



PUBLIC MINUTES
of the Regulation Committee meeting
held on Monday 20 June 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 (2nd confidential session)
Isabella Freeman Head of Legal
Catherine Farrington Principal Solicitor
Jack Lee Asst. Director Investigation and Enforcement
Ros Poulson Registrar (item 7)
Jim Bennett Asst. Director Regulation Strategy (item 8)
Angela Holden Senior Advisor, Investigation and Enforcement (item 11)

Christine Kitchen Asst. Board Secretary

01/06/16 There was a confidential session between members and the Director of Regulation.

1 Welcome and apologies

02/06/16 There were apologies from the CEO.

2 Declarations of Interest

03/06/16 There were no new declarations of interest.

3 Minutes of the last meeting – 23 May 2016

04/06/16 The confidential minutes were APPROVED.

05/06/16 The public minutes were APPROVED

4 **Matters Arising**

06/06/16 Members noted the items. 13/05/16 & 30/03/16 were completed.

5 **Committee forward look**

07/06/16 Members were content with the forward planner and accepted there might be changes.

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

08/06/16 **Policy update:** The Director of Regulation reported that there has been limited policy activity due to purdah for the EU referendum. She advised that the team have been doing some thinking and planning on any regulatory action needed should there be a Brexit vote. The DDS&P explained the impact if the June quarter end swap curve is below where it has been till now, and stressed that June data will be very important. The financial position of HAs are being monitored and the data from the June quarterly surveys and the FFR's will have to be scrutinised and cross referenced with sales plans. Communication lines will be kept open with lenders, the department and exposed HAs and contingency plans will be triggered if needed.

09/06/16 **HCA Review:** the DoR reported that Sir Edward Lister has been appointed as Chairman of the HCA and he had recognised the role of an independent regulator at his pre-appointment hearing.

10/06/16 **Value for Money:** to be covered in detail at the workshop. DoR reported that the letters to providers from the Chairman on unit costs and the publication have received a very positive response from the sector. The NHF are also promoting efficiency and innovation in the sector.

11/06/16 **Regulation 2016:** Members noted the projects awaiting formal sign-off, and that smaller providers, monitoring home ownership (Right to Buy) and VfM were all on the agenda. Special Admin, Rents and Consumer Regulation are progressing and a number of consultations both internal and external are being managed. Members will be kept informed on progress of all projects.

12/06/16 **Performance Management:** All 23 business plan targets are on track. The Internal Audit recommendations on the IDA audit are also on track for completion, as are the actions from the Stability Checks audit. The regulation Management Assurance statement had been reviewed and received substantial assurance as part of this year's Internal Audit programme, where a range of Statements are reviewed on a rotating basis each year.

13/06/16 **Media and Stakeholders:** news of the extension of the Chairman's appointment is now in the public domain. Other events were noted.

7 **Decisions of the Registrar**

14/06/16 The Registrar gave members an update on the recent decisions and points of interest.

16/06/16 They NOTED the registration of new bodies, re-structures and compulsory and voluntary de-registrations.

8 Monitoring Homeownership Criteria

17/06/16 The AD for Regulatory Strategy sighted members on the provisions of the Act in respect of the Homeownership criteria

18/06/16 Members enquired about the process for monitoring.

20/06/16 Members considered the paper and AGREED its preference was to focus on the monitoring role.

9 Smaller Providers

21/06/16 Members had considered the paper and the DDRO re-iterated to them the current approach to regulating small providers and whether the approach represents the optimum trade-off between resources and risk appetite. Members were advised of the recommendations of the smaller providers project working group which had been considered by the Regulation 2016 Programme Board.

22/06/16 Members discussed the pros and cons of investing additional resources in reviewing the accounts of small providers. It was not the proposal of management to reduce the amount of work undertaken in reviewing the accounts of small providers, but rather to prioritise the review of the accounts of those providers where data collected from their accounts suggested potential viability concerns.

23/06/16 Members AGREED with the recommendations set out that operations team members input data on turnover, operating surplus/deficit, voids, fixed assets investments, net current assets/liabilities, short term debt and long term debt. In addition a checklist will be developed and used as a basis for reviewing annual accounts to inform our views on the provider's viability which will remain the key focus

25/06/16 In respect of smaller providers with over 1000 units, members NOTED that management were not recommending any change from what is currently the process for pro-active regulatory engagement – quarterly surveys, stability checks and IDA's but in respect of the latter, to maintain a rigorous focus on ensuring that the IDA scoping takes account of the risk profile of the provider.

26/06/16 There was a discussion about the resources required to conduct proportionate IDAs on providers with different risk profiles. DDRO agreed to report back to Committee in due course on the resources which are being used to conduct IDAs.

MW

10 Operations Update

- 27/06/16 DDRO reported there had been seven regulatory judgements and six new narrative judgements published in May. Members noted the changes to gradings for Curo, Equity, Hightown, Joseph Rowntree and Suffolk and that a revised narrative had been published on Ocean.
- 28/06/16 Committee considered the programme review of RJs. The reduction in the number of published judgements was noted. Twenty providers had their governance straplines upgraded from G2 to G1 and eleven providers were downgraded from G1 to G2. Five providers had gone from G3 to G2 and three downgraded to G3, two from G1 and one from G2. One provider had gone from G3 to G4. On viability, eight providers were regraded from V2 to V1 and fourteen regraded from V1 to V2, whilst one provider went to V3 from V2.
- 29/06/16 Thirty one providers had been considered at stocktake panels and members noted the published judgements for the six completed since the last report to Committee.
- 30/06/16 Information on data quality and merger activity was NOTED.

11 Consumer Standards

- 31/06/16 The Committee were sighted on the paper on the case of self-referral from a large private registered provider.
- 32/06/16 Members questioned the relationship to poor governance and queried whether, if a Board could not provide evidence to show that the subsidiaries were meeting the standards set in law, then that could amount to a breach of governance.

12 Investigation and Enforcement update

- 35/06/16 The Committee were sighted on cases which were of concern and NOTED the issues in each case. The G2 grade for Circle has been confirmed to them and a revised RJ will be published at the end of June.

13 Any Other Business

- 36/06/16 There were no other items for discussion.

Date of Next Meeting: Monday 25 July 2016.