

Successful places
with homes and jobs



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Building Resilient Boards

Community Housing Cymru
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The changing nature of the sector - a more complex world



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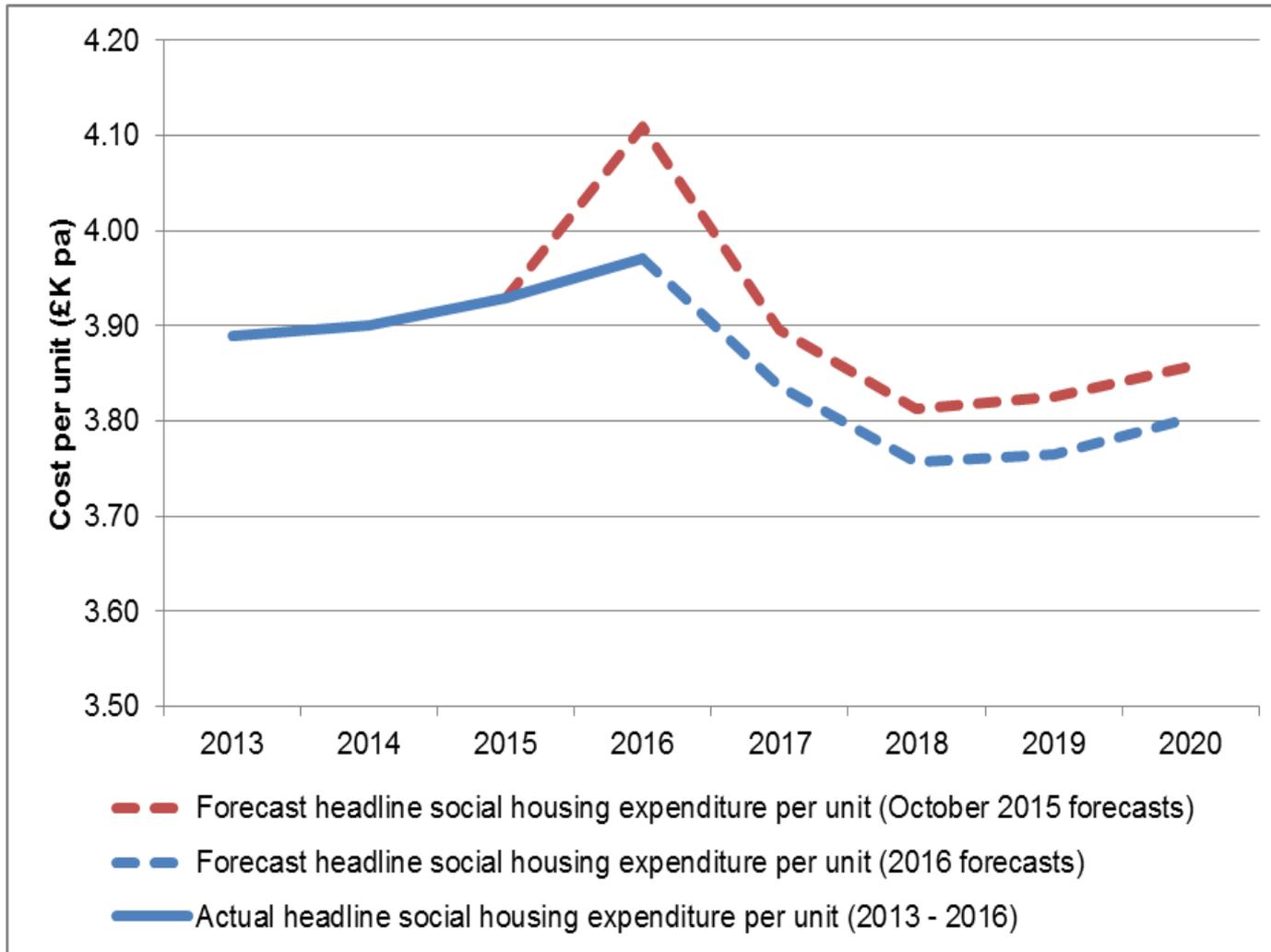
- Rent reductions
- Welfare reform
- Grant rates and availability
- Focus on home ownership?

