

Successful places  
with homes and jobs



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**A NATIONAL  
AGENCY**

**WORKING  
LOCALLY**



Meeting the Challenge

13<sup>th</sup> April 2016

David Taylor-Smith

# Life was already getting more complex for providers



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- **Gone:** 30 year money from banks
- **Gone:** 50%+ grant rates
- **Gone:** Rents always going up
- **Going:** Welfare underwriting rents in full and direct payments
- **At risk:** local government funding
- **Complex choices for Boards**
- **Opportunities and risks**



**"Of course we can make fast decisions ...  
once we have considered the 4872 factors."**

# And then this happened...



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And then this...



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And this ...



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And ...



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# But one constant



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- PRPs have great record of being a “safe bet”
- We’d like it to stay that way
- Regulator’s role is to ensure the sector’s:
  - Financial viability
  - Good governance
  - Value for Money

# Our Key Documents



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- Regulatory Framework
- Regulating the Standards
- Sector Risk Profile
- Other key documents
  - Cosmopolitan Lessons Learned

# The Framework



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- Don't put assets or viability at undue risk
- Skills and capabilities of boards match activities
- Active stress testing
- Maintain records of assets and liabilities
- Boards to certify compliance with the Governance and Viability Standard

# Boards are ultimately responsible



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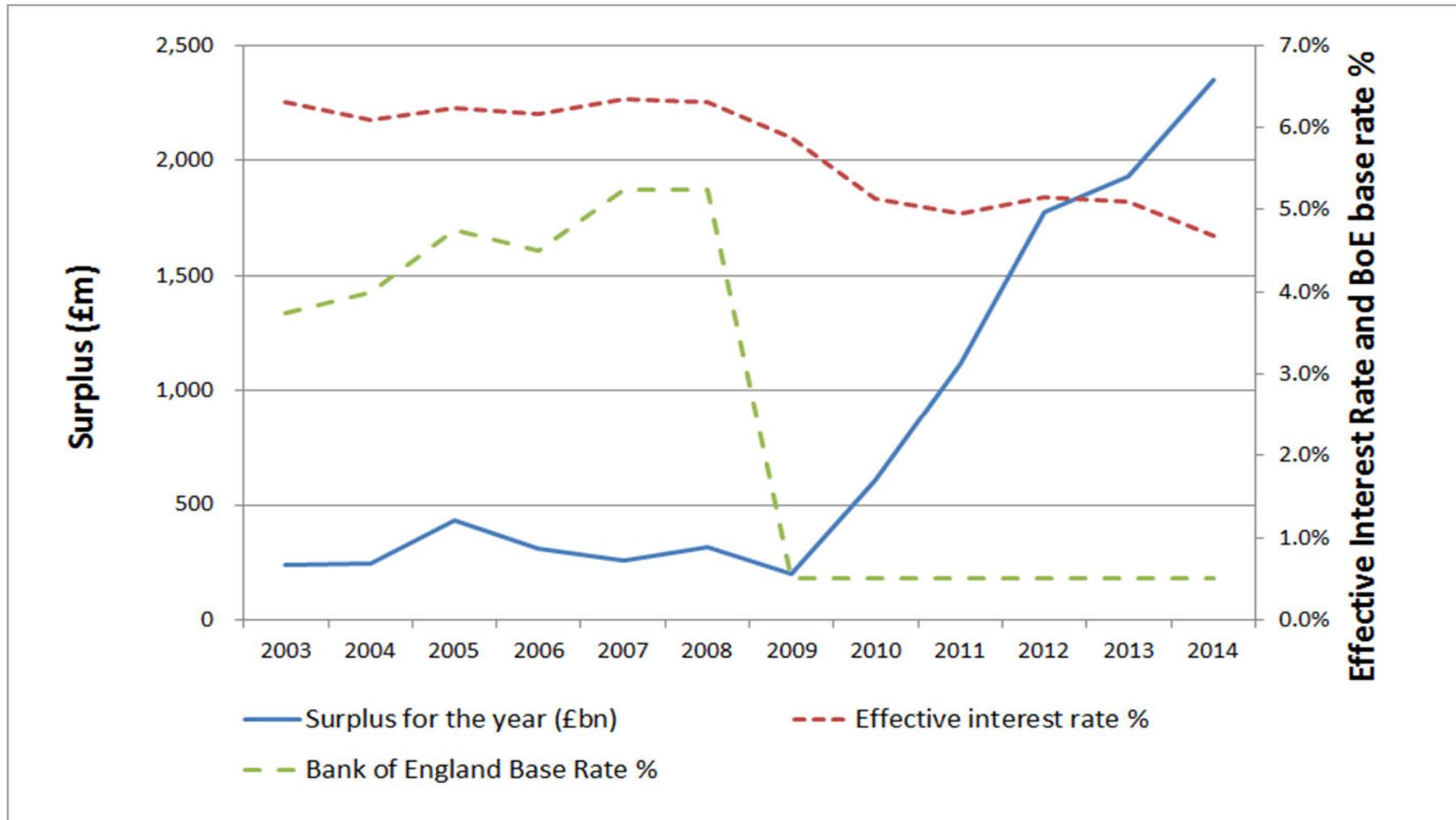
- “Boards and Councillors who govern providers’ service delivery are responsible for ensuring their organisation is meeting our standards, and for being open and accountable in how their organisation meets its objectives”
- Does your board have the skills, capabilities for its scale and business streams?
- Is there a challenge culture (including opening self to challenge)?

