built our services is very much on a locality level. So, we talk to the residents living in a particular community and we understand what matters to them. We have an approach that we call, 'Have we listened?', where we go, we interact and engage with residents at that local level to understand what matters to them in their community. You

asked how we make sure that we deliver services exactly the same—

[394] **Mike Hedges:** Well, equitably; not exactly the same, but equitably.

[395] **Ms Hinchey:** Yes, and I suppose that kind of goes to the point, because we don't. The needs of somebody living in a rural area versus somebody living in the middle of Cardiff are completely different. So, the approach that we have built, which I think will answer your question about how we do that, is: have we listened? What matters to you in your community? What are the things that you want to engage with us on? What's working? What's not working? What do we put right? Our staff, most of whom actually live in the communities in which they work, are the people who do that on that face-to-face basis across Wales. So, yes, we are large; yes, we do work in 15 local authorities; but the services that we provide in each of those authorities—in fact, in each of those communities—are community focused and community tailored.

[396] **Ms Lee:** I would just add that, for us at Wales & West, because we have done this for over 50 years as an organisation, we have always worked in a number of local authorities. In some ways, we don't know anything different. We are not an organisation that has just been based in one locality and then we have branched out. We have always worked across Wales. So, for us, that is the norm. Certainly, as a board, we care very passionately that the board is a good mix of people, obviously. In addition to skills, we have a good mix of people from across Wales on our board, which brings that added value of a north Wales viewpoint, and west Wales, south Wales and Valleys viewpoints as well, which are very valuable. It's very important to us again as a board, as Anne said, that our front-line staff are not based in head office all the time—that they are out in the communities in which they live, as well as work. Again, for us as a board, we've ensured that we've asked our officers to invest in sufficient technology so that our staff can access whatever systems they need to, no matter what part of Wales they're working in. So, yes, I think it's a very good question, but for us it's very difficult to know anything else. It's what we've always done.

[397] **Mike Hedges:** You mention that. If you go back to the early days of housing associations, you were unusual in covering more than one area. Most of the early housing associations were relatively small bodies, and that was the aim of them, wasn't it—to be relatively small bodies to deal with local need? How many of the current local authorities were you in when you started?

[398] **Ms Lee:** Not 15, that's for sure.

[399] **Mike Hedges:** I didn't particularly expect you to know that. If you could give us a note, it would be helpful.

[400] **Ms Hinchey:** When we started, back in 1965, it was only Cardiff, because that was the first scheme that we built.

[401] **Ms Lee:** It has evolved.

[402] **Mike Hedges:** I did ask that question, and we had two different answers, but I'm quite happy with the last one.

[403] **Nick Ramsay:** Oscar, did you have a supplementary question?

[404] **Mohammad Asghar:** Thank you very much, Chair. I will ask Sharon and Anne the first question, which I am asking every housing association. Given the lack of public reporting and the reliance on self-evaluation, is the housing association sector in Wales open, transparent and accountable to citizens in Wales?

[405] **Ms Lee:** I can only speak, again, for Wales & West, but we certainly ensure that as much information as possible is made accessible: our accounts, our business plans. A list of information is made available on our website and is then in the public domain. We feel our responsibility is to make sure our tenants have all the information they need about our performance and about how we serve them. It's a bit more difficult to furnish all the citizens of Wales with information about us as an organisation, but it is in the public domain.

15:30

[406] **Ms Hinchey:** One of the learning points from our regulatory assessment was that, although we had a lot of information that was available, it wasn't easily accessible all in one place. So, one of the things that we've done since the last assessment is to put it all in one place on the website. In terms of the openness and accessibility, as the chair said, our business plan is on the website, our annual report is on the website, our performance information is on the website and we have devised or developed our self-assessment process so that it is a living thing. Every quarter it is reviewed,

every quarter is goes to the board and every quarter we report to our tenants in a hard copy through our residents newsletter called *In Touch* that goes through every door, because not everybody has access to the web or, in fact, has the inclination to go looking for stuff. So, they get it through the door in *In Touch*. It's in infographics, which are developed alongside our resident participation steering group, so that it's clearly understandable and people can relate to it. We also provide a 'What is this information saying and what are we doing about it?' It goes through every door and it is widely accessible for the greater public or people who want to see it electronically online.

[407] **Mohammad Asghar:** We were having another scrutiny session earlier and the level of housing in Pobl is 16,500 houses in their possession—and they generate over £125 million. Under your remit there are 11,500, if I'm right.

[408] **Ms Hinchey:** Yes, give or take.

[409] **Mohammad Asghar:** And you generate less than £26 million. It is quite a lot of difference, Chair, so is there any reason to justify this? With 16,500 homes generating over £125 million—

[410] **Ms Hinchey:** It's just under 11,500. Our turnover is around about £50 million—

[411] **Mohammad Asghar:** According to this work, you have got three subsidiaries: one has got £9 million, another has £15 million and another has less than £400,000. So, these are the figures here. Sorry to say that.

[412] **Ms Hinchey:** Our turnover as a group—the whole totality—is about £50 million. The difference I think you'll look at is in terms of some of the services that, in particular, Pobl provide that we do not. So, we are a very traditional housing association and we have chosen not to diversify in the same way that some of the other people that you have talked to have chosen. That will then impact both on staffing numbers—we have around 620 across the group—and it will impact on turnover.

[413] **Mohammad Asghar:** So, actually, as an association they are not working on the same level field. They are working on their own needs and desires. Earlier, they talked about market needs, local needs and affordable housing. So, are you working on certain different angles?



[414] **Ms Hinchey:** I think our core businesses are the same, which is social housing, but there will be some organisations—and there is no right or wrong in this; what is right for some organisations is not right for others. So, some people will choose to diversify and do more and other people will choose to diversify a bit or not at all. We have chosen to be far more traditional in our approach than Pobl.

[415] **Ms Lee:** Obviously, diversification is something that's come up in previous sessions. We felt very strongly as a board that we didn't want to diversify into anything that wasn't supporting our core purpose, which was to give people affordable homes, to meet housing need and to help them stay there as long as they want to, to make tenancies sustainable. Where we have added different things like care and catering—and we have our own maintenance and repairs subsidiary—all of that only exists to feed back into services for our tenants. We have a very, very small amount of market housing that we sell, but that's a very small part of the organisation. As a board, for us, and it's something that I personally care very passionately about, the spine of who we are as an organisation should be the same as it was 50 plus years ago. We're here to meet housing need for the most vulnerable people in Wales and we want to keep that as our focus.

