

Regulatory Approach Summary Document

June 2015

Regulating the Standards

In June 2015 the HCA published its revised document outlining how it would regulate the Social Housing Sector. The approach continues to be underpinned by co-regulation, with the primary objective to protect social housing assets and the firm stance that the success or failure of a provider 'lies squarely at the feet' of its governance and leadership. In addition to this the emphasis is still on proactively regulating the 'Economic Standards' and delivering a reactive strategy to Consumer Standards, with the focus on 'serious detriment'.

Economic Standards (*Governance and Viability, Value for Money and Rent*)

There are 5 objectives of the Regulator:

1. Organisations are financially viable and properly managed, with delivering their functions undertaken in an efficient and economic manner
2. Support the provision of social housing to meet reasonable demands.
3. Public investment in social housing achieves value for money.
4. Ensure that an unreasonable burden is not imposed on public funds.
5. Guard against misuse of public funds.

Consumer Standards (*Tenant Involvement and Empowerment, Home, Tenancy, Neighbourhood and Community*)

There are 4 objectives of the Regulator:

1. Support the provision of social housing that is well managed and of appropriate quality.
2. Actual or potential tenants have an appropriate degree of choice and protection
3. Tenants have an opportunity to be involved in its management and to hold management to account.
4. Encourage organisations to contribute to the environmental, social, economic and well being of the areas in which housing is situated.

Proactive engagement (economic standards only)

The Regulator has identified three planned engagement strategies to deliver their responsibilities and provide an overall judgement, (Appendix A).

1. Review of Quarterly Surveys
2. Stability Checks
3. In-Depth Assessments

Review of Quarterly Surveys

Organisations are required to complete Quarterly Surveys which provide the Regulator with sources of information about financial health in particular access to cash and liquidity. The key elements of the quarterly survey relate to the finance

market, cash flow, derivatives, Affordable Homes Programme, all property sales and income collection.

Annual Stability Checks

This identifies if there have been any material changes since the Regulator's last assessment. The main sources of information for this assessment are the Financial Forecast Return (FFR) and Annual Accounts.

If there are any issues identified by the Regulator which they think may revise the existing judgements (e.g. V1 / G1), then a further assessment may be undertaken. This could be a follow up visit or in some cases an In Depth Assessment.

In Depth Assessment (IDA)

As a 'rule of thumb' this review will be undertaken every three to four years and is based on a consistent model although the delivery of this will depend upon the risk profile.

The IDA is a mix of desktop research and on-site work and will require discussions with board members and executive leadership.

Reactive engagement

This type of engagement may be triggered from a number of sources including complaints and will cover potential breaches in relation to ***both economic or consumer standards.***

In relation to **economic standards**, the Regulator will only investigate where the issues:

- ✓ relate to viability
- ✓ would affect the regulatory judgement; if proven
- ✓ could have a significant impact upon the reputation of the sector (only if proven and unaddressed).

This could lead to one of four outcomes:

1. No regulatory action necessary
2. Further action incorporated into planned regulatory engagement
3. Downgraded judgement or regulatory notice
4. Enforcement action.

In relation to **consumer standards** regulatory intervention will only taken place if the Regulator judges that a breach of a consumer standard has or could cause serious detriment to the tenant or potential tenant.

An issue of serious detriment could impact upon the effectiveness of governance and thus impact upon the judgement in respect of economic standards.

There is no prescriptive list of serious detriments however the Regulator will give particular regard to:

- ✓ Health and safety
- ✓ Loss of home
- ✓ Unlawful discrimination
- ✓ Loss of legal rights
- ✓ Financial loss

VFM – There is a very specific requirement for organisations to publish an annual VFM self assessment in line with the agreed expectations within the standard. If an organisation is not deemed to be compliant this will be reflected in the Regulator's assessment of governance.

Rent – If the Regulator deems a material breach in the Rent Standard, they will investigate and determine an appropriate regulatory response.

Other statutory activity

The key area of regulation relates to the consents regime, in particular the consent to dispose of social housing and constitutional change.

In relation to properties consent is received through either general consent (which covers a number of properties for a period of time) or individual consents.

Disposing of properties or constitutional change without consent could demonstrate evidence of weak governance, ineffective risk management and weak internal controls. Depending upon the seriousness they may lead to reactive or as part of proactive engagement and may feed into an alteration of an organisations judgement.

Appendix A

Governance 1	Compliant
Governance 2	
Governance 3	Non-Compliant
Governance 4	

Viability 1	Compliant
Viability 2	
Viability 3	Non-Compliant
Viability 4	