



A REVISED AND IMPROVED APPROACH TO DELIVERY OF HOUSING REGULATION

Welsh Government Housing Regulation has worked collaboratively with key stakeholders, including tenants, funders, housing associations and Community Housing Cymru, to develop a revised and improved approach to delivery of housing regulation. The Regulatory Board for Wales has endorsed the approach and it has been welcomed by stakeholders..

BUILDING ON THE CURRENT APPROACH

The approach is an evolution of the current risk based approach to regulation set out in the Regulatory Framework for Housing Associations Registered in Wales 2011. It will continue to ensure that Wales has well run, financially robust housing associations providing high quality and improving services to their tenants.

Key elements of the risk based approach remain in place

- Tenants remain at the heart of regulation, with the new approach providing improved accountability and transparency to tenants and other stakeholders
- The underpinning principles of the Regulatory Framework – proportionality, transparency and openness, consistency and promotion of learning and development - are unchanged
- The approach to regulation will continue to be founded on co regulation

A FOCUS ON CONTINUOUS IMPROVEMENT AND STRATEGIC RISKS

The revised approach provides a focus on continuous improvement and a clear Regulator's judgement. There is a new requirement for associations to provide an annual statement of compliance with the performance standards set by Welsh Government.

Regulatory focus will be on strategic risks and business viability issues as housing associations continue to respond to a changing and increasingly complex operating environment. There will be increased focus on good governance, specifically on how the Board is assured that its primary responsibility of ensuring the effective running of the Association is fully and properly discharged.

As part of the package of improvements, Welsh Government is also collaborating with key stakeholders to revise the existing delivery outcomes to set new performance standards. The performance standards will mirror the revised approach and will have a much stronger focus on decision making, leadership and financial viability of housing associations. The new standards will be more aligned with the way effective housing associations actually run their business. This is currently work in progress with formal consultation planned for December 2016/ January 2017.

CLEAR JUDGEMENTS THROUGH PUBLISHED CO REGULATION STATUS

The Regulator will make a judgement of each Association's "capacity to improve". This judgement will be reflected in annual published co regulation statuses for governance (including service quality) and for financial viability.

The assessment of the organisation's capacity to improve will be based on a series of judgement factors – see attached - which assess ability to effectively manage and improve the business.

The current Co Regulation status will be published in each Association's annual Regulatory Opinion. Co Regulation status for all associations will also be available on the Welsh Government web site along with a brief narrative supporting the judgement. Any "in year" change in Co Regulation Status to or from "Intervention" or "Statutory Action" will result in an additional publication.

The revised approach will be implemented from 1 January 2017 with a review following the first annual cycle.

The judgement factors and the co regulatory status levels are attached.

Judgement Factors and Co Regulation Status

The capacity to improve will be based on demonstration of continuous improvement which progresses the RSL's core purpose:

- Effective Board and executive management with a clear and ambitious vision for the Association
- Effective and appropriate tenant involvement and high quality and improving landlord services
- Comprehensive assessment of the business impacts of current and emerging risks, including new business and development opportunities, with robust risk management arrangements
- A track record of achieving positive outcomes, responding appropriately to new challenges and performance issues
- Delivering value for money in all areas of the business
- Compliance with regulatory and statutory requirements and guidance, including a clearly evidenced self evaluation and statement of compliance
- A financial plan which delivers and supports the business plan and effective monitoring of financial performance
- Effective management of treasury operations ensuring sufficient liquidity at all times
- A clear understanding of liabilities and asset performance

Co-regulation Status

Governance and service delivery

Standard – Identifies and Manages new and emerging risks appropriately

Increased – A risk, or combination of risks, are presenting a significant challenge to the RSL and increased regulatory oversight is required

Intervention – A significant risk (single or combination) has not been effectively managed and regulatory intervention is required to effect necessary change

Statutory Action - A significant risk (single or combination) has not been managed and statutory action is required to effect necessary change

Financial viability

Standard – Meets viability requirements and has the financial capacity to deal with scenarios appropriately

Increased – Meets viability requirements but has limited financial capacity to deal with adverse scenarios effectively and increased regulatory oversight is required

Intervention – Does not meet viability requirements and regulatory intervention is required to improve its financial capacity

Statutory Action - Does not meet viability requirements and statutory action is required to effect necessary change

