



PUBLIC MINUTES
of the Regulation Committee meeting
held on Monday 26 September 2016 at 10 am
Marsham Street, London

Present

Julian Ashby Chairman
Ceri Richards
Sarah Wall
Simon Dow (from item 8)

In attendance

Fiona MacGregor Director of Regulation
Mick Warner Deputy Director Operations
Jonathan Walters Deputy Director Strategy & Performance
Catherine Farrington Principal Solicitor – Corporate & Regulation
Jack Lee Asst. Director Investigation & Enforcement (Governance)
Harold Brown Asst. Director Investigation & Enforcement (Finance)
Jane Cox Head of Regulatory Framework (items 7 & 8)
David Taylor-Smith Asst. Director Regulation Operations (item 7)
Ros Poulson Registrar (item 9)

Christine Kitchen Asst. Board Secretary

01/09/16 There was a confidential session between members and the Director of Regulation.

1 Welcome and apologies

02/09/16 There were apologies from Richard Moriarty and the HCA CEO. Simon Dow had given apologies but was able to join the meeting for the later part of the agenda.

2 Declarations of Interest

03/09/16 There were no new declarations of interest.

3 Minutes of the last meeting – 25 July 2016

04/09/16 The confidential minutes were APPROVED, subject to a minor change to 23/07/16.

05/09/16 The public minutes were APPROVED.

4 Matters Arising

06/09/16 Members NOTED the items.

5 Committee forward look

07/09/16 Members were advised that the workshop on regulating very large providers will be moved to the December meeting to be considered alongside the horizon scanning item. Members asked for further discussions on Unit Cost Analysis – next steps and also on FRS102 and accepted that there might have to be more than one session on these two items. Also AGREED was a discussion on the follow up questions on tenanted disposals which was likely to be January 2017.

6 Regulation Director's update on key issues

08/09/16 **Policy update:** The Director of Regulation reported that there has been limited policy activity given the change of administration and recess *HCA review*. There has been no announcement to date.

Fees: members were advised that we have had final sign-off for the statutory consultation but not approval for launch. If we wish to achieve the April 2017 implementation date, the consultation period will have to be shorter than the 12 weeks preferred by Committee. It is hoped that we can link this announcement with the outcome of the HCA review.

Regulatory Futures Review: this was nearing completion and the report was expected in October.

09/09/16 **Supported Housing:** Members noted that a WMS from DWP had confirmed the LHA cap will not apply to supported housing until 2019/20 and these will apply to all tenancies. The shared accommodation rate will not apply to supported housing. A new funding model will be introduced at that point and rent and service charge will be covered by Housing Benefit or Universal Credit and support costs will be funded from ring fenced budgets devolved to local authorities. A consultation on the proposals will be undertaken. Rent reductions for supported housing will go ahead from 2017/18.

10/09/16 DoR stated that the work done by the Analysis team had been very influential on the decisions made in respect of the LHA cap. It was acknowledged that impact of this will have to be monitored especially in the North where LHA levels were low. There may also be an impact on supply as the sector does not have revenue certainty to take on projects with 30-40 year paybacks.

11/09/16 **Merger Activity:** Members noted the update on the merger activity and in particular the ones that had been called off. Members were advised that the regulator had been kept updated by Sanctuary/Housing & Care 21 and L&Q/Hyde. Genesis and Thames Valley had set out the circumstances for the merger not proceeding. Members asked to be given more information when available through the Ops reports.

12/09/16 **Regulation 2016:** Members noted the projects awaiting formal sign-off or on their way through to Committee. The mega-merger project had been scoped. The VfM project was progressing and will include working up options for considering a new standard. Talks are on-going with DCLG in respect of work on the consumer standards. Work on small providers and rent regulation are now BAU.

13/09/16 **Performance Management:** all of the 23 targets are on track and one is complete. There were no currently outstanding issues with the Internal Audit management actions. The Regulation Interim Management Assurance statement will be produced in early October.

14/09/16 **Publications, Media and Stakeholders:** the Sector risk Profile had been published and had been well received. The Regulator breakfast meeting at the NHF conference had been well attended.

7 Circle Anglia and Affinity Sutton Restructure

15/09/16 DDS&P introduced the paper which was seeking Committee agreement to the transfer of engagements of Circle Anglia into Affinity Sutton and the subsequent de-registration of the merged organisation and the secondary decision on the general approach to regulating large merged organisations. Members were advised that decisions on mergers are usually a delegated action, however this had been referred to Committee as the Executive felt the size of the merger warranted a Committee decision.

16/09/16 **Transfer of engagements and subsequent registration:** Assurance was given that there would be monitoring through the quarterly survey and our usual regulatory engagement and an IDA on the merged organisation at an appropriate time.

