



PUBLIC MINUTES
of the Regulation Committee meeting
held on Monday 27 March 2017 at 10am
Marsham Street, London

Present

Julian Ashby	Chairman
Sarah Wall	
Ceri Richards	
Simon Dow	

In attendance

Fiona MacGregor	Director of Regulation	
Mick Warner	Deputy Director Operations	
Jonathan Walters	Deputy Director Strategy & Performance	
Isabella Freeman	Head of Legal Services	
Emma Tarran	Head of Governance, Assurance	
Karen Doran	Assistant Director Regulatory Operations	
Helen Ward	Assistant Director Assurance	Item 7
John O'Mahony	Assistant Director Regulatory Framework & Performance	Item 8 & 9
Jane Cox	Head of Regulatory Framework and Performance	Item 8 & 9
Jim Bennett	Assistant Director Regulation Strategy	Item 10
Robert Dryburgh	Assistant Director Analysis	Item 10
Adele McNamara	Head of Strategic Analysis and Value for Money	Item 10
Ros Poulson	Registrar	Item 11
Harold Brown	Assistant Director Investigation and Enforcement	Item 14
Chris Kitchen	Board Secretary	

01/03/17 There was a confidential session between members and the Director of Regulation.

1 Welcome and apologies

02/03/17 There were apologies from Richard Moriarty.

2 Declarations of Interest

03/03/17 There were no declarations.

04/03/17 **Appointment of Deputy Chair:** Members were advised that Richard Moriarty had asked to step down as Deputy Chair due to other work commitments. Process for this had been checked and in accordance with the Governance Code (paragraph 3.2 of the Regulation Committee Standing Orders and Terms of Reference), a Deputy Chair may be appointed by

resolution of the Committee. The Chairman reported that he had asked Simon Dow to consider taking up the post and that Simon had indicated his willingness to do so. There was a brief consideration by members (in which Simon Dow made no comment) and members UNANIMOUSLY AGREED to the appointment of Simon Dow as Deputy Chair with effect from 1 April 2017.

3 Minutes of the last meeting – 20 February 2016

05/03/17 The confidential minutes were APPROVED as a true record.

06/03/17 The public minutes were APPROVED for publication.

4 Matters Arising

07/03/17 46/12/16 - Members noted the consultation timetable.

JB/CK

5 Committee forward look

08/03/17 Members noted the planner. There will be additional Transition items added to the planner for forthcoming Committee meetings.

6 Regulation Director's update on key issues

09/03/17 Policy developments:

Rents: The arguments for rent flexibility from the NHF are on-going.

10/03/17 MOU with Housing Ombudsman:

Members noted that the MOU is intended to be published in the near future and will be a useful tool to facilitate understanding of the respective roles of the regulator and the Ombudsman. Committee will be advised when it is published.

11/03/17 Deregulation/TI&E consultation:

Deregulation - directions and guidance have been issued and ready for a 6 April implementation. There has been a positive response from advisors and the sector.

TI&E – the consultation was now closed with a high response rate.

12/03/17 Performance:

Members noted the position in respect of performance against the business plan, which was positive and were advised that Internal Audit actions were on track.

13/03/16 Publications, media and stakeholders:

Noted.

7 Regulation Business Plan

14/03/17 Members were advised that the business plan in the paper maintained the current format for managing (internally) the directorate's key deliverables. This format has been proposed as part of the transition plan for Regulation whilst still part of the wider HCA, and (as in previous years) will feed into the Agency's higher level Corporate Plan.

15/03/17 Members discussed future requirements for business planning. The DoR confirmed that the new standalone regulator will need to have its own business plan for 2018/19. Work has begun on the new approach to the Regulation Business plan and progress on this will be presented back to committee at a future meeting.

17/03/17 It was agreed to strengthen the wording of objective 29.

HW/SP

8 Transition Programme Board

18/03/17 The Assistant Director Regulatory Framework & Performance introduced the paper, which set out for the Committee progress with the Transition programme.

19/04/17 *Legislative Reform Order (LRO)*: Detailed drafting queries, commencement timing and transitional provisions were being discussed with DCLG.

20/03/17 *Sponsorship*: The tripartite agreement between the regulator, HCA and DCLG was nearly finalised and a copy had been included in the pack for information. Members NOTED the five key areas of the agreement.

22/03/17 DoR gave members an explanation on vacancy control.

23/03/17 *Pensions*: there has been progress made with both schemes and in principle agreement has been received that the standalone regulator will be an admitted body to both Westminster and HCA schemes. Members can expect the next report on pensions to the May committee meeting.