[416] **Mohammad Asghar:** Finally, Chair—

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

[418] **Mohammad Asghar:** One of the earlier associations' borrowing level was £0.5 billion. I haven't got the accounts in front of me—*[Inaudible]*. What is your borrowing?

[419] **Ms Lee:** About £200 million.

[420] **Ms Hinchey:** It's just under £200 million.

[421] **Mohammad Asghar:** How many?

[422] **Ms Hinchey:** Just under £200 million on our balance sheet.

[423] **Mohammad Asghar:** Okay, thank you.

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

[425] **Lee Waters:** Can I just return to tenant engagement? You described quite a wide range of ways in which you give information to your tenants, but in terms of engaging them in the process of scrutiny and governance, can you just talk us through the different methods you use? Do you, for example, have any tenant members on your boards, and is that deliberate?

[426] **Ms Hinchey:** Okay. We've—

[427] **Ms Lee:** Okay—you take them both.

[428] **Lee Waters:** To save you your voice.

[429] **Ms Lee:** We're so keen to talk. [*Laughter.*]

[430] **Ms Hinchey:** One of the things that we learnt really quickly once we started to talk to residents is that one size did not fit all, and what some people wanted other people wouldn't touch with a bargepole, and what other people really got to grips with other people just didn't like at all. So, we've put in place a number of mechanisms. We have what we call our resident participation steering group that deals with it at a strategic level, and that's involved residents from all over Wales. They come together on a regular basis and talk about those types of things.

[431] We have the more traditional approach of residents associations, where people get together in their localities, and we also are, increasingly, finding that people want to get involved in their localities, but not necessarily wanting the bureaucracy of having a constitution and officers and things. So, we have a whole range of social groups and craft groups, all of which are helped, mentored and supported by our staff.

[432] We then have Have We Listened, which is the direct community engagement on the ground about what matters to residents in their localities, and that goes for the services that we provide, the services that are provided by the wider community and how can we help people to access those or develop them, and also about then the performance in that locality. So, we have that mechanism as well.

[433] We also have what we call Only Residents Aloud—I know, yet another twist on the theme. It used to be called Group 500, but the residents liked 'Only Residents Aloud'. That's about how people can engage and give their views on different services that interest them. So, they might have indicated

that they want to give views on the repairs service or equality or more corporate—so we have that as well.

[434] We have, obviously, the usual social media and things that everybody else does as well, the web and so on, and then, when you look at the board, we have an elected board of 12 and then we have the ability to co-opt up to three people in addition to the elected 12. At this moment in time, four of our 12 are tenants.

[435] **Lee Waters:** Right. The Welsh Government withdrawing the funding of the tenant advisory panel—do you have any concerns that this will have a negative impact?

[436] **Ms Hinchey:** I think what's really critical is that the tenant voice continues to be heard, and, in every conversation that we've had with both the Welsh regulator and involved and informed tenants, there has been that commitment that the voice of tenants is still heard. So, I am not overly concerned about the change in mechanisms at any particular moment in time, as long as there is a route for people to have their voices heard.

[437] **Lee Waters:** Thank you.

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

[439] **Rhianon Passmore:** Thank you. You've mentioned previously diversification and your core, central principle, which is clearly driving your organisation in that manner, and it seems to me that it is clearly centred around need and social housing, rather than diversifying into many different arenas. With that comes strength, and also, there's something on the other side in terms of its detriment. How do you feel, looking at the future, which is deemed to be volatile in terms of inflation rates and in terms of all the pressures that are facing big organisations like yourselves, specifically around welfare reform et cetera, and all of the other external elements that organisations are facing around any deficits? How well do you feel that your organisation is placed in terms of its resilience to be able to knock back any of the storm that's anticipated in the future? And are there early enough mechanisms in place within that regulatory framework to be able to protect you, from Welsh Government level?

[440] **Ms Lee:** I'm going to try and speak. Risk is something we're very aware of as a board. What I said earlier doesn't mean we're risk averse. We are

prepared to make some decisions if we think that's the right thing for the organisation, even if there is risk to that.

[441] I think, as a board, one of the things we've done in addition to board meetings is that on a regular basis we all give up our time to meet and have days away, where we do nothing all day except look at risk. We'll sit down, we will look at the risk register, we will go through everything—we will keep that alive. It's not something that's put on a shelf and only pulled out for the regulator. We go through and we stress test every part of the organisation as best we can. And as a board—and tenants are very involved in this process with the board—we go through everything on that register: what could be the possible risks to us as an organisation, no matter how miniscule, and how do we mitigate against that? And then if it happens, how do we respond? And what we conclude from that exercise whenever we do it is that we are resilient as an organisation. We don't take risks into areas where others are doing it—'just as well'—and we don't need to be involved in that. So, care would be a good example. We had a very lengthy debate on whether we should go into domiciliary care in the communities across Wales, particularly in the rural communities. And we concluded as a board that we didn't want to enter into an industry where there could be a race to the bottom on costs sometimes because we're not profit-making. So we felt that that wasn't right for us, and we wanted to focus more on developing that side of the business to benefit our tenants and nobody else. That may change in the future, but for now as a board, that's the place we've come to.

[442] **Ms Hinchey:** One of the examples you gave then about the risks facing the sector around welfare benefit, and increasingly, obviously, universal credit, as it comes through—so, we've been through the bedroom tax and now we're coming into the universal credit world—was that, in relation to that forward thinking about what are the issues or the risks that might be coming up and how you best mitigate them, it's in terms of then looking at not just the impact upon us as an organisation, because, obviously, universal credit could affect rental income, but also what, more critically, is the impact on the people who are living in our homes. So, when the board considered it—at the time it was the bedroom tax that was coming along—the answer to it was not so much in relation to getting really good debt recovery and income management and all the rest of it, but actually employing seven people in order to go and work with the residents to make sure that they maximise their benefit. They were helped into training, into employment and things. So, making the right decisions about how you, as the chair said, sustain people's tenancies, because if you sustain their tenancy—. We learnt

again very early on our systems—thinking journey that, when people move into homes, very very few people move into homes going, ‘Do you know what? I’m not going to pay my rent’. Most people move into a home and they want to pay their rent. So how do we work with people to enable them to pay their rent? And that’s the focus.

