

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

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

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

The agreed terms of reference for the inquiry are:

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

Issues for discussion:

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

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

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

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

Here, we can only answer for our Group.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Which leads us to the second part of the question.

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

Wherefore now?

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

created specifically to prevent this from happening?

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

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

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

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

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

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

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

Why do we seem to be different?

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

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

mentioned above.)

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

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

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

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

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

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

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

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

Thank you.