

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

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

Ymateb gan Sefydliad Tai Siartredig Cymru / Evidence from the Chartered Institute of Housing (CIH) Cymru

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

Further information is available at: [www.cih.org](http://www.cih.org)

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

## **Introduction**

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

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

## **General Comments**

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

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

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

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

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

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

- The framework is based on close working between Welsh Ministers, housing associations, tenants, services users and other key partners<sup>1</sup>

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

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

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

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

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

**The effectiveness and quality of governance arrangements;**

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

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

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

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

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

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

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

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

### **The effectiveness of the co-regulatory approach in practice**

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

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

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

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

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

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

### **The remuneration levels of senior staff members of housing associations**

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

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

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

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

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

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

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

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

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

<sup>4</sup> *ibid*

### **Additional Comments**

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