

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 Gymdeithas Llywodraeth Leol Cymru / Evidence from the Welsh Local Government Association

1. The Welsh Local Government Association (WLGA) represents the 22 local authorities in Wales. The three fire and rescue authorities and the three national park authorities are associate members
2. It seeks to provide representation to local authorities within an emerging policy framework that satisfies the key priorities of our members and delivers a broad range of services that add value to Welsh Local Government and the communities they serve
3. This is the WLGA's contribution to the inquiry by the **National Assembly for Wales' Public Accounts Committee into Regulatory Oversight of Housing Associations**. The WLGA welcomes the opportunity to contribute, and we have used the format provided by the inquiry's terms of reference to structure the contribution

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

4. The WLGA is currently represented on the Regulatory Advisory Group which provides advice to the Regulatory Board, and were previously represented on the Regulatory Board for Wales, prior to its re-constitution as an independent Board in 2016. Through this participation and involvement, WLGA has contributed to the ongoing

development of the Regulatory Framework, and its implementation and delivery

5. Local authorities see housing associations as key local partners providing homes and services to local citizens and, therefore, have an interest in ensuring that the regulation of associations is robust and credible
6. The WLGA supports the three main principles underpinning the Regulatory Framework:
  - Tenants at its heart, with the goal of the framework being that tenants and their families have decent, affordable homes and receive high quality services;
  - Housing associations take full responsibility for their actions and the way they operate; and
  - The framework is based on close working relationships between the Welsh Ministers, housing associations, their tenants, and their key partners
7. Regulation has developed and evolved considerably since the framework was introduced in 2011, following the Essex Review of Affordable Housing. WLGA welcomes the recently announced revised and improved approach to delivering housing regulation which it is believed will allow a clearer focus on the issues of governance, financial viability and tenant services
8. This revised approach will feature annual published co-regulation statuses for governance (including service delivery) and financial viability. It is also proposed that the existing delivery outcomes will be revised to set new performance standards, and associations will be

required to submit an annual statement of compliance with these performance standards

9. Regulation supports the critical relationship between councils and housing associations in meeting the housing needs of local communities, particularly for the most vulnerable for whom councils have statutory duties to support. housing associations have a critical role in supporting local authorities in delivering their strategic housing roles, with a key aim being to increase the supply of affordable housing. Therefore, the effective management of associations' development programmes is of critical concern with the attendant focus on management of finance, relationship with lenders, gearing ratios, etc.
10. However, the relationships between councils and housing associations do not solely rely on regulation, and are also often supported by a variety of local arrangements and partnership structures. For example, local authorities' staff and housing association development teams will regularly meet to review Programme Delivery Plans (PDP's) which set out development priorities for delivering additional affordable housing and the use of Social Housing Grant and other types of public subsidy
11. Section 95 of the Housing (Wales) Act 2014 places a requirement on certain bodies, including housing associations, to co-operate with local authorities in preventing homelessness, unless it is unreasonable to do so. A mechanism for an annual joint review of co-operation between individual local authorities and housing associations on homelessness is currently under development, with input from Community Housing Cymru (CHC), Welsh Government and WLGA, and is now being trialled in a number of areas

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

12. It is significant that the first thematic review commissioned by the Regulatory Board after it was established was in relation to the governance of associations in Wales. This signalled the importance that the Regulatory Board attached to ensuring good governance across all associations
13. Following this thematic review, CHC developed a Code of Governance for associations setting out standards and practices that boards and their members should adhere to in order to deliver good governance. The WLGA supports the principles within the code
14. The WLGA supported the re-constitution of the Regulatory Board for Wales in 2016 to become a board fully comprised of independent members, rather than including a variety of representative stakeholders as had previously been the case

#### **Whether the current regulatory regime is effective in managing and mitigating sector wide risks**

15. Welsh Government, as the regulator, publishes “Sector risks facing housing associations in Wales” which sets out the key governance, financial and service risks facing housing associations, including those risks which apply to the whole sector. This is a useful reference for housing association boards, however, it is clearly the responsibility of individual association boards to identify and manage the risks relating to the operating environment and particular local context/s of each association
16. The delivery outcomes and self-assessment processes have provided useful tools to support this activity and the regulatory regime has

continuously emphasised the importance of risk identification and mitigation. The annual submission of 30-year business plans with explicitly identified key planning assumptions also supports this risk management approach across the sector

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

17. Co-regulation, built on close working relationships, is a key principle of the regulatory framework, and effective self-assessment by boards is a key component
18. An ongoing, positive, regulatory relationship between regulation staff and an association is an important feature of the co-regulatory approach, therefore appropriate capacity within the regulatory team is critical to the success of co-regulation, along with openness and transparency on the part of the association board and staff
19. The proposals within the revised approach to delivering housing regulation for the development of performance standards and the submission of an annual statement of compliance will further emphasise the importance of the co-regulatory approach and the responsibilities on association boards to positively engage with the regulation team

### **The remuneration of senior executives of housing associations**

20. To increase transparency, a range of organisations including local authorities and Welsh Government publish Pay Policy Statements. A similar approach may be worth considering for housing associations
-

<b>Prepared by</b>	Jim McKirdle WLGA Housing Policy Officer
<b>Cleared by</b>	Cllr Dyfed Edwards WLGA Spokesperson for Housing and Welsh Language
<b>Date</b>	January 2017