



The Regulatory Board for Wales Annual Report 2016-2017

Housing Regulation – achievements, future challenges and priorities

As Chair of the Regulatory Board I would like to set out the Board's view of progress made during the current year in housing regulation and in the housing association sector more widely, and the challenges and priorities for the future.

It has been a particularly eventful first year for the new Regulatory Board, with reclassification of the housing association sector by the Office for National Statistics and an inquiry into the regulation of housing associations by the National Assembly's Public Accounts Committee emerging early in our first months of operation.

Developing the new Regulatory Board. Like any new group, the Board has over the last year had to work on our way of operating and build effective links with the sector.

- As Chair, I have made it a priority to make direct contact with as many housing association board members as possible, attending, chairing and speaking at a wide range of sector events. Engaging with both association Boards and Executive members has been extremely useful.
- The Board have attended events where possible to have a strong and visible presence at key events.
- Following each Regulatory Board meeting I have sent out to every Housing Association Board Chair, a personal letter from me setting out the key Regulatory Board discussions and decisions from that meeting.
- Our meetings have gone on the road to the Board rooms of housing associations across Wales.
- Our members engage in challenging debate and discussion with senior members of the regulation team, making the most of the vast and varied skills around the table.
- I write regular articles for a number of housing publications focussing on regulation and governance.
- We've strengthened our own board effectiveness and capacity to add value to the regulator and to the sector through monthly conference calls involving senior regulation team officials and board development events.
- In the Autumn, we will formally review our progress in developing as a Board through an event facilitated by Academi Wales.

We've invested time in developing wider sector links through the Regulatory Advisory Group (RAG) – our stakeholder group – which considers all Board agenda items prior to Board consideration. This ensures we always have the stakeholder view as part of our deliberations.

Hearing the Tenants' Voice. A first Board priority was to review how we hear the voice of tenants in regulation to ensure they are truly at the heart of regulation in Wales. We commissioned a review of the impact of work of the Tenants' Advisory Panel (TAP) and concluded that changes were needed to give the Board access to a wider and more diverse range of tenant perspective. TPAS Cymru's proposals seem to us to offer the opportunity to take a new approach to achieve just that. We've now embarked on a challenging - and, in some quarters, controversial - project to make sure we hear as many tenants voices as possible. I personally chair our Making it Work group – set up to oversee delivery and which includes the previous chair of TAP. This has been a bold step by the Board but members felt strongly that continuing without radical change was not an option.

An effective response to reclassification. We recognised early the need to ensure continued robust regulation in the context of the reduced regulatory controls needed to secure the return of the housing association sector to the private sector. However, the Board has been clear that changes required in response to the reclassification issue need to move the sector forward positively, ensuring associations are in the best possible position to deliver against their aims and objectives. This work has led to the implementation of a revised regulatory framework, including a new judgement framework and new performance standards. This was another bold step by the Board.

We have delivered these changes speedily – first discussion to launch by you in under six months - and with a high level of involvement of, and agreement by, key stakeholders, including the sector, lenders and tenants and service users.

We view this as a significant achievement given a lengthy history of inability to agree on any previous proposals to introduce regulatory judgements. As well as a key step in moving the sector back into the private sector; we want this new approach to drive a new rigour through how associations view regulation.

The regulation team has worked intensively with the Office for National Statistics and other UK governments to identify and agree the regulatory controls to be removed/ altered through regulatory reform. Consultation is currently ongoing to finalise the necessary regulatory reform. Throughout, it has been very helpful to have the clear commitment of yourself and government more widely to take the action necessary to get the sector back into the private sector so that it can continue to build new homes, making a very significant contribution to the Government's 20 000 homes target.

Throughout, the work of the regulation team has focussed on ensuring clarity on the prime responsibility of autonomous and independent boards for the performance of their housing associations. This is encapsulated in the new compliance statement introduced by the new regulatory framework which requires the housing association board to review evidence of, and sign off, compliance with the new performance standards.

Public Accounts Committee Inquiry into the Regulation of Housing Associations. At the time of writing, the PAC is finalising its findings. The Board has been pleased to note the generally positive response of those giving evidence about the effectiveness of the regulatory framework and its operation in practice. The Board submitted our own evidence to the PAC which sets out our own perspectives

<http://www.senedd.assembly.wales/mglIssueHistoryHome.aspx?lId=16191>

We now await the PAC findings. Responding to these findings will be a big priority for the Board this year.

One of the themes emerging so far from the PAC has been the need for improved accountability of the housing sector to its key stakeholders. This is complemented by work we have commenced to harness the power of data, initially for the regulator and the wider housing function within Welsh Government but ultimately to support improvement by the sector and accountability to stakeholders. The first stages of this project are underway to pull all current housing data together to one place with a data visualisation tool added to make the data readily accessible to all.

Thematic Reviews.

Value for Money. The Board commissioned a review of value for money (VFM) - a clear priority in the current financial climate. A progress report was published in March 2017 highlighting the positive impact on the sector's value for money culture of the collaborative nature of the thematic review which was scoped and steering by a group involving a range of stakeholders. The review so far has produced an agreed set of VFM financial measures which will be used by the sector and by the regulator to monitor the sector's commitment to, and progress towards achieving, value for money. To gain a rounded view of VFM, the work will continue taking a close look at social value and at the tenant view of VFM.

<http://gov.wales/docs/desh/publications/170301-value-for-money-progress-report-feb-2017-en.pdf>

Governance. Our topic for the current year is governance. This reflects the Board's clear view that quality governance underpins a safe and successful housing association sector. Our review will build on the work of the 2013 governance review to build a picture of progress since 2013, of the current quality of HA governance and priorities for improvement/ further development. Again, we intend to work in close collaboration with the sector and other key stakeholders to ensure the work addresses the key issues of governance where support and change are needed. Feedback from the sector has been positive with many volunteering to get more involved.

Our aim, with all our thematic reviews, is to achieve a practical piece of work which makes a difference – not a report gathering dust on a virtual shelf.

Learning the lessons from when things go wrong. The Board has a clear view that some of the best learning comes from critically evaluating those cases where there have been problems. Over the year, the regulation team has developed a

robust approach to learning those lessons and is working with the sector to ensure the lessons are shared effectively. We expect to see progress on dissemination during the current year.

Much of the work referenced above has been made possible by a restructuring of the regulation team to free up senior capacity to undertake strategic learning and prevention work. Whilst this has reduced delivery capacity, we are able to report that the delivery rate of regulatory reports and opinions has improved dramatically from 4 in 14/15 and 16 in 15/16 to 27 in 16/17. During the current financial year, a regulatory opinion will be delivered for every one of the 34 larger housing associations. In addition, proposals are being finalised to ensure effective regulation of the many very small RSLs. This has been made possible by adopting an even more risk focussed approach and exception style reporting.

It has been a very busy first year. We want to keep up this momentum to ensure we play our part in making sure the sector is in the best possible shape to deliver for existing and future tenants and communities.

I hope this gives you a flavour of the work of the Regulatory Board over its first 12 months and of our priorities for the future.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Helen White', with a stylized flourish at the end.

Helen White (Chair)
Regulatory Board for Wales