

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 Keith Edwards / Evidence from Keith Edwards

## Introduction

I am pleased to submit evidence to the inquiry. I have over 25 years experience in the sector including my time as director of the *Tenant Participation Advisory Service Cymru* (1990 – 2000) and the *Chartered Institute of Housing Cymru* (2000 – 2014). Between 2007 and 2009 I was seconded into Welsh Government to set up and run the *i2i – inform to involve* project, which supported local authorities and their tenants in exploring options to secure investment in the Welsh Housing Quality Standard. One of the consequences of this process was a series of ballots of council tenants that led to the establishment of eleven new stock transfer housing associations.

In a voluntary capacity, I am chair of Taff Housing Association and a former board member of Tai Calon Community Housing, Dewi Sant Housing Association and Adamsdown Housing Association. I have just stepped down as the inaugural chair of the Democratic Body of Merthyr Valleys Homes, Wales first tenant / worker mutual. For a short period in 2014 I was a member of the previous manifestation of the Regulatory Board for Wales.

Over the last two years I have worked as an independent housing consultant, carrying out a number of strategic and service reviews for housing associations as well as a review for the Welsh Government Housing Regulatory Division of the national Tenant Advisory Panel. I am currently the lead associate for the *Housing Quality Network Cymru*, which provides

advice and support to organisations specialising in strategy, governance and risk management.

I would be happy to give evidence in person to the committee. I have provided some context followed by a response to the specific questions posed in the consultation paper below.

## **Context**

In my view, there are two fundamental characteristics of the housing association sector in Wales that are particularly relevant to understanding their relationships with government and others.

Firstly, they are essentially social enterprises – indeed many specifically describe themselves as such. A key challenge for all social enterprises is to remain true to their social purpose whilst at the same time being a viable and sustainable business. Individual associations may well have different ambitions and priorities and consequently some may appear more focussed on delivering their social purpose, others might appear to be more business orientated. The best ones manage to do both.

Secondly, Wales has developed a distinctive (particularly from England) housing narrative based on a ‘whole system’ approach, first mooted by CIH Cymru, where effective partnerships between the government and all sectors – local authorities, housing associations and the private sector are a prerequisite for successful delivery of good quality affordable homes plus wider social benefits, particularly jobs and training opportunities. For associations, this dates back to the *Essex Review* and the subsequent commitment of government and the sector to work together that has manifested itself, for example, in successive *Housing Pacts* to deliver affordable homes and joint commitment to a ‘co-regulatory’ approach.

Increasingly a case can be made that our approach works better for a small country. There's a general view – shared with an increasing number of colleagues across the border – that housing is more joined up, access to government easier and partnership working more embedded and, in combination, these are starting to deliver results. The target for affordable homes under the last administration was exceeded, the successful *Houses into Homes* initiative to bring empty properties back into use has been extended and local authorities, encouraged by government, are building council houses again for the first time in decades. Driving up standards in the private rented sector, backed up by legislation is also beginning to have an impact.

### **The effectiveness of the current Regulatory Framework**

The establishment of an independent Regulatory Board has been a significant step forward in ensuring proper, transparent oversight of the sector in Wales. The original board set up following the Essex Review, although well intentioned, had a basic flaw in that it was essentially an amalgamation of vested interests including Community Housing Cymru, the WLGA, Welsh Tenants, TPAS Cymru and the Council of Mortgage Lenders.

Having attended both – the original board as a member, the new board to give two presentations – the contrast is quite stark. Discussions at the original board were dominated by the various 'positions' of individual representatives; the new board is clearly taking a more independent and robust approach recognising, on the one hand the significant contribution the sector makes, whilst helping ensure that the interests of government (as investor and regulator), tenants and the wider public are paramount.

The decision in September 2016 by the Office for National Statistics (ONS) that housing associations should be considered part of the public sector, although expected following a similar decision relating to England, has caused serious concern that this change in status could compromise the independence and voluntary nature of associations as well as undermining their viability by, for example, restricting their opportunities to borrow to build new homes.

Unsurprisingly, the announcement on 29<sup>th</sup> December 2016 that Welsh Government promised to take "whatever steps are necessary" to reverse the change was very well received by the sector. Central to this will be redefining the relationship between government, the sector and individual associations and jointly re-engineering the regulatory framework, a process which is already underway.