[443] **Rhianon Passmore:** You’re the first to mention sustainable tenancy, which I’m surprised at. In regard to that and bearing in mind that you are being—not cautious, but you are very clear about your core reason for being here and why you’re being funded by public funding—how resilient are you in terms of that universal credit costing? I think it was the—I can’t remember which foundation it was—that anticipated a £600 million deficit from welfare reform coming forward. But in terms of that concern around universal credit and the fact that there are going to be those that are not going to be able to potentially meet their rent because of a number of different reasons that you are very aware of—I know you’ve said that you’ve put staffing in to try and cope with that—but because you’ve got less of a portfolio, how are you faced financially in terms of that proportionality of your finances coming from that social housing market, compared to those that have got a more mixed portfolio in terms of their income?

[444] **Ms Hinchey:** The chair talked about the mechanisms that we’ve got in place in relation to the risk workshops and things. And I think, in common with everyone else, one of the things that we do every year—and in fact more often in our quarterly meetings—is look at the stress testing of it; so, understanding what those might be. I know people have mentioned around the table previously that there will come a point in time where if it is 100 per cent failure on this and 100 per cent failure on that and things, stuff will happen. But that is not going to be the reality. So, understanding what they are in terms of making sure that in our stress testing—. As I think one of your witnesses called it, you envisage the ‘perfect storm’ in terms of where it is, understanding what that is and what that might look like and understanding, again, critically, the impact on the people that live in our homes, because you can’t get away from the fact that every time somebody talks about a house, that is actually a home and there are people living in it.

15:45

[445] So, all of our resources and all of our efforts go towards working with the people who live in the homes, because if you get that right then the rest will look after itself. So, I think we’re fairly confident in terms of where we’ve

got to with our stress testing. We understand what the issues are for us. It won't happen overnight, so there will be time, as universal credit rolls in, for us to adjust where we're going. We might have to employ more staff or do things differently, or stop some of the stuff that we're currently doing that we don't need to do. So, I think there's a long enough burn on that type of thing coming in that we'll be able to adjust it, but I think the critical nature of it is us being aware of it and watching it very closely.

[446] **Ms Lee:** Just one more, just to add to what Anne just said, something again that we as a board asked our officers to do a number of years ago was to try and get out of the mindset of assuming that social housing tenants are all welfare-dependent and they have to be for generations to come. So, we talk very much about investing in employment and training so that we're not just helping people to maximise their benefits, because we know from recent years that you can't guarantee the level of benefits in future from any Government.

[447] So, we are investing a lot of staff time in helping tenants have whatever training they might need, as best we can, to help them to get a job where they need to, and hopefully just not be so reliant on a benefit that could one day be taken away from them. That's not going to solve the world, but it's something as an organisation—and I know others in the sector are doing this as well—that we're just trying to move away from: always thinking people are going to be welfare-dependent for the rest of their life, and what can we do to maybe mitigate that in the future.

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

[449] **Nick Ramsay:** Okay. Into the last couple of minutes now of this session: Lee Waters, then Neil McEvoy.

[450] **Lee Waters:** Just to briefly move us on to some other areas we're looking at as a committee, one is the question of payment for board members. I'm just wondering whether you have a view on that.

[451] **Ms Lee:** I can answer that. We discussed this as a board I think a couple of years ago when the consultation paper came out. We were all there because we wanted to be there, and we were happy to give our free time. Across the board, that was the case. We felt at the time that we didn't want to be paid. Some of our tenant board members particularly felt that that would be difficult for them. One tenant board member felt that it would be

difficult for him to go back to his community as a tenant knowing, and people knowing, that he was being paid to be on our board. So, at that time, we didn't feel it was something we particularly wanted as a board. I think what would be useful is that if, as a board, we at least had the power to decide that for ourselves into the future. I think the sector is changing; there are challenges that are coming every day. And I think at the moment, we have all the skills and experience that we feel we need on our board. If that changes into the future, and we find people are not able to give the free time that they are at the moment, as a board and as a chair I would certainly like us to have at least the ability to decide that for ourselves. At the moment, we don't have that ability.

[452] **Lee Waters:** Okay. I just wanted to ask you as well about chief executive pay—whether or not there is a relationship between the performance of the organisation and the chief executive and their level of pay?

[453] **Ms Lee:** At Wales & West, we don't have performance-related pay. We don't have bonuses that we pay any member of staff, including the chief executive. The salary for the chief executive is decided by the board. We have a remuneration committee that reports to the board, and it's a fixed amount—it's not based on the performance of the chief executive although, obviously, we expect our chief executive to perform to the highest standard.

[454] **Lee Waters:** How do you ensure that?

[455] **Ms Lee:** The chief executive has an appraisal that the chair carries out annually. Ultimately, as a board, we receive all the information that we ask for and that we need in terms of performance across every aspect of the organisation, and ultimately the chief executive is responsible for that performance, with the executive team that are in the boardroom as well.

[456] Just to say something on the level of chief exec pay, certainly from a Wales & West perspective, it's in the public domain, as you know. It's been on social media recently as well, and a Wales & West chief executive has always sat in the mid range of that table, and that's been an intentional decision for us over the years as a board. We feel on paper we could justify paying our chief executive a lot more in terms of the amount of stock that we have and the areas that we cover, but we didn't want to be encouraging a race to the top in the sector, so we've just decided, based on the information that we've had regarding the market and other factors, that we've made a decision that

is best for us as an organisation, and that the chief executive has no involvement in that discussion or decision.

[457] **Nick Ramsay:** Okay. Neil McEvoy.

[458] **Neil McEvoy:** A different matter: I just wondered if you realised how intimidated some of your tenants felt during the election campaign when there was some overzealous removal of Plaid Cymru boards, my boards in particular. So, I probably should declare an interest. There was one individual who didn't feel able to make a complaint because she felt so intimidated, where the board was removed from her handrail, for example. Communal areas I can understand. But I just wanted to ask you if you realised how intimidated people felt by the actions of your staff?

[459] **Nick Ramsay:** Are you aware of any—you don't have to answer that exact point—intimidation that people feel that they won't come forward?

[460] **Ms Lee:** No.

[461] **Ms Hinchey:** No.

[462] **Nick Ramsay:** That's quite clear.

[463] **Neil McEvoy:** No, not really, because I did have the conversation with the chief executive during the campaign and I remember him putting the phone down on me. But I'm asking you a question. So, you're absolutely unaware of any intimidation—

[464] **Nick Ramsay:** You did ask the question, Neil, and they did answer it.