- Diversification and increased commercial activity

The challenge ahead



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Out-turn unit costs for 2016 lower than forecast

Increase 2013-16 matched CPI inflation (2.1%)

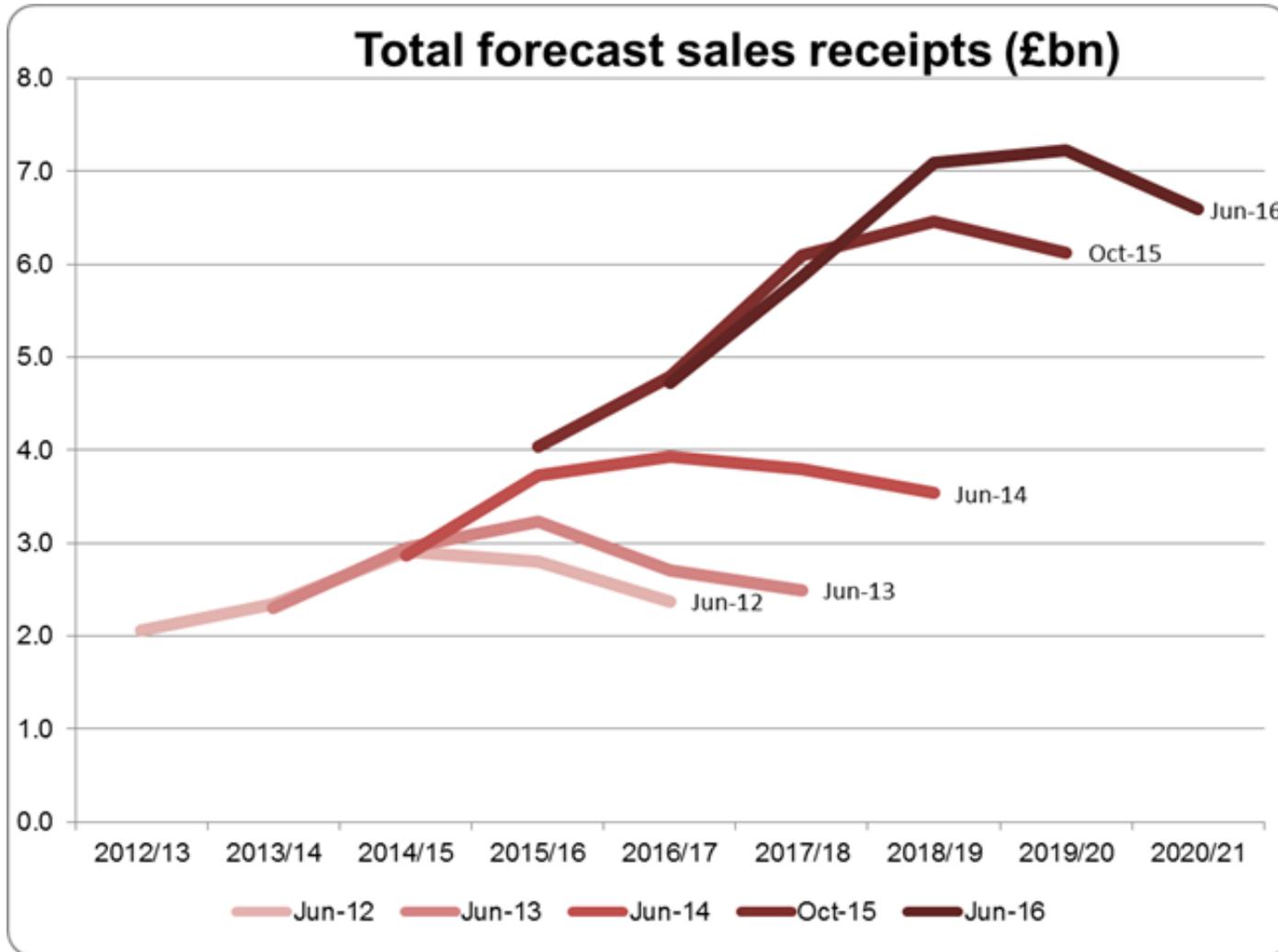
Forecast real reduction in unit costs 12.4% 2016-20

