

Good Governance matters

A View From “Across the Bridge”

CHC Conference

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Your Team Today



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Agenda

- 2.40-3.00- Deregulation and New Freedoms
- 3.00-3.20 -Lessons to be learned from downgrades
- 3.20-3.40-Operational vs Strategic Governance exercise
- 3.40- Questions and Close

Deregulation – a quick reminder

- Office of National Statistics(**ONS**) - reclassification as public - 2015
- Housing and Planning Act – deregulation in England (6 April 2017)
- ONS reclassification as private – November 2017
- Regulation of RSLs (Wales) Act 2018 – June, August, December 2018 – deregulation in Wales
- Social Housing Green Paper
- 2019.....

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Drivers/influencers of change

Opportunities presented by deregulatory measures:

- Asset Freedoms
- Constitutional consents - gone
- Golden share – gone
- Notification regime
- Increased professionalism of the sector
- Diversity of views about the “role” of RPs in England & RSLs in Wales



Trends in the sector – new opportunities...

- No legal change in what RSLs can do but...
- Increasing merger and consolidation activity
- Joint Ventures – North Wales Growth Deal, WG 20,000 homes Innovative Housing Programme
- Partnership Working
- Diversification
- Simplification of Structures
- Moves away from Regulated Sector



The “anchors” – a reminder

- Purpose – strong governance critical
- Charity law
- Funder consent/restrictions – increased scrutiny?
- WG regulatory requirements
- Protection of tenants and social housing assets
- Remaining Local Authority influence.



Opportunities in Wales

- WG's Innovative Housing Programme 20,000 “Affordable Homes” by 2021
- “North Wales New Growth Deal”
- Development Joint Ventures
- RSLs could do more collaboration – CHC Conference



Balancing new ventures against WG's Regulatory framework (I)

- RSLs are registered with and regulated by WG – co-regulation
- Balance growth plans against WG regulatory requirements
- WG's Regulatory Framework and “Performance Standards”
- Performance Standard 3 - to assess emerging business risks when embarking upon new business opportunities includes a duty to “protect social housing assets” from other activities.



Balancing new ventures against WG's Regulatory framework (2)

- Failure to meet a regulatory standard is a potential ground for WG to exercise its regulatory powers including:
- a revised co-regulation status: and
- can lead to WG using its enforcement powers contained in the Housing Act 1996



Balancing new ventures against WG's Regulatory framework (3)

- Board to consider all new ventures against WG regulatory requirements in addition to acting within objects
- Check that all proposed activity within WG's regulatory framework
- No need to get consent to enter into a JV but need to pre- warn your lead regulator.





Community Housing Cymru
Governance Conference 2019
*A view across the bridge - lessons from the
downgrades*

Sam McGrady, Director
7 March 2019

A different perspective



Content



- Introduction to DTP
- What's going on?
- Regulatory focus on governance
- Lessons from recent regulatory downgrades and In-Depth Assessments (IDA)
- Discussion



Introduction to DTP



- Established by David Tolson 12 years ago
- Strategy, governance and finance experts
- Core team of 11 plus associates
- Work across UK with housing organisations, charities, commercial organisations and higher education
- More than 120 housing clients last year
- Nearly 50 RPs supported through IDA
- Me – 3 years with DTP, previously HouseMark Deputy CEO, interim and change management, housing management...



Introduction to DTP



A different perspective



What's going on?



- Governance, always governance – both sides of the bridge!
- England – regulatory focus is economic standards including governance
- All RPs over 1000 homes have a regulatory grading: V1-4 and G1-4
- 3 and 4 are non-compliant
- Aside from 'regrades' to V2, vast majority of downgrades have been for governance
- Almost all the G2 (or worse) downgrades have resulted from an IDA



Governance focus



- Clear culture, behaviours and standards
- Defined and understood expectations for contribution & conduct
- Clarity about strategy, mission and values
- Risk management
- Exercising appropriate internal controls
- Board composition - balance of continuity and renewal
- Right skills and competencies
- Annual performance appraisal – individual and collective
- Clear and considered succession planning
- A strong, objective and capable audit committee – clarity of role and remit



Governance focus



- Strong but inclusive chairing – leadership & ambassador
- Taking personal responsibility
- Good governance support – role of the Co Sec
- Collaboration and co-production
- Seeking and gaining assurance
- Balance of challenge and support

And also:

- Assets and liabilities register
- Stress testing and golden rules
- The Green Paper, tenant voice and consumer regulation
- Partnerships and joint ventures



Some lessons



- Equity: G2 – Lack of strategic oversight and holistic control, over-delegation to committees, too much operational focus
- Gentoo: G3 – Board failed to exercise adequate internal control and scrutiny; lacked oversight and appreciation of risk; executive contracts and severance payments.
- Teign Housing: G2 – control failure in rent setting over number of years = governance weakness
- Arches Housing: G2 – poor risk management and internal controls (H&S)



Some lessons



- Knowsley Housing Trust: G3 – compliance (H&S), group structure, risk management
- Advance: G2 – financial reporting, risk management and assurance
- Suffolk: G3 – leadership, internal controls, risk and financial management
- Leeds and Yorkshire: G2 – compliance (H&S), performance reporting, risk management and internal controls
- DAMHA: G2 – board skills, term of office, risk management/mitigations and H&S reporting



Some lessons



- Severn Vale: G2 – risk management of financial position and covenant compliance
- Joseph Rowntree: G2 – preventable control failures around risk management, safeguarding and covenant compliance, ineffective stress testing; failure to address very high cost areas
- Broadacres: G3 – failure to manage commercial activities effectively
- First Priority: non-compliant – failure to operate strategic planning control framework, poor risk management, insufficient consideration of implications of risk of delivery plans, poor skills and capabilities



Discussion

A different perspective





QUESTIONS?

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