[465] **Neil McEvoy:** You're totally unaware of any tenants feeling unhappy about what went on.

[466] **Ms Lee:** I'm aware that that's what you've reported, or what you've said on social media, and in this committee. I have certainly not been contacted by any tenants who feel intimidated. Tenants I speak to across Wales feel very opposite to that. They feel—

[467] **Neil McEvoy:** With respect—

[468] **Nick Ramsay:** No, no—that's fine.



[469] **Neil McEvoy:** —what I'm telling you is—

[470] **Nick Ramsay:** They've answered the question.

[471] **Neil McEvoy:** —that your tenants feel intimidated enough, so intimidated, that they didn't want to complain. That's what I'm telling you.

[472] **Rhianon Passmore:** Chair, is this relevant to the inquiry?

[473] **Nick Ramsay:** It's not, and they've—

[474] **Ms Lee:** I won't answer any more.

[475] **Nick Ramsay:** That's fine. The Chair has decided that, so—. You've answered that question previous to that and that's fine. Neil Hamilton.

[476] **Neil Hamilton:** I'm very comfortable with the business model and vision that you've described today; I hope you don't find that too disturbing. [*Laughter.*] Because I think you are concentrating on the core purpose of a housing association. But I'm interested in this development, which builds new houses, to understand: is this building for you? You've said that you're not in the business of building houses for sale, so I presume that these are houses that you're building to rent yourselves. Is that right?

[477] **Ms Hinchey:** Enfys is our tax efficient VAT vehicle, so it is only doing stuff for Wales & West Housing. It doesn't employ staff, it doesn't do anything. It procures.

[478] **Neil Hamilton:** Good, because my questions earlier have been about diversification and housing associations, and taking attention away from the core purpose and the risks that may be run as a result of having a multiplicity in different kinds of interests, albeit even within a single sector in the property sector, which is clearly not a risk that you're running in your business.

[479] **Ms Hinchey:** That's not what Enfys does.

[480] **Neil Hamilton:** Good. Okay, thanks for that.

[481] **Nick Ramsay:** Great, thank you. May I thank our witnesses for being

with us today? It's been really helpful. Sorry we overran slightly. There were lots of questions there. We'll send you a copy of the draft transcript for you to scan for any inaccuracies before that's finalised. Thanks for being with us today.

[482] **Ms Lee:** Thank you very much.

[483] **Ms Hinchey:** Thank you.

15:54

**Ymchwiliad i Drefn Reoleiddio Cymdeithasau Tai: Sesiwn Dystiolaeth 8  
Inquiry into Regulatory Oversight of Housing Associations:  
Evidence Session 8**

[484] **Nick Ramsay:** Can I welcome our latest set of witnesses for the next evidence session, evidence session 8, in our inquiry into the regulatory oversight of housing associations? Would you like to give your name and position for the Record of Proceedings?

[485] **Ms Mudd:** Good afternoon. My name is Jane Mudd, and I'm the board chair of Newport City Homes.

[486] **Ms Doyle:** Ceri Doyle, chief executive, Newport City Homes.

[487] **Nick Ramsay:** Great. Thank you for being with us today. We've got a number of questions to you, and I will kick off with the first question—a general question in terms of the effectiveness of regulation. Do you believe that regulation effectively serves housing associations, their tenants and service users? Who wants to take that? Ceri Doyle.

[488] **Ms Doyle:** If I'll start. Thank you, Chair, and for the opportunity to come and talk to you today. At the risk of repeating what we've put in our evidence, the key issue for us is determining who or what the regulatory regime serves to support. I've been involved in the housing sector at Newport City Homes for the last two years, and I've come from a background where I've had experience of a number and a range of different regulatory regimes. And the current housing regime is interesting, in that it clearly has to serve the needs of the Welsh Government. It's also trying to serve the needs of residents, and that of a number of stakeholders. So, whilst we think that there's a great deal of effectiveness in what's currently proposed with the

new regime, with the 10 performance standards, we would question whether, if we had greater clarity on who it is seeking to serve, we could have an even more effective system.

[489] So, for example, if you looked at the review back in 2015 of audit, inspection and regulation across Wales, issues such as health were considered, where, following on from the review, we get a great deal of clarity on the role of Healthcare Inspectorate Wales vis-à-vis the role of the auditor general's office. So, as a layperson, I would interpret that as Healthcare Inspectorate Wales protecting the needs of patients, whereas the auditor general's office, whilst I'm sure they have many purposes, one will be to oversee the corporate governance of the organisations that they are involved in. There may be a need to consider greater clarity on what the resident is being served with, from the current regime of regulation, or whether it is actually serving the needs of the Welsh Government, above those of the needs of the residents. It doesn't mean that we think it's ineffective at the moment, but we'd welcome greater clarity on it.

[490] **Nick Ramsay:** Jane Mudd, would you like to comment?

[491] **Ms Mudd:** I'd support the view that Ceri has just put forward. We very much welcome the fact that the performance standards have been revised—it's a very welcome evolution in the process itself. However, if we look at the performance standards that are being consulted on, most of those standards actually relate to the business itself, as opposed to the needs of our tenants and residents. I think, if you look at them closely, there's just one aspect of that. And that's why, as an organisation, we felt greater clarity on who regulation is actually seeking to serve would actually help. Because, whilst we welcome those changes, it's important to note that only a small proportion of that focuses on the needs of tenants and residents.

[492] **Nick Ramsay:** And what about the team—the Welsh Government's regulatory team? Do you have good relations with them? Do you think that they are fulfilling their role?

[493] **Ms Mudd:** We've built a very positive relationship with our regulation manager, and it would be remiss of me to sit before you today and suggest that that hasn't taken an effort, on both parts, because it has taken an effort, on both parts, to build that relationship. Because, in our very recent history, our organisation—we're currently on our fourth regulation manager, which is not a reflection of any breakdown in relationship, or such, but is actually a

reflection of the way the regulation has been organised within the Welsh Assembly itself. So, unfortunately, because the regulation managers have changed, we've had to rebuild a relationship with our current manager, and we are progressing very well with that. It's fair to say we have some very open and transparent discussions with our regulation manager, and we've got a positive relationship.