# Hint 1: Don't be fooled by short-term conditions



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# Hint 2: You're better prepared if you know what may kill you



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- You need to understand risk in aggregate
- Stress testing is not sensitivity analysis
- Outputs should inform business plan and risk-appetite
- If you're taking risks you should consider stabilisers / controls





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## Hint 3: Understand dominos

- How would failure of one part of the business affect another?
- If someone says “it’s off balance sheet” - be very sceptical
- What’s the most you could lose?
- Who says?



# Hint 4: Simple questions are often the best



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- What is this organisation for?
- Why are we doing this?
- What happens if it goes wrong?
- How do we know if things are going okay?
- If I were putting my own money at risk, would I do this? What return would I want?



# Hint 5: VFM is not about a statement in your accounts



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- There's nothing in the standard that you shouldn't be doing anyway
- Ensuring that you use resources to best effect is a key Board role
- If you rely on consultants to meet our requirements you have a bigger problem
- Moving up the political agenda?



# The business model for providers is changing...



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# And financing of that business is becoming more complex...



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# Meanwhile, the core business is not getting any easier...



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- Income
  - Rents
  
- Costs
  - Differential Inflation Rates
  - Pension costs



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# The Small Cohort

- RPs with fewer than 1,000 units accounts for
  - less than 5% of sector's total assets, turnover and debt
  - more than 80% of total number of RPs
- Of these, 83% have fewer than 250 units
- Reduced regulatory requirements, but Standards still apply
- The 1,000 unit 'cut-off'



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# Rent Reductions (i)

- Welfare Reform and Work Act
  - This is complex: not our role to interpret legislation for the sector
- Some key issues:
  - Exceptions (properties)
    - Full exceptions
    - Exceptions by alternative provision
    - One year exemptions
  - Review Day
  - Exemptions (individual providers)
    - On application

# Rent Reductions (ii)



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- Welfare Reform and Work Act
- Useful links - DCLG:
  - <https://www.gov.uk/guidance/welfare-reform-and-work-act-2016-social-rent-reduction>
  - <https://www.gov.uk/government/publications/the-general-social-housing-rents-permitted-review-day-consent-2016>
- Useful links - HCA
  - <https://www.gov.uk/government/publications/rent-standard-guidance>

# Fees



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- Subject to Statutory Consultation
- Subject to agreement by Secretary of State to principles
- Earliest would be April 2017
- **No decision made**

# De-regulation and registration (i)



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- Housing and Planning Bill
- Timing
  - House of Lords this week
  - Timing of measures coming in not yet clear but likely to be in the summer



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# De-regulation and registration (ii)

## ■ Disposals

- **No longer need consent** – both physical disposals and disposals by way of security
- **Notification requirement** – the regulator can determine what has to be notified and when
- We will **publish** those **requirements** before the consent powers go
- Registered charities will have to comply with **Charity Commission requirements**
- Remember **requirements** around charitable vires, grant, standards compliance...



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# De-regulation and registration (iii)

- Restructures

- **No longer need consent**
- **Notification requirement** – the regulator can determine what has to be notified and when
- We will **publish those requirements** before the consent powers go
- **Registration decision** may be needed for certain types of restructure
- **Statutory consultation** on criteria for registration shortly
- Remember **compliance** with the **standards** before, during and after a restructure...



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# What is the role of the regulator?

- We don't have the answer for your (or anyone else's) business
- We seek assurance that boards and executives are managing the business effectively and have a thorough understanding of risks
- Where we have concerns that this is not happening it is reflected in our regulatory judgements/notices and we look to providers to remedy the situation
- Where providers can't or won't respond then we look to use our power proportionately to bring them back into compliance with our standards

# However...



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Don't despair!

A well-run social housing provider should not get into serious difficulties

