



PUBLIC MINUTES
of the Regulation Committee meeting
held on Monday 24 October 2016 at 10 am
Marsham Street, London

Present

Julian Ashby Chairman
Richard Moriarty
Ceri Richards
Sarah Wall
Simon Dow

In attendance

Fiona MacGregor Director of Regulation
Mick Warner Deputy Director Operations
Jonathan Walters Deputy Director Strategy & Performance
Catherine Farrington Principal Solicitor – Corporate & Regulation
Harold Brown Asst. Director Investigation & Enforcement (Finance)
John O'Mahony Asst. Director Regulatory Framework & Performance (items 7 & 8)
Ros Poulson Registrar (item 9)
Will Perry Asst. Director Commercial & New Entrants (item 10)
Helen Ward Asst. Director Assurance (item 11)

Christine Kitchen Asst. Board Secretary

01/10/16 There was a confidential session between members and the Director of Regulation.

1 Welcome and apologies

02/10/16 There were apologies from the HCA CEO.

2 Declarations of Interest

03/10/16 There were no new declarations of interest.

3 Minutes of the last meeting – 26 September 2016

04/10/16 The confidential minutes were APPROVED, subject to a minor change to 15/09/16 & 16/09/16.

05/10/16 The public minutes were APPROVED.

4 Matters Arising

06/10/16 Members NOTED the items.

5 **Committee forward look**

07/10/16 Members were advised the forward planner will be further populated when the outcome of the HCA Review is known

6 **Regulation Director's update on key issues**

09/10/16 *Supported Housing:* Members were advised that the content of the WMS from 15 September is under development. There has been negative response from the sector. We are working with DCLG and DWP to do some remodelling and focus will be on the general principles likely to be issued before the Autumn statement and then work to achieve a sustainable model. There is a lot of work to be done and not a lot of information available at this point. Members noted the very strong message from the CQC on the impact of this on care provision. For the regulator, the impact will be for small providers and where our focus will be. The other risk is that the DWP and Treasury do not believe that HA's provision of care is as efficient as it should be compared to that from private providers.

10/10/16 *Classification:* The ONS decision on classification of HAs in devolved administrations has been confirmed. Each DA will be looking to adopt deregulation measures to cover their individual circumstances. We continue to support discussions between DCLG and HMT on securing re-classification for English HAs.

11/10/16 **Policy update**

Conservative Party Conference: Members noted the themes of the speeches from the CLG SoS, Chancellor and PM. Housing featured strongly. There is due to be a Housing White Paper later this year.

12/10/16 **Regulation 2016:** Members noted the projects that will no longer be managed through the programme:

- Smaller Providers & rent – work is continuing in both these areas and will be overseen by RET as each are now business as usual.

13/10/16 Members noted the projects which remain in the scope of the programme and the formation of the SLT operational programme board which will support our commitment to continuous improvement around existing methodology and ensure we are able to look across all of our work.

14/10/16 **Publications, Media and Stakeholders:** Members were aware that the SDR had been published and noted the media coverage and stakeholder events.

7 **Performance and Risk report Quarter 2**

15/10/16 **Performance:**

Members noted the report which confirmed that performance against targets was good, one target was complete and the remaining targets were on track. Performance against scorecard metrics was also good; two metrics were flagged amber. Data quality and Appraisals.

Data quality: errors relate mainly to the FFR which is a complex and lengthy return and this was the first year the FFR was presented in a format

compliant with SORP and also included new questions relating to loan facilities and available security. Overall there has been an improvement in the quality of the returns.

Appraisals: there was a delay in the submission of appraisals. Managers are being encouraged to complete year-end returns.

16/10/16

Risk:

Members were made aware of the risk of the regulator's technology not keeping up with its operational requirements. The impact of the HCA restructure is still unknown and therefore its impact on the level of support to the regulator for its systems, in particular NROSH+ and on-going development of CRM is being managed at senior level.

The DoR agreed two regulation risks with the Corporate Risk Team for inclusion in the new risk register. The Committee noted that the risks were slightly different to the strategic risks within the Regulator's register as they either amalgamated a range of regulation risks or reflected the interaction between regulation and HCA risks, and CONFIRMED they were content to have this variation in reporting.

8 Rents Exemptions Delegations

17/10/16

Committee was being asked to approve the draft amendment to its current delegations to deal with exemption applications. Members were given an explanation of the differences between exceptions, exemptions and waivers. They noted the current scheme of delegation to the DDS&P and AGREED that should be retained. The proposed extension, also to the DDS&P was explained and discussed and committee AGREED the additional delegation.