All figures refer to headline social housing costs per unit. Forecasts from providers' Financial Forecast Returns (FFRs) submitted to the regulator. CPI forecasts from the OBR.

Total Forecast Sales Receipts (£bn)



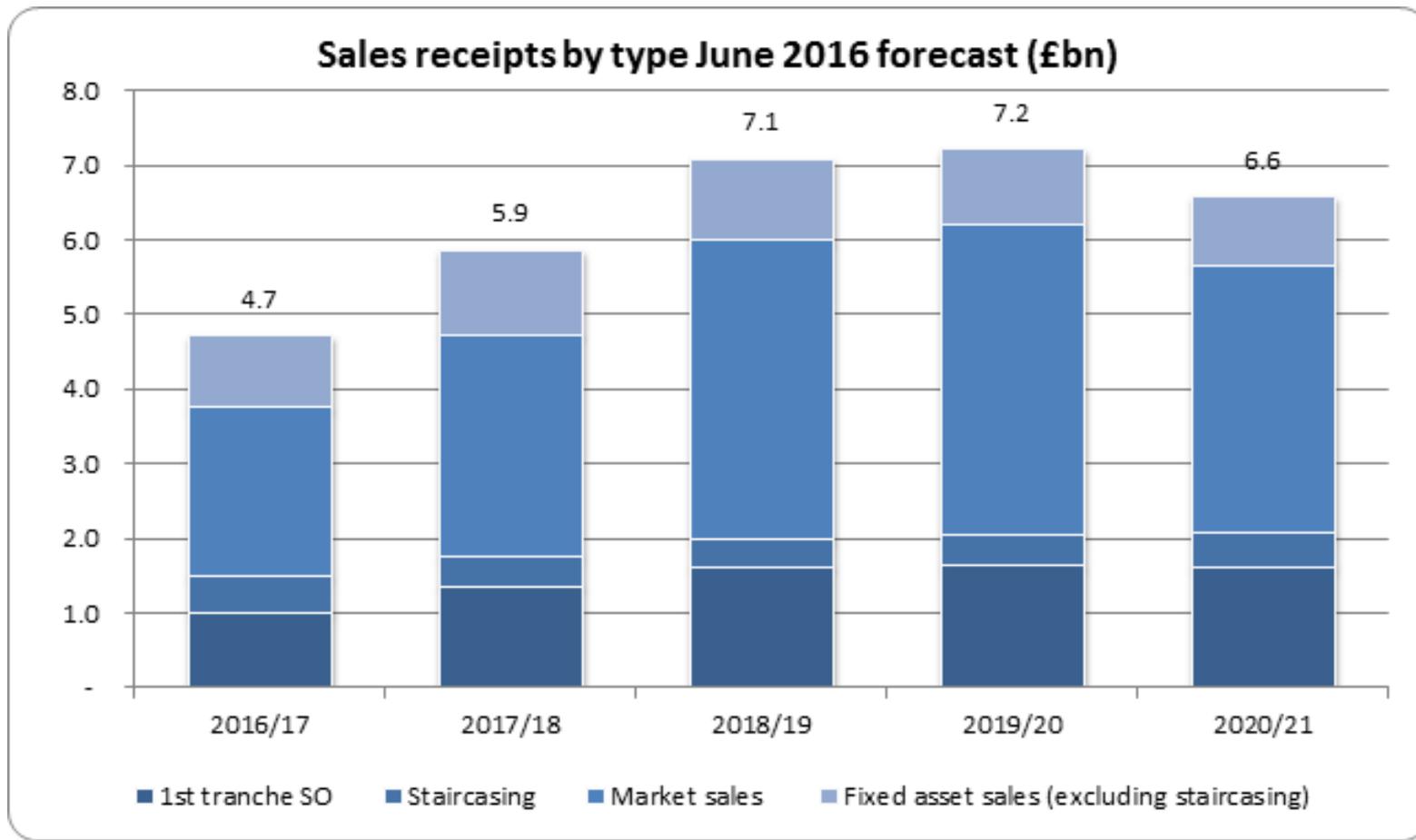
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Sales receipts by type June 2016 forecast (£bn)



