

**PUBLIC MINUTES**  
**of the Regulation Committee meeting**  
**held on 21 September 2015 at 10am**  
**Marshall Street, London**

**Present**

Julian Ashby	Chairman
Jonathan Adlington	
Richard Moriarty	
Ceri Richards	
Sarah Wall	

**In attendance**

Fiona MacGregor	Director of Regulation (Interim)
Isabella Freeman	Head of Legal Services & Company Secretary
Catherine Farrington	Principal Solicitor – Corporate & Regulation
Andrew Rose	HCA Chief Executive (for items 1-6 & 12 & 13)
Bronwen Rapley	Deputy Director Investigation and Enforcement
Mick Warner	Deputy Director Operations
Jonathan Walters	Deputy Director Strategy & Performance
Ros Poulson	Registrar (item 8)
John Craig-Sharples	Head of Quality Assurance (item 11)
Will Perry	Assistant Director Commercial and New Entrants (item 12)
Robert Davies	Senior Manager – National Communications (item 13)
Tom Crawshaw	Regulatory Framework Manager (item 14)
Christine Kitchen	Assistant Board Secretary

**1 Welcome and apologies**

01/09/15 The Chairman welcomed everyone to the meeting – there were no apologies.

**2 Declarations of Interest**

02/09/15 Sarah Wall advised that she had taken up a role as portfolio manager of the pension protection fund which has investments in four HAs, details of which she would provide to the Board Secretary.

### **3 Minutes of the last meeting – 27 July 2015**

03/09/15 The confidential minutes were APPROVED.

04/09/15 The public minutes were APPROVED.

### **4 Matters Arising**

05/09/15 Members NOTED the items.

### **5 Committee forward look**

06/09/15 The forward planner was NOTED.

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

07/09/15 **Publications:** The Consumer Regulation Review was published on 9 September and sets out our approach to consumer regulation, including case studies and lessons learned.

08/09/15 The 2015 Sector Risk Profile was published on 18 September, with a strong focus on risks which may need to be factored into business planning and stress testing following the rent cuts and other measures announced at the July Budget. It also emphasised the requirement for Boards to ensure their organisations are robustly managing a wide range of on-going risks, including interest rates, sales risk, pension liabilities and the impact of FRS 102.

09/09/15 Members asked for their thanks to be recorded and passed to Adele McNamara and the team involved in the production of this report.

10/09/15 The Statistical Data return 2014-15 is due to be published on 29 September. It is the regulator's only National Statistics and reports on a range of sector data including stock numbers and distribution; rent levels; evictions and vacancies and Decent Homes compliance.

11/09/15 **Media and political coverage:** The Committee were given an overview of the recent media coverage including an FT article recommending tripling HCA investment in the sector and an article in the Sunday Times about the impact of rent reductions and CEO of Galliford Try calling for more affordable housing.

12/09/15 Members were aware of the discussions at Prime Ministers Questions about rent reductions and the Chancellor's appearance at the Economic Affairs Committee.

13/09/15 **Stakeholders:** Summer had been a relatively quiet period for formal stakeholder engagement.

14/09/15 **Post Budget work and related policies:** Large providers are due to submit revised financial returns and business plans to the Regulator by 30 October. Smaller providers, who do not submit returns, have been written to and are required to inform the regulator if they anticipate that they will not be able to deal with the impact of rent reductions.

- 16/09/15 The ONS has now confirmed that it will review the classification status of the sector, and that it will confirm the scope and timetable for the review, by the end of September.
- 17/09/15 The National Housing Federation is leading discussions with government to seek to agree a voluntary deal with Government, on the Right to Buy. It is possible that an announcement by the Secretary of State will be made at the NHF conference. There are also on-going discussions about the role of the regulator in any voluntary deal.
- 18/09/15 A Select Committee inquiry into the sector, the impact of the Right to Buy, rent reductions and the role of the Regulator was announced in early August, with evidence to be submitted by early September. The regulator has submitted evidence, and anticipates that it will be called to give oral evidence, although no date or request to do so has yet been received.
- 19/09/15 The Chancellor confirmed that for the Spending Review unprotected Departments needed to model cuts of 25% and 40%. More information will follow when confirmed.
- 20/09/15 **Regulatory Judgements:** Members noted the report.

## **7 Scheme of Delegated Authority**

- 21/09/15 Committee considered the recommended revisions to the current delegations which had last been revised in May 2015, to add back some of the Director of Regulation delegations which had been amended to take account of interim arrangements.
- 22/09/15 Members AGREED the revisions and the delegation to the Head of Legal Services to publish the revised document.

