

Cynulliad Cenedlaethol Cymru / National Assembly for Wales

Y Pwyllgor Cyfrifon Cyhoeddus / Public Accounts Committee

Ymchwiliad i drefn reoleiddio Cymdeithasau Tai / Inquiry into Regulatory oversight of Housing Associations

Ymateb gan Cartrefi Dinas Casnewydd / Evidence from Newport City Homes

1. The effectiveness of the current Regulatory Framework for Housing Associations Registered in Wales

1.1. NCH supports the new Regulatory Framework launched on 1 December 2016, which the sector has influenced and has been a positive experience and was co-ordinated via Community Housing Cymru (CHC).

1.2. Whilst recognising the importance of regulation, NCH questions who regulation intends to serve. NCH welcomes the impact of the new regulatory approach, as currently there is a lack of clarity on whether regulation is serving Welsh Government, residents or lenders.

1.3. The NCH Board takes a degree of assurance from the Regulatory Opinion. However, the Board's main assurance is generated from the NCH Assurance Framework which includes risk, VfM and internal audit. NCH lenders were disappointed that they were not able to have access to the NCH's very positive regulatory opinion in draft form and questioned why co-regulation didn't extend to their £112m investment in NCH. Feedback from residents suggests that the presentation of the Regulatory Opinion does not necessarily meet their needs.

1.4. The housing sector is evolving and, in the same way that it has to ensure boards are suitably skilled to deliver their strategic vision, there is a responsibility on the Welsh Government to demonstrate that the new Regulatory Framework is effectively and appropriately resourced.

1.5. Many of the Audit, Inspection and Regulatory bodies were reviewed by the WG AIR Review published in February 2015. NCH is unsure as to whether the housing sector was included in this review. Is there an opportunity that learning embedded from this review could support the Regulation team to provide assurance of its approach to Housing regulation?

1.6. Given the scale of housing associations being regulated are we adequately sharing best practice from the outcomes of co-regulation and guarding against the potential variation in the way co-regulation is conducted.

2. The effectiveness and quality of governance arrangements

2.1. The importance of governance in the sector is evolving eg governance specific roles and the regulatory focus on skills and experience of Board and Executive is welcomed. However, the recent high profile cases requiring regulatory intervention, could suggest the quality of governance requires improvement in some parts of the sector and learning from regulatory intervention in relation to those cases would be welcomed.

2.2. The introduction of the CHC Code of Governance, its adoption by the NCH Board, and expected compliance by WG is raising awareness of what good governance means within NCH. However, a sector wide definition of good corporate governance could strengthen the sector's approach.

2.3. The housing sector appears to adopt a varying approach to who holds the role of Company Secretary. Reiteration for the need for boards to secure impartial advice with appropriate segregation of duties in line with good governance would be welcomed.

3. Whether the current regulatory regime is effective in managing and mitigating sector wide risks

3.1. Whilst recognising Welsh Government has issued a sector risk paper. Risk is managed at NCH by its Board who incorporate sector risks at a strategic, corporate or operational level as appropriate.

4. The effectiveness of the co-regulatory approach in practice

4.1. The clarity provided by the new Performance Standards is welcomed and NCH looks forward to seeing the systematic application across the sector.

4.2. It is imperative that those employed by the Regulator continue to understand the strategic context within which boards are operating.

5. The remuneration of senior executives of housing associations.

5.1. Housing associations provide an essential role in communities alongside other public sector bodies. Within the context of the current austerity measures, housing associations are increasingly providing a vital leadership role in communities. In addition, Housing Associations are complex social businesses with significant annual turnover and innovative loan arrangements that require appropriate strategic and corporate skills from their senior executives.

5.2. In NCH the accountability for senior executives' financial packages rests with the Board. The Board in turn, have delegated the review of senior executive packages to its Remuneration Committee which acts on independent advice, and benchmarking both within and outside of the

sector.

5.3. Executive structures vary across the sector. The NCH Board, acting on advice, has recently reviewed its executive structure from 5, one Chief Executive and four Directors to one Chief Executive and two Executive Directors.

5.4. As a Board with accountability for a multi-million pound social business, providing essential services to the people of Newport, NCH is ultimately accountable to its residents. It is therefore essential that the NCH Board is able to justify the decisions it makes to both assess and set salaries to attract and maintain the senior leaders required to deliver NCH's strategic objectives, which is carried out annually.