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More?



- Impact on house prices?
- Cost of materials
- Cost and availability of labour
 - Construction
 - Care
- Impact of falling £ on inflation?

Regulation



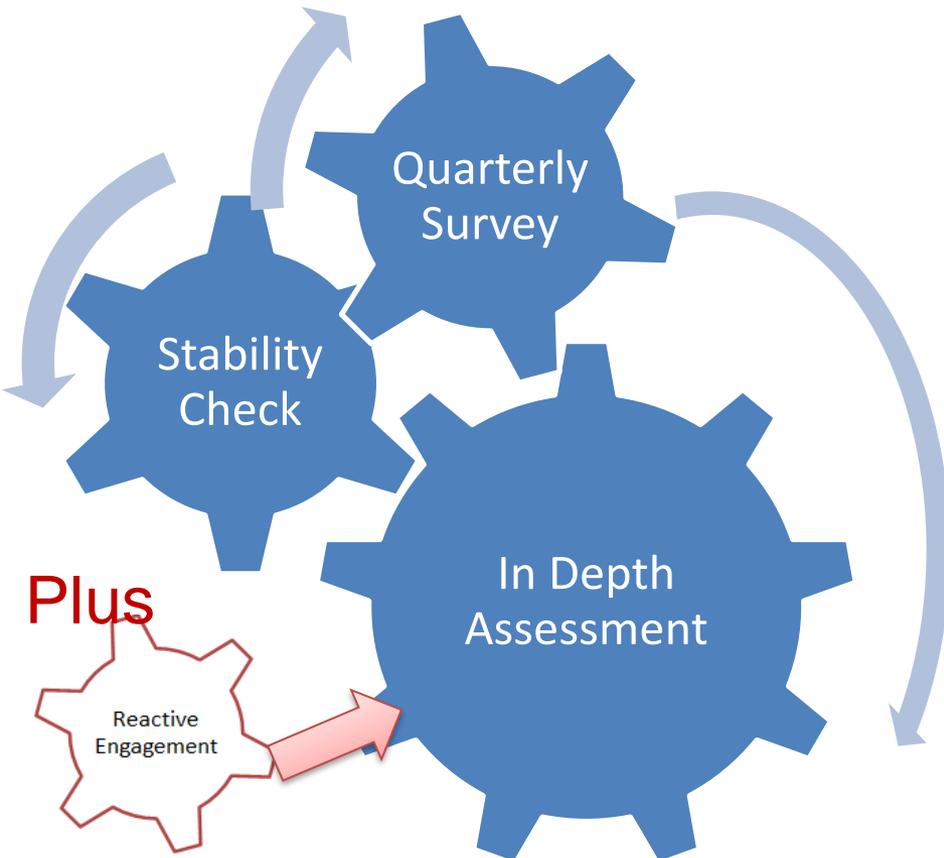
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- Our regulation is about delivering our statutory objectives - which we do by setting high level, outcome focussed standards
- Economic – governance and financial viability and vfm
- Consumer – serious detriment test – reactive approach
- Proportionate and minimise interference
- We work on a co-regulatory basis – which means that Boards are responsible for ensuring compliance with the standards
- Core elements of regulation are unaffected by de-regulation measures
- Core regulation tools remain – powers to set standards and take enforcement action for non-compliance are untouched by the HPA 2016
- *To regulate a sector that is viable, efficient, well-governed and able to deliver homes to meet a range of needs;*
- So that sector continues to attract finance at favourable rates; lenders take comfort from regulation
- Public investment is protected – over £45bn govt investment – buys significant reductions in rent and therefore HB bills