Committee AGREED that:

- a) consent under section 163(2) (a) Housing and Regeneration Act 2008 should be given on a conditional basis to the passing of a resolution for a transfer of engagements of Circle Anglia Limited (LH4046) into Affinity Sutton Group Limited (LH4087).
- b) the conditions which must be met prior to the consent being granted are all necessary lenders' consents to the transfer of engagements have been received; and subject to the consent becoming effective that;
- c) consent under section 118(1) Housing and Regeneration Act 2008 should be given on a conditional basis to the de-registration of Circle Anglia Limited, once transfer has completed on the basis that it will no longer be eligible for registration and will have ceased to carry out activities. The conditions which must be met before the consent is effective and de-registration takes place and Circle Anglia Limited is removed from the register of providers of social housing are that confirmation is received that:
 - (i) the transfer of engagements has taken place and Circle Anglia Limited has ceased to carry out activities;
 - (ii) no representations have been made by Circle Anglia Limited in response to the notice given under section

118(2) about the proposed removal (and if any representations are received, no further action is to be taken regarding de-registration or removal and the matter is to be referred back to the Registrar for a further decision on whether to deregister); and

- (iii) the investment arm of the Homes & Communities Agency has no objection to the removal.

17/09/16 **Managing the transition risks associated with the merger:** Members discussed the transitional risks. The preferred options set out in the paper were discussed. Committee CONFIRMED they were content with the approach set out to manage transitional risks, subject to further thought being given to how best to ensure sufficient follow up with the merged organisation and any particular trigger points, to gain assurance that transition plans were on track.

18/09/16 **Regulating large organisations:** Executive advised members of the consideration given to this area and Members agreed that we should continue with the existing process of IDA's, quarterly surveys, and other regulatory returns.

8 Section 82 Housing Act 1988

9 Decisions of the Registrar

20/09/16 Members NOTED the summary of recent activity and the details of the decisions taken by the registrar since the last report to Committee. The main point to note was the merger activity. The list of approvals for restructuring by way of transfer of engagements, merger, amalgamation or rule change was NOTED. Members had been made aware earlier in the meeting, of the Circle Anglia/Affinity Sutton proposal. Members NOTED the list of providers seeking compulsory and voluntary de-registration and were advised that there is increased activity in registered charities looking to convert to exempt charities. Committee will be kept informed of activity in this area.

10 Decisions statement on revised registration criteria & guidance on use of the Regulator's powers.

21/09/16 Committee were asked to agree the revised registration criteria for new entrants and the new registration criteria for restructured bodies, the changes to the guidance notes on the use of powers and the updated equality analysis which had resulted from the statutory consultation. Committee were also asked to approve the associated Decision Instrument and Statement. The statutory consultation ended in July 2016 and Members noted the level of support for the changes was very high, with 29 of the 36 responses being supportive of the changes. The paper set out details and analysis of the consultation responses to the registration criteria and the guidance on the use of powers. Members AGREED the following:

- the revised registration criteria for new entrants and the new criteria for restructured bodies

- the revised guidance notes on the use of powers
- the updated equality analysis; and
- the Decision Statement

The Committee also AGREED to delegate final sign-off of the Decision Instrument and Statement and annexes to the Chairman and the DoR or the DDS&P. They also AUTHORISED the Chairman to sign the final Decision Instrument and NOTED that. No publication will be made before the commencement date of the Housing and Planning Act 2016 is announced.

11 Operations Update

22/09/16 DDRO reported that there had been nineteen regulatory judgements including fourteen narrative judgements published in July and August. Members noted the changes in strapline for ten providers from previously published judgements. Four providers (all G2/V2), have had their straplines confirmed but with amended narratives.

23/09/16 Fifty three providers had been considered at stocktake panels following the completion of the IDA's. Fourteen of those had taken place since the previous Committee report. Members noted the reasons for strapline changes on three providers and the first straplines for one provider.

24/09/16 Members noted the merger activity amongst providers. They were advised that RAC had approved the merger of Housing Plus and Severnside conditional on receiving lender consents.

12 Investigation and Enforcement update

25/09/16 The Committee were sighted on cases which were of concern and NOTED the issues in each case.

Derwent Housing Association: Discussions with Places for People are progressing well. Members were keen to receive a lessons learned report once the case is concluded and Officers confirmed that this will be done and reported back to Committee.

26/09/16 *Saffron Housing Trust.* Members were given an update on this provider who had been placed on the GUR list and confirmed that a final G3 judgement had been issued. The provider reported that there had been failings in their approach to appointing board members for a number of years. This had resulted in many members of the board not being properly appointed and board meetings being inquorate. Significant decisions had been made over the period involved including raising private finance. Once the issue came to light, in June, the current Chair sought legal advice and has taken steps to investigate and rectify the situation. All funders have been advised. We are discussing the resolution strategy with the provider who is now working co-operatively with us.

27/09/16 *Chapter 1:* We continue to actively engage with Chapter 1

28/09/16 Members NOTED the updates in the paper on the other providers.

13 Any Other Business

29/09/16 There were no other items for discussion.

Date of Next Meeting: Monday 24 October 2016.