[494] **Ms Doyle:** If I may, Chair, in answering your question, I'm sure, from the witnesses that you've seen throughout the process of this PAC, you'd have become aware of the different business models that exist within housing across Wales. Newport City Homes seeks very much to serve the people of Newport.

16:00

[495] I know, from other colleagues, that they have models that are far more diverse than our own. I think we've got to reflect upon the range of skills that will be required to actually assess the regulatory viability of such diverse organisations. Whilst we attempt to keep a simple business model that is focused upon providing support and housing to the people of Newport, particularly those who are most vulnerable, the reality is that we have a complex business model underpinned by a complex loan agreement, and, as well as the regulatory duties that we have to abide by, there are also a series of risks that are facing us as a sector. So, any regulatory manager is going to be required to have both strategic as well as corporate and operational skills, as well as the skills of effective boards and effective corporate governance. So, we are asking a lot and, as the chair has already said, co-regulation: if we are to believe the word 'co', it should be about the mutual support that's come forward. I think, in terms of lessons learned and the sharing of best practice, we would welcome the opportunity to learn from both the strengths and the weaknesses of other housing associations, and perhaps there's a role for the regulator in making a more concerted strategic effort to share best practice as well as lessons learned.

[496] **Nick Ramsay:** Just before I bring Lee Waters in—. There were changes made in January 2017. What were the problems identified before that that have been improved since that introduction?

[497] **Ms Doyle:** I think—shall I start this one? I think, from our perspective, the clarity on 10 key areas, or the 10 performance measures, has taken away the ability to interpret or reinterpret some of the risk factors that

underpinned the previous model. With that said, as the chair has already highlighted, we're conscious of the fact that only one out of those 10 performance measures now reflects upon the needs of the individual resident or the collective voice of the resident. So, whilst we're seeing greater clarity because we're not having to assess such a diverse range of things as part of our regulatory process, we still don't think that the resident is necessarily as central to the regulatory process as they need to be. An example of that would have been under the previous regime—or the regime we're currently operating to, because, obviously, the current regime's out to consultation. When we engaged with our residents post the production of our regulatory assessment, our residents were quite challenging to us and to the regulator because, as far as they were concerned, they'd engaged with us to set the strategic objectives for the organisation: strategic objectives—we have five—that were agreed by the board on the back of the evidence that our residents had submitted to us. They felt that the former risk-based approach was convoluted or didn't align to what they felt their priorities were. So, after some negotiation and support with the regulator, we were able to produce a self-evaluation system that put our priorities first, and, as a secondary consideration, we reported against our delivery against the regulatory framework, which was, at that point, based on risk. Now, if we are to continue to meet the needs of our residents, they will continue to ask us to put our strategic priorities first and report to them, as a secondary matter, the performance against the regulatory criteria that are currently out to consultation.

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

[499] **Lee Waters:** Thank you, and thank you very much for submitting written evidence and your willingness to be challenging. We do appreciate that. Some of your comments are inferred, because, I think, based on what you've already said here, there's a clear, consistent message from your evidence that the current arrangements—it's not clear that the regulatory approach serves the needs of the associations clearly, that the primary frame of reference for you remains your own assurance framework, and that residents in particular don't feel any relationship with the regulatory opinions that come out. What you said latterly about the targets, where the resident is not necessarily central to the regulatory regime, is also quite clear. You also say that there are question marks about the resourcing of the regulatory framework by the Welsh Government. So, taken as a whole, there is a whole set of challenges there. Is it fair to say that you're not satisfied with the regime as it stands?

[500] **Ms Doyle:** We can work with the current regime. We are working with it. We have a regulatory assessment; it's a favourable regulatory assessment. I, and the chair, have always worked in the public sector. We know some of the challenges that are facing public scrutiny and public budgets at the moment. I guess what we're saying is not as definitive as the way you've just articulated it. I think it's fair that we think our board believes we could get a lot more added value out of the system than we are currently getting from it, and that added value would come with a greater clarity on who regulation is seeking to serve. I can understand why corporate governance would be very important to the Welsh Government. We take grant funding from the Welsh Government. The Welsh Government no doubt has a need and an interest in protecting the needs of our residents. Nevertheless, our residents want and demand of us—of the board and of the executive—to see improvements in service delivery. Service delivery and corporate governance do go hand-in-hand, but they are two removed—they are two separate parts of how we implement our business, and it's that latter part, service delivery, and our aspirations for the future, that interests our residents most. So, I'd suggest that we aren't as critical as you've summarised, but we do see significant room for better added value within the system.

[501] **Lee Waters:** Well, I was trying to draw definitive statements out of your ambiguous statements. But what advice would you have for the committee in terms of making recommendations? We have to make recommendations for changes in the system. Given the tenor of your criticism, what do you think this committee should recommend to improve the situation?

[502] **Ms Mudd:** I think, if I may, it's really important to take this in context, and the context is that the regulation of housing associations in Wales has evolved to the point that we're at today and the point of co-regulation. If we went back 10 years within the sector, 15 years in the sector, you'd see a very different structure. You wouldn't see a system that was beneficial to any of the parties, really; more, perhaps, a tick-box exercise. So, the way that the system has started to evolve is actually positive. I think what we say as an organisation, and certainly to you as committee members, is that we can continue to build on this and take more from this relationship, but that clarity of purpose is absolutely essential to be able to do that.

[503] **Ms Doyle:** And therefore the potential to separate the needs of residents in holding boards to account from the regulatory system. But it's easy to sit here in front of you when we believe we already do that as an

organisation.

[504] **Lee Waters:** What would that look like?

[505] **Ms Doyle:** If you look at the 10 performance standards that are currently out to consultation, there is one of them that refers to how a board of a housing association engages its residents in the process of service delivery and improvement. We would argue, given that our business model is underpinned by the fact that we take rent from our residents, as a board, we feel—well, I can't speak for the board. As an organisation, the board has made it clear to me that we exist to serve the needs of those residents, and, therefore, we have to be able to demonstrate and justify the actions that we take for our residents. We take that very seriously, and we do it in a number of formats in a number of engagement strategies that we're currently involved in. If regulation is about the process of protecting the public pound that is invested in the social—well, we are a social business, but into housing associations across Wales, bearing in mind that the Welsh Government gives grants to a number of organisations without there being a regulatory process around it, but, if the Welsh Government, in addition to protecting the public pound, is attempting to ensure that residents are protected from a corporate governance perspective, then focus regulation on corporate governance. Given that nine out of 10 of the current performance standards, which I don't question, I don't challenge—I think corporate governance is significantly important, it's the backbone of any organisation—let's focus on corporate governance and well-run organisations. But do we need that regulatory process to also then justify the needs of tenants? How else can we justify to tenants that housing associations are delivering value for money? There may be other mechanisms for doing that.

