

PUBLIC MINUTES
of the Regulation Committee meeting
held on 21 March 2016 at 10.30am
Marsham Street, London

Present

Julian Ashby Chairman
Jonathan Adlington
Richard Moriarty
Ceri Richards
Sarah Wall
Simon Dow (observer)
Ed Waller (observer)

In attendance

Fiona MacGregor Director of Regulation
Andrew Rose HCA Chief Executive (items 1 - 6)
Mick Warner Deputy Director Operations
Jonathan Walters Deputy Director Strategy & Performance
Isabella Freeman Head of Legal Services
Catherine Farrington Principal Solicitor
Jack Lee Assistant Director Investigation and Enforcement
John O'Mahony Asst. Director Regulatory Framework and Performance (item 8)
Ros Poulson Registrar (item 9)
Andrew Clegg Head of Economics & Data (item 10)
Adele McNamara Head of Strategic Analysis & Value for Money (item 10)

Mary Carter Board Secretary

01/03/16 There was a closed session prior to the meeting .

1 Welcome and apologies

02/03/16 The Chairman welcomed everyone to the meeting – there were no apologies.

03/03/16 The Chairman noted that this was the Chief Executive's last Regulation Committee meeting. He thanked the Chief Executive for his support over the last three years.

2 Declarations of Interest

04/03/16 There were no declarations of interest.

3 Minutes of the last meeting – 25 January 2015

05/03/16 The confidential minutes were APPROVED.

06/03/16 The public minutes were APPROVED .

4 Matters Arising

07/03/16 Members noted the items.

5 Committee forward look

08/03/16 The Director of Regulation informed members that there would be a more comprehensive update of the Forward Look for the April meeting. Members and officers had suggested a number of items, some of which would come to Committee and some of which would be more suited to workshops.

FM/CK

09/03/16 Members asked officers to look at the possibility of inviting external speakers, including DCLG, for some of the workshop sessions.

FM/CK

6 Regulation Director's update on key issues

10/03/16 **HCA Review:** The Director of Regulation reported that the HCA Review was taking place against the backdrop of a wider functional review of Regulators. A recent meeting of a wide range of regulators had highlighted the differing roles the range of regulators had been set, and consequently the approaches of various Regulating Bodies.

11/03/16 **Budget:** Notable announcements included £100 million to deliver low-cost accommodation for homelessness move on; £10 million for innovative ways of reducing rough sleeping; the launch of the Starter Homes Land Fund prospectus and announcement of the timescale for publication of the shared ownership prospectus, and a devolution deal for East Anglia . Following consultation, government would also introduce a Pay to Stay taper, so that rents rise gradually above the minimum income thresholds of £40,000 in London and £30,000 outside of London. Pay to stay remains voluntary for housing associations.

12/03/16 **Select Committee report:** HCA was planning to respond to the specific recommendations for it in the report, as part of the overall DCLG response, including: maintaining lender confidence post-deregulation; ensuring that the regulatory framework can accommodate both large and small providers through a risk based approach; the HCA's role in monitoring the homeownership criteria; the HCA's role in supporting the delivery of replacement homes; and ensuring that mergers deliver benefits in terms of better services and increased supply.

13/03/16 **Welfare Reform:** Royal Assent was given on 16 March 2016 and an explanatory note from the Regulator on applying for an exemption (waiver) to the rent reduction was published on 18 March 2016, confirming the factors that would be considered in assessing any applications for an exemption.

14/03/16 **Housing & Planning Bill:** The Bill had just completed its Lords Committee Stage. The provisions for deregulation and housing administration were not debated and were not amended in the Lords.

15/03/16 Members discussed the process and timescale for implementation of the provisions once Royal Assent was granted. This would take place in stages. Commencement of the de-regulation clauses on consents was likely to occur 8 weeks after Royal Assent.

16/03/15 **Regulation 2016:** members were advised that individual projects were progressing at different paces, with the de-regulation project having the tightest immediate deadlines.

18/03/16 **Business Planning and Internal Audit:** Performance against this year's business plan targets was good, with all targets on course to be delivered by the end of the year. Three internal audits were in progress and should be completed by year end.

7 Rent Standard and Guidance

19/03/16 The Deputy Director Strategy & Performance advised members on the anticipated status of the Rent Standard and Guidance once the legislation came into effect.

20/03/16 Members noted the update and asked to be kept posted on any future developments.

8 Fees Update

9 Right to Buy Pilot Scheme

25/03/16 The Registrar introduced the paper, which sought approval for the development of a general consent to facilitate the voluntary right to buy pilot scheme. This would enable RPs involved in the pilot to dispose to tenants without the need to seek consent of the regulator for individual disposals.

26/03/16 Regulation Committee AGREED that the Regulator should develop the necessary general consents for disposals under the voluntary right to buy deal that will be applicable to those RPs in the pilot following the proposals for content set out at 24; and that approval of the final consents to be issued in April was delegated to the Director of Regulation.

10 Unit Cost Analysis – Emerging Findings

27/03/16 The Deputy Director Strategy & Performance introduced the item, which invited members to review the emerging findings from the unit cost analysis undertaken at the request of the Committee. The proposed next step would be to publish analysis and unit cost data within the next three months, and to reflect unit costs in internal regulatory data tools.

28/03/16 The Head of Economics & Data took members through the methodology of the unit cost analysis, and the emerging findings. The data was taken from the Global Accounts which were compiled from data submitted by providers, and there were recognised issues with the apportionment of costs by different providers, and changes in definitions over time. Officers had developed a streamlined model taking account of 7 explanatory variables,

and the Head of Economics and Data was satisfied that the resulting operating costs measurement was sufficiently robust to be useful to providers and the Regulator.

29/03/16 Overall unit costs over time had risen below CPI, and below the increase in providers' income.

30/03/16 Members noted that historic unit cost increases were still above the future government requirement for a rent reduction of -1%. They recognised the factors that would lead to higher unit costs in the first years of a stock transfer. They discussed the relationship between operating costs and development capacity, and how higher unit costs arising from the provision of supported housing were accounted for in the figures submitted by providers.

31/03/16 Regulation Committee AGREED to the publication of an external document on understanding unit costs as part of the Global Accounts suite, and publication of unit costs data as part of an extended Global Accounts dataset. The Members considered that the data should be presented as part of the toolkit providers could use in considering their relative value for money and efficiency and how to make future savings.

11 Operations Update

32/03/16 The Deputy Director Operations updated members on recent activity within the Regulatory Operations team .

33/03/16 Members noted the regulatory judgements recorded in the paper.

34/03/16 Members NOTED the report.

12 Investigation and Enforcement update

35/03/16 The Committee were sighted on cases. They NOTED the issues in each case.

38/03/16 Consumer regulation cases were also NOTED.

12 Regulation Committee Effectiveness

39/03/16 The Deputy Chairman of the Regulation Committee presented his analysis of the Committee's annual assessment of its own effectiveness. There had been a sustained year on year improvement in the scores over three years, and there were no questions where any member has scored the area as being in need of improvement, or where more than three members scored an area as 'satisfactory'. Members would welcome increasing the Committee's sight of and access to DCLG.

40/03/16 Members had provided helpful comments on all the areas in the survey, and the Deputy Chair proposed four actions.

41/03/16 Regulation Committee AGREED to the action plan.

13 Any Other Business

42/03/16 There was no other business.

Date of Next Meeting: Monday 25 April 2016.