How? - the regulator's approach and operational model



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- Data gathering: monitoring via Stability Checks and QS
- Analysis: transparency on sector performance, identify risk trends
- Detailed understanding - In-Depth Assessments (IDA)
- Reactive powers - Resolve issues early

- **Co-regulatory basis – Boards are responsible for their organisations**

And ... publications



What should RPs be doing

Includes:

- don't put assets or viability at undue risk
- **skills and capabilities of board to match activities**
- active stress testing
- maintain records of assets and liabilities
- boards to certify compliance with Governance and Financial Viability standard



10/11/04



Key strategic questions for Boards

- What is the organisation for/ why are we doing this?
- What is the right strategy for achieving our objectives - strategic choices grounded in commercial and financial realities
- Do we have a grip on the business?
- What happens if it goes wrong?
- How do we know if things are going ok (or not)?
- If I was putting my own money at risk, would I do this? What return would I want?



'We've considered every potential risk except the risks of avoiding all risks.'



Putting it into practice...

- Clear plan you know how to deliver
 - Line of sight through the business
 - Value for money to enable you to continue to meet your objectives
- Identify / understand risks
- Establish appropriate mitigations and controls
 - Managed risk taking to meet your objectives
 - Robust stress testing
 - Understand the worst case and plan for it
- Iron grip on compliance
 - Don't lose sight of the basics: e.g. financial management, gas servicing, repairing property, collecting the rent



Board Skills



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- Governance and Financial Viability Standard :
- ***Registered providers shall ensure that they manage their affairs with an appropriate degree of skill, independence, diligence, effectiveness, prudence and foresight.***
- It starts with skill...
- Amplified in the Code of Practice which supports the Standard:
- ***To ensure that registered providers have the requisite skills and capability to perform their functions, the regulator would expect them to:***

Board Skills (cont'd)



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- ***have an appropriate skills strategy to address the needs of the business***
- ***regularly assess whether boards and management have the right competencies, experience, and technical knowledge appropriate to the size, scale and risk profile of the organisation (This should include the business it is currently involved in or is going to become involved in the future as well as the external operating environment.) ...***
- ***have plans to address any skills gaps identified (including through bringing in external skills), and such plans should be monitored to ensure that they are followed through***
- **Governance Codes**
 - Terms of office
 - Rolling programme of recruitments
 - Skills audits

Issues - Reasons for regulatory downgrades



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- Overall internal control and assurance framework ...
- Failure to understand the key risks
- Gas safety
- Treasury management
- Group structure - risk flows
- Pay offs
- Rent setting
- Data quality and timeliness
- Value for money
- Weak Board and maverick Chief Executive
- Cosy relationships between Board and Executive
- Failure to match experience and expertise with activities
- Poor quality Board reporting
- Ineffective Audit Committee
 - and inadequate audit and assurance arrangements
- Insufficient focus on performance and compliance



Lessons from Problem Cases

1. Drive out unnecessary complexity
2. Understand the risks that could be fatal
3. Always have a Plan B
4. Be ambitious, but keep perspective
5. **Focus on the skills and competence of board members**
6. Create the conditions for effective challenge
7. Engage positively with the regulators
8. Empower and value the Audit Committee
9. Keep an iron grip on performance and compliance
10. Don't forget your tenants

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Questions?

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