For me, the key challenge for government and the sector can be very simply expressed: how to ensure proper scrutiny of publicly funded bodies whilst allowing associations to maximise the delivery of homes and wider community benefits. To do this, a number of key issues have to be addressed:

- There needs to be clear separation of the roles of Government as, on the one hand, the funder and delivery partner of associations; and on the other, the sector regulator.
- The regulatory framework needs to develop further the principles and practices of co-regulation, based on a two way process of 'support and challenge'. This means focussing on promoting success as well as robust regulation with a sector that is always encouraged to 'speak the truth to power'.
- The sector has to continue to provide evidence that it is delivering value for money regarding public investment, mirroring the 'economy,

efficiency and effectiveness' approach in England, but also factoring in an assessment of the wider social, economic and environmental benefits that the sector in Wales has pioneered.

- The sector needs to engage consistently in the new framework. In the past there have been contradictory messages, perhaps best expressed in the sentence 'don't tell us what to do; tell us what to do', reflecting a desire to maintain maximum autonomy whilst at the same time seeking prescriptive guidance on process.
- Lenders confidence needs to be maintained. However, Welsh Government and the sector should jointly push back at perceived opportunistic moves to renegotiate terms of loans during periods of increased uncertainty.
- Government, the regulator and the sector need to back up commitment to ensuring tenants are at the heart of their priorities. Recent reductions in core government funding for tenant participation plus the withdrawal of support for Welsh Tenants, the national tenants body, are a cause of concern, given that there are significant resources available to ensure landlord views are heard.
- The views and opinions of local government also need to be taken into account if regulation is to be effective. As well as being national partners in, for example, the recently announced Housing Pact, councils will be key local partners in setting strategy, delivering affordable housing targets and integrating the work of associations into wider regeneration.
- Individual associations need to ensure they remain true to their values and are demonstrably accountable to tenants and their local

communities. This applies to traditional associations, many of whom came into being to address serious housing shortages and social problems; and stock transfer associations who were mandated by their tenants at a ballot to be custodians of local public housing.

### **The effectiveness and quality of governance**

Whilst the sector was too slow, in my opinion, to embrace governance improvement, the widespread adoption of the CHC Code of Governance has given a welcome impetus to improving this situation. Identifying and dealing with risks, recruiting on the basis of competencies, developing training and support for board members, encouraging robust challenge and separating out strategic and operational matters have all, from my perspective, moved significantly forward over the past two years.

New models that aim to ensure excellence in governance and improve accountability are being developed. The recent reconstitution of Merthyr Valleys Homes as Wales first tenant / worker mutual is a very exciting example of how this might be achieved. Although only in its first year in my experience the sense of ownership and purpose engendered amongst members is already leading to increased levels of engagement and better quality decisions.

One area that, in my view, is underdeveloped is partnership working between associations. In part this is due to a reluctance by boards and senior managers to look beyond maintaining the independence of their organisations as the overriding objective. It is important to stress that merger doesn't need to be the inevitable endgame although in any comprehensive review of partnership options it should be considered.

### **Whether the current regime is effective in managing and mitigating sector wide risks**

The publication and regular updating by the regulator of *Sector risks facing housing associations in Wales* is a welcome and useful contribution to ensuring effective management of major risks.

Whilst many of the levers to 'engineer out' financial risk lie with the UK Government, including most taxation and welfare benefits, other are quite clearly within the ambit of Welsh Government eg rent policy and future social housing grant levels.

The fact remains though that the complexity and unpredictability of risk constitute the biggest challenges. Whilst some associations have taken a proactive approach to thoroughly stress testing their governance and business plans, there is a need for this approach to become universal and regularly repeated.

### **The effectiveness of the co-regulatory approach**

The basic assumption of co-regulation is that an open, robust approach based on partnership working will deliver better results for government and the sector. This still holds, although it's fair to say that it has taken time to bed in and has some way to go. The critical issues will be maintaining the trust of partners.

In recent years a small number of associations have hit serious problems. The response of the regulator has sometimes received criticism and it is important that lessons are learnt. The 're-engineering' of the framework seems to be focussing on learning past lessons whilst maintaining a strong commitment to co-regulation.

### **Remuneration levels of senior staff members of housing associations**

As publicly funded bodies it is important that associations operate in an open way and that includes being transparent about the way in which salaries levels for senior staff are set and ensuring that they have strong evidence from the market that they can be justified.