

**PUBLIC MINUTES**  
**of the Regulation Committee meeting**  
**held on 23 November 2015 at 10am**  
**Marsham Street, London**

**Present**

Julian Ashby	Chairman
Jonathan Adlington	
Richard Moriarty	
Ceri Richards	
Sarah Wall	

**In attendance**

Fiona MacGregor	Director of Regulation
Isabella Freeman	Head of Legal Services & Company Secretary
Catherine Farrington	Principal Solicitor – Corporate & Regulation
Andrew Rose	HCA Chief Executive (for items 1 - 7)
Bronwen Rapley	Deputy Director Investigation and Enforcement
Mick Warner	Deputy Director Operations
Jonathan Walters	Deputy Director Strategy & Performance
Rob Dryburgh	Asst. Director, Analysis (Items 1 – 3)
John O'Mahony	Asst. Director Regulatory Framework and Performance (items 7 & 8)
Will Perry	Asst. Director, Commercial & New Entrants (item 9)
Christine Kitchen	Assistant Board Secretary

**1 Welcome and apologies**

01/11/15 The Chairman welcomed everyone to the meeting – there were no apologies.

**2 Declarations of Interest**

02/11/15 There were no declarations of interest.

**3 Minutes of the last meeting – 26 October 2015**

08/11/15 The confidential minutes were APPROVED.

09/11/15 The public minutes were APPROVED subject to reversal of some redactions and some further redactions.

**4 Matters Arising**

## **5 Committee forward look**

11/11/15 The forward planner was NOTED. Members were advised that there will be additional items to add to the planner following the final outcomes of the deregulation plans. The timing of the Committee Effectiveness Review is to be confirmed.

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

12/11/15 **Select Committee Inquiry:** three evidence sessions have been held to date.

13/11/15 The regulator has been invited to give evidence on regulation and investment on 14 December 2015. The DoR has been asked to attend and is proposing to have DDS&P represent regulation whilst she speaks on both regulation and investment unless a third representative is permitted.

14/11/15 **Spending Review:** DCLG have agreed their settlement in the spending review and the agency is awaiting the outcome for the HCA. If resource savings across Government departments are insufficient, then it has been signalled that further welfare reductions are possible. A zero based approach to capital budgets has been taken and there is expected to be a clear focus on home ownership in any funding for new supply. There have been requests for more local control of regulation in some devolution deals.

15/11/15 **Right to buy and the Housing & Planning Bill:** There has been no change to the commitment to the deal by the sector and NHF in spite of the ONS decision. DCLG & NHF continue to work through arrangements for implementation. Work continues on homeownership criteria.

16/11/15 **The Housing & Planning Bill:** the Bill has had its second reading and is now in Commons Committee. Part 4 of the bill is due to be considered imminently with the third reading likely early in 2016.

17/11/15 **Welfare Reform and Work Bill:** the Bill has completed its second reading and royal assent is expected in March 2016. The regulator is doing in-depth work with DCLG on exemption criteria.

18/11/15 **Business Plan and Internal Audit:** The business plan is on track and the three amber targets are being addressed. The internal audits were noted.

19/11/15 **Staff Survey:** Data breakdowns have been received and the committee will receive a report to its January meeting.

**LS/FM**

20/11/15 **Publications:** it has been relatively quiet period for external publications. Forthcoming publication of the Q2 quarterly survey is scheduled for publication by end of November.

21/11/15 **Media:** FT article on the ONS decision.

22/11/15 **Stakeholders:** Engagement continues to be positive.

23/11/15 The CEO welcomed Fiona MacGregor to her first meeting as the recently appointed Director of Regulation. He noted that the selection process had been very positive and there had been extremely good candidates.

## **7 Risk Register**

- 24/11/15 The Committee were presented with the strategic risk register which had been reviewed and revised following recent changes both in policy and the external environment. The report was also being presented in a new format.
- 25/11/15 Members agreed that the core objective of the risk register is to identify, mitigate and manage risks effectively so that regulation can continue to be carried out effectively. This will retain stakeholder confidence.
- 26/11/15 The risk report will be submitted to the committee on a quarterly basis starting from January. The committee were also being asked to AGREE the risks identified as being the ones RET and committee should focus on as the policy landscape evolves. The risk categories were .
- 27/11/15 Committee discussed the ratings and risk appetites of various risks under the three risk categories and changes were requested.
- 28/11/15 Officers and committee members were both comfortable with this and subject to some wording changes, the committee AGREED the revised strategic risk register. It was AGREED that an updated version would be circulated to members before the next meeting.

**JOM**

## **8 Innovation Plans**

- 29/11/15 The Committee were given the background to the paper and the requirement set by HMT for regulators to develop innovation plans.
- 30/11/15 Work had commenced to produce a plan, so should it come back on the agenda, we would be well placed to have a plan fit for purpose. The Committee AGREED the proposed approach and the method of consultation. It was AGREED that if a consultation is launched documentation will be shared with Committee first via email.

**JOM**

## **9 Private Finance update**

- 31/11/15 The committee NOTED the private finance profile. They were advised that lender reaction to the reclassification announcement has been muted and lenders have appreciated the communication the regulator has had with them. They will watch with interest how the de-regulation required for reclassification will be implemented.
- 32/11/15 Lenders will need assurance from the regulator in respect of any changes to the consents regime and ability to appoint officers, and there will be a need to reassure the markets of the regulator's continued ability to manage situations as they arise.
- 33/11/15 Finance has continued to be available to providers, although demand has been suppressed as a result of required changes to business plans. There have been no stock transfers in the last quarter.
- 34/11/15 There is some speculation about the privatisation of grant which was the topic of an article in the FT recently. Lenders have generally seen the proposal as unworkable. How lenders and providers will fund an expanded

programme of shared ownership, as is expected to arise from the Spending Review, will need to be kept under review.

35/11/15 Committee raised queries on the spread of sector debt compared to other issuance in the market, and the extent to which hedge accounting was expected to be adopted under changes to accounting requirements for the current financial year. Committee noted that spreads on all long-dated sterling issuance were generally depressed as a result of high demand from insurers, who need to hold less capital against such assets under the Solvency II rules. Provider issuance forms a high proportion of long-dated sterling issuance at present. Committee noted that, while officers do not have detail on which providers are adopting hedge accounting, the quarterly survey now contains questions on the way the accounting changes are being implemented.

36/11/15 Overall it is still a reassuring picture and the open channels of communications between the regulator and lenders have provided very worthwhile.

## **10 Regulatory Judgements and Post-Budget Priority List**

37/11/15 **Regulatory Judgements:** Members NOTED the regulatory judgements reported in the paper.

38/11/15 **Priority List:** There was a discussion about the impact of rent reductions affecting compliance with standards and downgrades.

39/11/15 Members were advised that IDAs had been completed on four providers and Regulatory Judgements will be published in due course. The four providers were – Flagship, Acis, Adactus and Bromford. Members NOTED the information on providers on the priority list.

## **11 Investigation and Enforcement update**

40/11/15 The paper sighted the Committee on cases which were causing concern. Members were advised that there would be two regulatory notices issued.

42/11/15 The information on the other providers was NOTED.

## **13 Any Other Business**

43/11/15 There was no other business.

**Date of Next Meeting:** Monday 14 December 2015.