[506] **Lee Waters:** You also suggest in your evidence that there is insufficient sharing of good practice. What would success look like there? What would need to be done differently?

[507] **Ms Doyle:** Go on, you start.

[508] **Ms Mudd:** If we look, for example, at the English context, there are actually four volumes of case studies where there have been issues, where there have been interventions in housing associations. There are four volumes, and that evidence is there; it's there for us all to look at. It would be really helpful for the sector as a whole if we were to share examples of how and why the regulator felt the need to intervene but also it would be

really positive to hear about positive working relationships and arrangements that have been put in place to actually prevent intervention, because, as a sector, we're not actually discussing this openly. That's what sharing good practice would look like, in my view. As a board chair, I'd be keen to know how we can work together to avoid unnecessary intervention rather than come to something retrospectively. There's a lot for us to learn from the way cases have been published in England and I'd welcome the sharing of evidence here in Wales as well.

[509] **Lee Waters:** Why don't think that is being discussed openly within the sector?

[510] **Ms Doyle:** The information isn't available formally. So, for many of the interventions that we're aware of, we would have picked them up in the press, we may have picked them up on social media—there will be a gossip network that's behind it. No effective leader is going to take decisions on the basis of the gossip network. You need hard facts.

[511] **Lee Waters:** You just said there were four volumes available in England.

[512] **Ms Doyle:** That's in England, but not in Wales.

[513] **Lee Waters:** Sure, but you have large, well-resourced teams. Everyone has told us how effective their corporate governance is. It's not beyond the wit of them to look over the border to these four volumes that you're aware of.

[514] **Ms Doyle:** And we are. I think what the chair was alluding to is that the sharing of the lessons learnt from any interventions that have happened in Wales hasn't been put into the public domain.

[515] **Lee Waters:** But, as you've said yourself, the co-regulation model involves you being one of the regulators. Why isn't Community Housing Cymru taking that role? Why isn't the sector taking that leadership role and sharing best practice? Why are you looking solely to the Welsh Government to do it?

[516] **Ms Doyle:** I'm led to believe that that's where the information is being held.



[517] **Lee Waters:** Well, you've just told me there are four volumes in England.

[518] **Ms Doyle:** In England.

[519] **Lee Waters:** Right.

[520] **Nick Ramsay:** [*Inaudible.*]—where the information is.

[521] **Lee Waters:** Can I just briefly finish?

[522] **Nick Ramsay:** Lee—

[523] **Lee Waters:** Why isn't Community Housing Cymru, why isn't the sector itself, taking that leadership role in spreading that best practice?

[524] **Ms Doyle:** If the information isn't available, how can they share the best practice?

[525] **Lee Waters:** But it's available in England. Surely it's—

[526] **Ms Doyle:** It is available in England—

[527] **Nick Ramsay:** I think we're going round in circles here. We're not getting anywhere, Lee.

[528] **Lee Waters:** That's because the question isn't being answered.

[529] **Nick Ramsay:** I'm going to bring in Rhianon Passmore.

[530] **Rhianon Passmore:** If I can just ask then, to just finish this segment off: you say that the information isn't being collated, are you saying that there is an element of protectionism in terms of housing associations in Wales, or is just that we have not got that system in place in Wales to be able to disseminate across Wales, so we've got like a Welsh fora?

[531] **Ms Mudd:** There have been opportunities for the sector to discuss some of these cases. If I can draw Members' attention to a Chartered Institute of Housing BIG question conference that was held around about October, there was somebody on the platform there actually sharing their experience of that as a chief executive that had gone into an organisation

where there'd been intervention. In terms of sharing practice, though, it's not always where there's been intervention; it's also about sharing positive practice as well. The current regulatory opinion doesn't enable us to share examples of good practice effectively.

[532] **Rhianon Passmore:** So, you think it can be strengthened in terms of those 10 principles and additionally around the emphasis around centering on residents and those that are core users, from what you just said earlier?

[533] **Ms Mudd:** Yes.

[534] **Rhianon Passmore:** Okay. Thank you, Chair.

[535] **Nick Ramsay:** Oscar.

16:15

[536] **Mohammad Asghar:** Thank you very much, Chair. My interest is, because I've been living in Newport for four decades, so I know Newport is stretched to its limit for housing and you're really, really doing a good job. On the other hand, my question is: what specific ways are Newport City Homes hoping to stimulate community regeneration?

[537] **Nick Ramsay:** Who wants to take that?

[538] **Ms Doyle:** I'll start, I think. NCH, as you'll be aware coming from Newport, was a stock-transfer organisation that transferred in 2009. I think it's fair to say that the first five, six, years of its existence were centred upon the purpose of that stock transfer and achieving the Welsh housing quality standard. We're very proud to have done that in 2015, and over the last two years we've been exploring with partners in the city the role that we can play in the regeneration of, not just the communities where our housing stock lie, but the broader regeneration of the city. We've been working over the last two years, with the support and encouragement of the board, to look at how we can make a positive contribution to the housing need in Wales, and the 20,000 units that your colleague Carl Sargeant has identified.

[539] We think we will be making a positive contribution to those new homes going forward and we are considering with our lenders and with partners in the city council in particular, who—as you'll be aware—assess the housing needs for the Newport area, to determine how we can best make use

of our existing land, how we can procure the right land to meet the needs of housing in Newport, but, critically, how we can balance our model of service delivery so that as well as contributing to new homes, we utilise those new homes to help us regenerate some of the older housing stock. As someone from the area, you'll be aware that some of the stock wouldn't be built in the way it was built 20 to 30 years ago if we were to be building today. One of the key viability issues that we're facing is ascertaining where it is best to maintain and invest in stock or where it's best to replace.

[540] But, clearly, we're not a house builder; we're not dealing with bricks and mortar, we're dealing with communities and people who have been living in those communities for a very long time. We're working hand in glove in various parts of the city to determine what community regeneration the community want. I'd like to say to you that we were co-producing with our communities. We're not quite there yet, but we do have an active engagement plan for taking that forward.