24/03/17 *Corporate Services*: A review of the current provision for each of these areas is taking place.

25/03/17 Members NOTED the activities planned for April.

9 Initial Proposals on the Fees and Resources Advisory Panel

26/03/17 The Assistant Director Regulatory Framework & Performance introduced the paper. Committee were being asked to discuss the initial proposals for setting up accountability mechanisms. The proposed objectives and the stated exceptions as set out in the paper were AGREED.

27/03/17 Officers acknowledged that there will be varied views from members of the FRAP but were comfortable with that. Regular engagement with the sector on an "all subjects" basis will also be encouraged separate from the advisory panel. It was AGREED that fees should be part of all discussions and separate more focussed discussions with stakeholders and the sector would happen as and when necessary.

10 Value for Money standard

28/03/17 The Assistant Director (Analysis) introduced the paper which had annexed the proposed VfM Standard and Code of Practice (COP) as well as the proposed metrics and a revised timeline.

- 29/03/17 **Draft standard and code of practice:**
Members commented on the structure of the Standard and the language of the COP. Various suggestions were made on how to better articulate the message to providers on how they will be regulated on the VfM standards.
- 30/03/17 In the main they requested that some re-drafting was undertaken to ensure that readers were very clear about the new requirements.
- 32/03/17 Members queried the point about potential additional costs to providers if they reported on VfM in their accounts and their internal audit costs went up. Agreed that reporting should be in the accounts but suggested that this point was included in the consultation. **RD/AM**
- 33/03/17
- *Metrics:* members AGREED that providers need to report against both regulator and provider defined metrics.
 - *Self-assessment style performance reporting:* members AGREED to encourage early adoption of the metrics for this year's self assessments.
 - *Investment activity – non-social housing activity and unregistered entities:* members AGREED that investment in non-social housing activity is a relevant consideration to VfM regulation. They suggested that drafting could be more explicit in the standard on risk and reward and explained in the COP. Members steer was that providers need to show that they are getting returns from investments in non-social housing and commercial investments commensurate with the level of risk.
 - *Regulation of for-profit providers:* members AGREED the standard should apply to for profits providers as it does to not-for profit providers.
- 34/03/17 **Metrics update:**
Members were given an overview of the proposed HCA defined metrics with the Efficiency Working Group (EWG). The proposed metrics set out in the papers at Annex C were discussed and members were content and confirmed that the ROCE and EBITDA metrics should both remain for further discussion with the sector. They asked for more information on how the metrics and the data will be used. It was AGREED to bring back to the April committee meeting the final proposed suite of metrics.
- 35/03/17 **Timing and transitional arrangements:**
Members NOTED the following milestones
- Soft consultation – on-going (update to RC at April meeting)
 - External consultation - May 2017
 - Decision Statement – November 2017
 - Implementation of the standard – January 2018
- 11 Decisions of the Registrar**
- 36/03/17 Members NOTED the report which set out recent decisions taken by the Registrar.

38/03/17 *Three Conditions* – members were given the background to this and noted that the purchase by Heylo did not require consent.

39/03/17 Members NOTED the new organisations that have been approved for registration and the other information in the paper on mergers, group collapses, conversions and de-registrations.

12 Update on Scheme of Delegations

40/03/17 Members were presented with amendments to the Scheme of Delegated Authority for approval, to become effective as of 6 April 2017. They noted the issues that had prompted the most recent changes, and which had been discussed by the Principal Solicitor with the Head of Legal. DoR confirmed that the appeals panel has not yet been required, but was a route for appeals. The Chair of RC and DoR are delegated to agree the appropriate make up of any appeals panel needed. Members APPROVED the changes.

13 Operations Update

41/03/17 DDRO reported that there had been nine regulatory judgements published between 11 February and 1 March 2017. Luminus had been downgraded (G1/V2 to G3/V2). Habinteg had also been downgraded (G1/V1 to G2/V1)

42/03/17 The Abbeyfield Society had been upgraded from G2/V2 to G1/V2. Equity and Metropolitan had been re-graded from G1/V2 to G1/V1 and a first judgement had been made on Nehemiah (G1/V1).

43/03/17 Seventy five providers had been considered at stocktake panels following the completion of IDAs. Shoreline has been downgraded from G1/V2 to G2/V2 due to capacity issues at Executive level as well as weaknesses in its approach to stress testing.

44/03/17 Members NOTED the merger activity and the other information in the report.

14 Investigation and Enforcement update

50/03/17 *London District Housing Association*: this case has been resolved.

51/03/17 *Luminus Group Limited*: members noted the report

15 Any other business

55/03/17 None.