## **8 Decisions of the Registrar**

- 23/09/15 Members considered the paper which set out the decisions taken by the Registrar in accordance with the delegation by the Registrar on registrations, de-registrations and restructurings since March 2015.
- 24/09/15 Members NOTED the two compulsory de-registrations .
- 25/09/15 The Registrar flagged for the members' attention the potential refusal for registration.
- 27/09/15 Members NOTED the grounds for the registration of ForViva Group Limited which was being set up as the parent of a new group comprising City West and Villages. The report was NOTED.

## **11 IDA Outcomes**

- 30/09/15 The Committee considered the paper which set out the lessons learned from the initial two pilots and the ten that followed in Q1 of this year. They were advised that the process had worked well and the headline finding from the

feedback exercise was that the IDA methodology, as applied in the pilots, was fit for purpose. It enabled us to dig deeper than the previous approach and allowed a more integrated analysis of compliance with the Governance and Financial Viability Standard.

31/09/15 Members were advised that, as this was a pilot scheme, it had been agreed at the start of the process, that no judgements would be published on the completion of the pilots . Going forward it was confirmed that judgements will be published once a decision is reached following the completion of an IDA.

33/09/15 Members noted that VfM would now be included in the IDA assessments and further consideration is being given to the approach to regulating the rent Standard as part of the IDA process. Members would like to further discuss the regulator's view on VfM as part of the IDA process

**MW/HW**

34/09/15 Members asked if the regulator had had any direct feedback from the providers that had taken part in the pilots. It was AGREED that feedback would be sought once the sample size was bigger to enable responses to be anonymous.

35/09/15 IDAs will now be taken forward on a rolling basis, and the intention is to undertake an IDA on all large providers every 3-4 years. Changes in risk profile may lead to more frequent IDAs for some providers. Stability checks will be undertaken for all providers following receipt of updated FFRs at end of October, and will allow the regulator to either confirm existing governance and viability gradings, or may lead to a change in grading, potentially, but not necessarily, following an IDA.

36/09/15 Committee NOTED the learning from the pilot IDAs.

## **12 Relationships with other Public Sector Lenders**

37/09/15 Members considered the paper .

40/09/15 It was AGREED that Committee reconsider the matter at the next meeting.

**WP**

## **13 2015 HCA Staff Survey**

41/09/15 Members noted the paper which set out the regulation results of the staff survey and also set out the recommendations for actions and next steps considered by Directors' Group.

42/09/15 The results showed that in regulation, the actions undertaken over the previous year had had a big impact and there had been improvements in a number of areas . DoR gave credit to the executive team for driving forward the work on areas such as training, L&D and understanding and buy-in to the wider organisation.

44/09/15 It was AGREED that the regulation committee would be given feedback when further analysis is completed.

**FM**

## **14 Business Impact Targets (BIT)**

- 45/09/15 Members were asked to note the paper which set out the current position on the implementation of the BIT and the associated implications for the regulator.
- 46/09/15 The Conservative manifesto committed to cut “a further £10 billion of red tape over the next parliament” and this figure has provisionally been agreed as the BIT. The target will include regulator activity and there will be legislation in the Enterprise Bill to ensure the actions of statutory regulators are brought within the scope of BIT.
- 47/09/15 A technical working group, of which the regulator is part, along with DCLG, is considering how the policy will be implemented. However, it is likely to mean that, in introducing new requirements (following the passing of the Enterprise Bill) the regulator will need to undertake an impact assessment and have that assessment validated by the Regulatory Policy Committee (part of BIS). The need to undertake impact assessments will not be retrospective, and there will be exceptions, for example, where the change in requirements result from new legislation and there has already been an impact assessment undertaken as part of that legislation.
- 49/09/15 The Committee NOTED the paper.

## **15 Regulatory Judgements**

- 50/09/15 Members NOTED that there had been eight judgements published during July and August. Three providers had their straplines improved from G2 to G1 and two were upgraded from G3 to G2. Two providers were downgraded from V1 to V2. One provider had its strapline confirmed but with changes to the explanatory narrative, based on issues relating to compliance with the Home Standard, data quality and a fraud which has cast doubt on their control and compliance environment.
- 51/09/15 DDO advised that he expected strapline only judgements to start to be published during December/January after the stability checks. He anticipated that the whole process of stability checks and any subsequent work required was likely to be completed by March.

## **16 Investigation and Enforcement Update**

*Intensive regulatory engagement cases*

## **17 Any Other Business**

- 56/09/15 There was no other business.

**Date of Next Meeting:** Monday 26 October 2015.