[541] **Mohammad Asghar:** Thank you very much. The other one, just for clarification: what do you mean by, 'innovative loan arrangements'?

[542] **Ms Mudd:** You can start that one.

[543] **Ms Doyle:** Our loan arrangement isn't particularly innovative at this point in time. It was a loan arrangement that was put in place at the time of stock transfer in 2009. We work on a fixed interest rate over a 30-year period and we are attempting to work with the three lenders that underwrite that loan to ensure that we can make the most out of that loan agreement for the purposes of the people in Newport. So, that could be in regeneration; that could be in new house building; it could also be in supporting the communities to ensure that our tenants are in sustainable tenancies for the future. That does involve helping our tenants in employment issues, in digital inclusion issues and in financial inclusion issues.

[544] **Mohammad Asghar:** Thanks.

[545] **Nick Ramsay:** Neil Hamilton.

[546] **Neil Hamilton:** I don't think that my line of questioning has any great relevance to these witnesses.

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

[548] **Lee Waters:** Can I just move on to a different subject? We've heard evidence about the payment of board members. I just wondered if you had a view.

[549] **Ms Mudd:** Yes, we do. The view of the board at Newport City Homes is that we don't pay our—. If we were able to pay our board members we would choose not to, but we recognise that demands are different across the sector and it's really within the decision-making powers of individual boards as to whether they should decide to pay their board members. It's not something that we favour as a board at Newport City Homes. However, if it were to be permitted, that would be the responsibility of individual boards. At Newport City Homes, the composition of our board is such that all of our board members share a passion and a commitment to the city of Newport. We don't have a problem in attracting board members with the right skills to participate in the governance of our organisation, and we've actually got a very robust and rigorous system behind that. So, in terms of board membership, we've got a skills matrix in place, we've got a role descriptor for the chair and for board members. We undertake an evaluation of our skills on an annual basis. We regularly review our governance. It is the view of the board at this time that it wouldn't be necessary for us to do that if it were permitted.

[550] I can't speak for the future and future demands upon organisations and how the situation may change. Maybe at some point the organisation might find itself needing to rethink that situation in order to attract the right skills, but at this time, certainly at the time of the shadow board, pre-transfer, and certainly in this current period, we don't have a problem in attracting people with the right skills. It is the view of the board that we would not support the payment.

[551] **Lee Waters:** Am I right to infer that you'd like the option to be able to change your mind at some point in the future? Do you think that should be a power devolved to the board?

[552] **Ms Mudd:** Across the sector, yes, it should be a power that boards should have the opportunity to decide for themselves.

[553] **Lee Waters:** Thank you, that's clear. In terms of chief executive pay, which is a question that we're looking at, what mechanisms are in place and what's the relationship between the performance of the organisation and the

pay the chief executive gets?

[554] **Ms Mudd:** Well, we don't have performance-related pay in our organisation. We set the salary for the chief executive. The role is a very demanding role. We benchmark salaries. We benchmark them across the sector and with other comparable social businesses as well. So, we're content as a board with the salary that's been set. We take independent advice on that, and all recommendations go through a remuneration committee and they are then put forward to the board. So, we're satisfied that we've got an objective process in place, and that the salary reflects the nature and complexity of the role.

[555] **Lee Waters:** Okay. I'd like to ask about tenant involvement, Chair. I don't know if anybody else wants to take up tenant involvement.

[556] **Nick Ramsay:** Go for it.

[557] **Lee Waters:** So, another issue we've been looking at is how tenants are kept at the heart of the organisations. Do you have formal tenant representatives on the board? Do you have fora in place? Can you just explain briefly the approach that you take?

[558] **Ms Mudd:** If I could start, and Ceri could perhaps add to what I might say: because of the nature of our organisation, because we're a stock-transfer organisation, we started with a model of three different constituent groups, but equal representation from each of those groups. As we've continued to evolve as an organisation, we've actually changed that structure, so we've reduced one of our local-authority-appointed board members and made that place available to tenants. So, now, rather than having five members from each constituent group, we've got an opportunity to have seven tenant board members, four local authority representatives, and five independent board members. So, there is an opportunity for our residents to get involved at that strategic level.

[559] It's something that I'd actually like to highlight to committee members today, because it's something we're very proud of at Newport City Homes, the way that we prepare our residents for this. So, we run, as part of our resident engagement, something called the board academy. We were delighted, I think about two years ago, to win a Welsh housing award for the engagement that we've done with that. The board academy really builds our interested residents up and develops their knowledge and understanding of

those strategic processes that we would go through as a board. So, it is different to perhaps tenant engagement on a single issue. Nonetheless, it's proved to be very popular and our residents are very happy with it. We've got some excellent colleagues around the board table who have been through the board academy, and as part of the board academy process, we're actually able to offer our residents accredited training as well. So, even if our residents decide that becoming a board member is not for them, they still go away from the board academy with that accredited training. I should add to that that every one of our tenant board members will meet the skills requirements for the board. So, they can still evidence that they meet the skills that we require. It's proven to be quite a positive development, and it really helps, I think, develop our relationship as a board with our residents.

[560] Our residents are also welcome to come along and observe our board meetings. Our board meetings are open, so our residents are part of that. So, when the agenda permits, we invite them to comment on issues. If we are discussing an issue that is of particular relevance to our tenants, we will invite them. We try to be as open and transparent as we possibly can. Part of the process, if you're interested in housing and you're an individual, or you're a representative in your community and you would like to take that further with the housing organisation and you're a tenant, is becoming familiar with it so that it is not an intimidating process, and that you feel that you can speak with confidence. So, that's just one arrangement that we've got in place that helps us to engage with our tenants and residents at the strategic level. But, at every level in our organisation, we offer opportunities, and I'm sure that Ceri can add to what I've said on that.

[561] **Ms Doyle:** Yes. Just to pick up on the board academy, it does appear to have been a great success for us at Newport City Homes. I think that one of your colleagues asked a question about what has changed over the last two years, and in particular since stock transfer. Moving from an organisation that has to bring 10,000 housing units up the Welsh housing quality standard to an organisation that has to maintain those 10,000 houses, build new houses and regenerate communities creates added complexities. So, we keep that board academy model under review. We would suggest that, given some of the complexities on treasury matters, on risk management, on value for money and driving efficiencies, the board academy would need 18 months to two years of intensive support to get people to the point whereby they would meet our person specification, which is the same whether you're a resident, a council member—and we are grateful to Newport City Council for agreeing to adopt the person specification that we use—or if you're an

independent member.

