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Evidence Submission to External Affairs & Additional Legislation sub-committee

Regulation of Registered Social Landlords (Wales) Bill

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

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.

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Introduction

CIH welcomes the opportunity to provide evidence to the External Affairs & Additional Legislation Committee as it scrutinises the Regulation of Registered Social Landlords (Wales) Bill.

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 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.

1. Introduction

- 1.1 Housing Associations (HAs) are key drivers in boosting the supply of social and affordable homes, facilitating community regeneration and providing high quality care and support services across Wales. The sector has a strong track record of delivering towards the Welsh Government's affordable homes agenda which during this Assembly, sees the sector aspiring to deliver against the 20,000 affordable homes target.
- 1.2 We strongly welcome the Welsh Government's support for delivering against this target, seeing grant investment of £1.4bn during this Assembly term. In addition to this, Welsh Government's "Prosperity for All" strategy rightly highlights that housing is and should be a priority area for cross-departmental working, particularly in the context of linking with health and social care.
- 1.3 However, we believe that investment in the sector would be undermined if the ONS decision remained and the borrowing of the HA sector counted against the Welsh Government's budget. Not only would this hamper the ability of HAs to contribute towards the 20,000 affordable homes target, but also impact on other significant infrastructure projects.
- 1.4 We welcome the ONS's initial indication that in its current drafting the Regulation of Registered Social Landlords (Wales) Bill would achieve the requirements to revisit and reverse the reclassification decision.

2. Implications of the Reclassification Decision

- 2.1 Although the implications of the decision by the ONS to reclassify HAs has not had an immediate, direct impact on delivering homes and continuing day-to-day operations, any uncertainty in the ability of HAs to do so in the future is rightfully a cause of concern to senior leaders, board members, stakeholders and investors alike.
- 2.2 Housing Associations have managed to increase their ability to deliver additional homes by borrowing from the private sector. The partnerships developed to achieve this have been instrumental in increasing the supply of social housing in Wales. The Global Accounts taken from the audited accounts of all Housing Associations in 2016 reflect that new financing arranged during the year amounts to £181m. This has in turn, increased the overall long-term debt from £2.2bn to £2.4bn.¹ The ability of HAs to raise additional funding in this way should be recognised as one of the key strengths of the sector.
- 2.3 Considering the broader challenges facing the sector we cannot ignore the implications of Brexit, particularly in a housing context from the drop in levels of investment from the European Investment Bank (EIB). The housing sector and public services as a whole benefitted greatly from funding which has amounted to £2bn of capital investment in the last decade alone, but we know that the levels previously seen are unlikely to be maintained.²
- 2.4 Furthermore it is likely that if HAs remain classified as public sector bodies, their ability to build more homes and continue to raise further investment in the sector will be significantly hampered. Since the decision to reclassify HAs was made, we along with colleagues from CIH across the UK have called on respective UK and devolved administrations to take the necessary steps to prompt a reversal of the decision.

¹ <https://chcymru.org.uk/publications/global-accounts/>

² https://www.ft.com/topics/organisations/European_Investment_Bank

2.5 We remain strong in our belief that in order for HAs to operate as actively as possible and maximise their positive impact on communities, the decision by the ONS must be reversed and this legislation facilitates that

3. Legislative Considerations

3.1 The legislation considers the measures required to prompt a change in the reclassification decision by the ONS which involves the removal of central and local government controls placed upon HAs at present.

3.2 Our members work across housing associations, local authorities and the private rented sectors. Although in agreement with the overall intention of the Bill, some of our members have highlighted areas where work may be required outside of the legislation to ensure any changes do not impact organisations negatively.

3.3 The challenges put forward are set out as follows, but they were not issues our members felt should delay passing legislation to achieve the intended aim of this Bill:

- Whilst members broadly welcomed the removal of Ministerial consent for disposal of land, some suggested guidance around the notification procedure in this area would be useful to ensure consistent across the sector and support board decision-making. Some members also felt that this measure would allow for a quicker process when working to release land that may be utilised by groups or communities to enhance local spaces and environments.
- LSVTs came into existence as a result of local government councillors agreeing to ballot tenants. It will therefore be important to inform and reassure tenants of arrangements in place to ensure a continued positive relationship between the local authority (LA) representatives and councillors.
- The important role of the LA in safeguarding vulnerable individuals and the need to ensure that the LA view is fully considered and represented as the HA formulates and updates its own plan for delivering cost-effective and high quality services.

4. Continued Good Governance

4.1 We welcomed the inquiry conducted by the Public Accounts Committee into regulatory oversight of the HA sector in Wales. Summarising the findings of the inquiry, one reflection from the Chair was that:

Generally we found governance and regulation within housing sector to be working well enough for housing associations to be granted more autonomy, but in return we think they should do more to be open and transparent in their decision making.³

4.2 The discussion on reclassification and how reversal of the decision is prompted should rightly also provide a further opportunity to highlight the role of good governance and how this is evolving in relation to housing associations. Particularly given that the process of reversing the decision involves withdrawing some central and local government controls currently placed upon HAs in Wales.

4.3 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:

³ <http://www.assembly.wales/laid%20documents/cr-ld11151/cr-ld11151-e.pdf>

- 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 partners⁴
- 4.4 We welcomed the approach outlined in the framework, recognising 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.
- 4.5 Housing Association governance is something we feel should continue to evolve in-line with a rapidly changing and complicated environment. We supported the most recent changes, implemented from the start of this year under the Regulatory Framework (2017). The revised framework is characterised by the following features:
- Performance Standards
 - Self-Evaluation
 - Annual Statement of Compliance
 - Meeting the Performance Standards and Capacity to Improve
 - Regulatory Judgements
 - On-going Regulatory Assurance and Oversight – Continuous Assessment
 - Regulatory Powers
- 4.6 The revised framework re-enforces the importance of basing good governance on high quality leadership, delivering services that meet people’s needs and ensuring certainty over the sustainability and financial position of the business.
- 4.7 We continue to believe that the revised framework focuses on the correct pressure points, whilst maintaining that tenants should be at the heart of regulation.

5. Conclusion

- 5.1 With ever-increasing pressure on demand of social and affordable housing in Wales it remains vital that the decision by the ONS is reversed. As outlined in the main body of our response, without this, the ability of HAs to continue to support the house building effort will be significantly hamper and in-turn impact other areas of infrastructure in Wales, such as transport and energy.
- 5.2 Our member have highlighted a number of points where further detail or greater consideration is required. We would welcome continued dialogue on these areas whilst recognising there is a pressing need to ensure legislation is in place in a timely manner to reverse the reclassification decision.

⁴ <http://gov.wales/topics/housing-and-regeneration/publications/regframeworkhousingassoc/?lang=en> (January 5, 2017).