9 Decisions of the Registrar

18/10/16

Members NOTED the summary of recent activity and the details of the decisions taken by the registrar since the last report to Committee. The first Charitable Incorporated Organisation (CIO) was registered in the month and members noted that this was an almshouse charity that was already registered but set up a new CIO and transferred its social housing to the new body, so was in effect a re-registration rather than a new entrant. Two new profit-making organisations Chator and Urbanscape (subsidiary of First Base) had been registered. Members NOTED the above and the registrations of the other new bodies, de-registrations and voluntary de-registrations as set out in the paper.

10 Private Finance Update

19/10/16

Committee were presented with the update on Private Finance and were advised that the previous 6 months had been quiet. The vote for the UK to leave the EU, has impacted on both the SWAP and Gilts rates which saw sharp falls. Within the sector the main areas of activity of interest to lenders have been mergers and market sales exposures.

20/10/16

There has been limited activity in the banking and lending markets, though competition for bank mandates was increasing. No new ratings were issued by S&P or Moody's in the last quarter, but S&P reduced all of their ratings in line with the sovereign rating after the Brexit vote. More recently both Moody's and S&P have downgraded a small number of individual providers, but these have been separate to the general sovereign linked gradings and

have been linked to increasing sales exposures.

- 21/10/16 Members discussed the impact on the sector of low interest rates, the effect on banks of the accounting treatment of loans incorporating a two way early break clause, the potential impact of lower assumed rent increases after 2020 and the assurance we could offer on the non-registered parts of - registered groups. Our engagement with CML and banks is strong and the team meet with them regularly as well as holding the investor conference. Members asked if future reports could include some information on the pensions market.

WP

11 Approach to Developing Regulation

- 23/10/16 DDS&P presented the paper which set out for Committee the proposals from the Executive team to developing our regulatory approach. There is a commitment to carrying out regular internal evaluations of the way we work to ensure our methodology remains focused and we have a robust framework in place to deliver communication of clear corporate expectations which are underpinned by guidance, advice and training for staff. All of this will be supported by a governance framework and will be formalised through a Senior Leadership Team Programme Board (SLTPB) with clear routes for decision making at Regulation Executive Team and Regulation Committee where required. Members noted the areas the initial review had looked at and agreed with the areas identified for inclusion in the forward plan.

- 24/10/16 Members also noted the areas highlighted through the re-scoping of the Regulation 2016 programme and the proposal for how Rents, Small Providers and Right to Buy are being handled. The revised scope and projects now within the Regulation 2016 programme were NOTED.

- 25/10/16 Members said that the paper was useful as it set out the objectives for where regulation wants to be. There was also concern that there is a consistent approach to IDAs and calibration of governance gradings. Members were also seeking assurance that the regulator will be able to identify organisations that have “novel” forms of funding.

- 27/10/16 DoR gave assurance that the work of the SLTPB would be exactly what Members were looking to get higher levels of assurance on. The methodology being proposed is to ensure that we are delivering our objectives and to provide continuous testing, evaluation and evidence gathering. Committee acknowledged that a lot has been achieved, but it is a journey of continuous improvement.

12 Operations Update

- 29/10/16 DDRO reported that there had been seven regulatory judgements and four new narrative judgements published in September. A first judgement was made on Golden Lane which is a subsidiary of Mencap. Revised narrative judgements were issued for two providers and two providers were downgraded on governance.

30/10/16 Fifty seven providers had been considered at stocktake panels following the completion of the IDAs. Four of those had taken place since the previous Committee report. Members noted the summary of the programme of first IDAs as it currently stands. DDRO confirmed that it is anticipated that a second IDA will be conducted in less than four years. DDRO also confirmed that Regulation Executive reviews the forward plan for the IDA programme on a quarterly basis.

31/10/16 Members noted the merger activity amongst providers. The two new entries were Places for People/Derwent and Shoreline/Boston Mayflower.

32/10/16 Members NOTED the updates in the paper on the other providers.

13 Investigation and Enforcement update

33/10/16 An updated version of the I&E report was tabled at the meeting. The Committee were sighted on cases which were of concern and NOTED the issues in each case.

36/10/16 *Saffron Housing Trust*: a non-compliant G3/V1 judgement was published in September 2016. Both the CEO & FD resigned and these posts have been filled on an interim basis.

37/10/16 *London Housing Trust*: was placed on the GUR list while its compliance with the G&V standards is investigated.

14 Any Other Business

40/10/16 DoR advised members that there is to be an adjournment debate, at the request of Rushanara Ali, MP for Bethnal Green, on **local authorities and the social housing regulator**. It is scheduled for 31 October.

41/10/16 DoR wanted members to be aware of this.

Date of Next Meeting: Monday 21 November 2016.