[562] Below that strategic level, we then operate on a corporate and operational basis, just like any other business model. We've put in place a series of engagement tools that vary from what we call our community voice, where we will take either a cross-section of communities from across the city, or we will take a thematic area that we feel needs a deep-dive exploration. We will hold anything from lunch-time sessions to after-school clubs to fun days with our contractors, where we are deep-diving a particular issue. It could be maintenance. It could be how quickly we respond to repairs. Then, on an operational level, we have what we call a challenge panel, where a suite of our engaged residents will work with us in order to scrutinise service delivery within the organisation at the moment. They scrutinise that, working with operational managers to improve the services that we've put in place.

[563] Additionally, we then have virtual forums—we call them #Talkabout—where residents are given the opportunity to prioritise—

[564] **Nick Ramsay:** #Talkabout?

[565] **Ms Doyle:** #Talkabout, yes, sorry. Residents themselves are then given the opportunity to prioritise the areas that we should be considering improving, and that can result, again, in a deep-dive into a particular issue or a matter could be passed on to our challenge panel. Matters in the past have actually been passed on to our audit and risk committee, who themselves would then scrutinise what's going on. So, we attempt to align our resident engagement framework to that of our assurance framework, which exists for the board.

[566] **Lee Waters:** That's very interesting. Just so I can clarify that I understand this right: in terms of board level representation, you've taken the view that you're going to set aside places for tenants, albeit that you will work intensively to make sure that you raise them to the skills level, whereas other housing associations have told us that they don't set aside any places, they simply go for the right skills mix.

[567] **Ms Mudd:** That is our current governance structure, and we are currently satisfied that the skill set that we have is appropriate for the organisation at this stage. We regularly review our governance structure, and it would be remiss of me to sit here before you today and anticipate how that

might look in future.

16:30

[568] **Lee Waters:** So, that might change.

[569] **Ms Mudd:** Yes.

[570] **Lee Waters:** Okay.

[571] **Rhianon Passmore:** I can't see the Newport element changing.

[572] **Ms Mudd:** We would never, ever change that.

[573] **Lee Waters:** Right, but the specific calibration might alter depending on the pressures you're under.

[574] **Ms Mudd:** Yes.

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

[576] **Nick Ramsay:** Okay, any final questions?

[577] **Rhianon Passmore:** Can I just say, that sounds to me as if that is exemplar best practice? I would think that that could be something that could be spread across Wales in terms of what you're talking about today. Just briefly, in terms of your identification of risks and the early mechanisms that you've got in place, you have a very different model to what we heard of earlier on today in terms of the stock-transfer model. I think I'm right in saying that you're at a 100 per cent fixed rate in terms of your borrowing. So, you're in a different position to many. And you're also very, very customer focused in terms of your lack of diversification. In terms of that, what would you identify as your risk base and what are you most concerned about in the future?

[578] **Ms Doyle:** So, we reviewed, lock, stock and barrel, two years ago, our approach to risk management. We put an assurance framework in place that some Members will be familiar with—Her Majesty's Treasury guidelines on assurance frameworks. So, we utilised some of the best practice from within that. Obviously, that's targeted at the civil service. We're not civil service but, where we could poach, we took the best elements.



[579] So, the assurance framework within Newport City Homes is based on three key models. We've got a detailed risk-management approach, which deals with strategic corporate and operational risks, we have an internal audit process and we have a value-for-money process. All three combine, and the delegated authority from the board—neither the chair nor myself will sit on the audit risk committee unless we're invited to attend by the chair of audit and risk or the lead officer who participates in it—oversee that activity. In terms of the actual risks that we're facing, I can talk with some confidence as it was considered at both the board meeting and the audit and risk committee, since Christmas. The removal of the dowry will always be a challenge for us. It underpins our current financial model. If it were removed, it would be a default on the loan arrangement that we have in place.

[580] **Rhianon Passmore:** How probable is the risk of that occurring in your assessment?

[581] **Ms Doyle:** We would hope it isn't probable. We recognise that there are many pressures on—

[582] **Nick Ramsay:** How probable is probable?

[583] **Rhianon Passmore:** Well, it's a risk.

[584] **Ms Doyle:** The reality is that we understand the pressures that we're facing. In the last two years, since I've been with Newport City Homes, we've undergone intense discussions with our colleagues at the city council where, ultimately, we've both got collective responsibilities for communities. There are some areas of activity that, in many areas, people will question why Newport City Homes was involved in the activity, and in some areas they would question why the council are there. It's a pragmatic solution. I would hope that our colleagues in Welsh Government realise that if there was to be a review of the dowry, that the review itself would cause ripples with the lending environment and with the banks, but, equally, we're open minded and want a discussion in what they were trying to seek to achieve by removing it.

[585] **Rhianon Passmore:** So, outside of that as an evident risk, what is your main concern in terms of your organisational risk portfolio, moving forward?

[586] **Nick Ramsay:** Briefly, if you can, because we're almost out of time.

[587] **Rhianon Passmore:** Sorry.

[588] **Ms Doyle:** A close second would be national policies at the moment on universal credit and the local housing allowance.

[589] **Ms Mudd:** The local housing allowance and changes to that.

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

[591] **Nick Ramsay:** We are out of time. I thank our witnesses, Ceri Doyle and Jane Mudd, for being with us today. It's been really helpful. We will send you a draft of today's transcript for you to peruse for any inaccuracies before we finalise it. Thanks for being with us today. It's been really helpful, thank you.

16:34

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd  
o'r Cyfarfod ar gyfer y Busnes a Ganlyn  
Motion under Standing Order 17.42 to Resolve to Exclude the Public  
from the Meeting for the Following Business**

*Cynnig:*

*Motion:*

*bod y pwyllgor yn penderfynu that the committee resolves to  
gwahardd y cyhoedd o weddill y exclude the public from the  
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in  
17.42(vi).*

*accordance with Standing Order  
17.42(vi).*

*Cynigiwyd y cynnig.*

*Motion moved.*

[592] **Nick Ramsay:** Okay, I propose, in accordance with Standing Order 17.42 that the committee meets in private for item 8 of today's meeting.

*Derbyniwyd y cynnig.*

*Motion agreed.*

*Daeth rhan gyhoeddus y cyfarfod i ben am 16:34.*

*The public part of the meeting ended at 16:34.*