

Fiona MacGregor speech at Digital Housing Week – 22 June 2020

Introduction

It's indicative of the extent to which the world has changed that we are all participating in this conference online rather than where we would normally be at this time of year, in the conference hall in Manchester – which is currently the Nightingale Hospital.

The word 'unprecedented' can be overused – but these days it is not hyperbole. The coronavirus pandemic has impacted and continues to affect the lives of everyone in the country, and across the world. However, one of the lessons from the pandemic – when we get to the learning lessons stage – has to be the extent to which its impact has been greatest on the most vulnerable and those who may be subject to inequality. There have been differential impacts on older people, our BAME communities and those with underlying health conditions, groups who may be strongly represented among those the social housing sector serves.

The same is true of the key workers in both the public and private sectors the country so clearly relies on – often low paid, their contribution to our communities and society is often supported through access to affordable housing. One of the first lessons might be that the pandemic has reinforced the core purpose and the value of the social housing sector.

The sector's response

While nothing can, or should, detract from the tragic impacts on so many, in the face of the very significant challenges brought by the pandemic and by lockdown, overall, the sector has responded with agility and focus. In aggregate, how the sector has coped thus far is probably at the upper end of what anyone might have predicted at the outset. Firstly dealing with practicalities – moving overnight to, where staff can, working from home, implementing remote governance arrangements, sourcing PPE or getting accounts signed off.

But what has been most striking was the clear-eyed focus on tenants – safety, lives, livelihoods and welfare. By making sure emergency repairs services were able to be maintained and aiming to keep critical safety inspection programmes going. By redeploying staff to contact and support vulnerable tenants and those accessing the welfare system, often for the first time. By generally seeking new ways to engage tenants in such changed circumstances (maintaining a clear focus on transparency and accountability is something I'll come back to).

Of course, not everything will have gone right in every instance, but it seems clear, and there have been myriad examples, that the sector has acted on its core values of providing an essential service that aims to meet the

needs of the tenants, residents and communities it serves, while protecting and supporting their staff, who deliver those front line services. And, following the initial focus on existing tenants and residents, many providers have sought to work with local authority partners to assist in the "Everyone In" initiative to protect rough sleepers, as well as making voids available for those suffering domestic abuse.

Of course you would expect me to say that this may not have been possible without providers having appropriate contingency plans in place. To those who have in the past questioned why the regulator (and I quote) 'keeps banging on about stress testing', I hope that now they can see why. Even if "global pandemic" or "extended country-wide lockdown" may not have specifically featured on anyone's risk register, that ability to act quickly, and demonstrate resilience in the face of significant challenge is testament to the power of asking the "what if" questions.

The regulator's response

I hope you will agree that the regulator has acted with equal agility, flexibility and pragmatism. We acted decisively to ease the regulatory burden so that providers could focus on front line operations. Pausing IDAs, delaying deadlines for regulatory returns, shifting our focus onto enhanced monitoring of financial viability risks and introducing the Coronavirus Operational Response Survey were all necessary responses to the evolving crisis allowing us to focus our monitoring on key risks and challenges.

A key message from us has been that we are in the territory of identifying where help and support might be needed, and we've had a particular focus on providers with significant care and/or support operations, where some of the risks and challenges of the pandemic have had the potential to be even more acute.

So far the Quarterly Survey monitoring has shown that the sector was in a good place financially at the end of March, although there are further challenges on the horizon as we begin to emerge from lockdown, which I will come back to.

CORS confirms that to date the social housing sector, including local authorities, is continuing to broadly maintain service delivery for emergency repairs and essential health and safety checks. We recognise that even though the lockdown is easing, the operational context remains challenging, and that on some matters, such as gas safety checks, the position may get worse before it gets better. Of course it will be essential to maintain that clear focus on priority health and safety checks and we will continue our CORS monitoring for the time being.

However, while we recognise that achieving full BAU compliance will take time, given how lockdown has impacted operations, that does not mean that we've vacated the field of regulation and everyone has a free pass in all areas. If we see egregious examples of non-compliance, especially in areas not directly affected by the pandemic, we will take regulatory action as normal.

Coming out of lockdown – Risk management in the “new normal”

As the immediate crisis eases, providers are turning their attention to emerging from lockdown. We have seen from the most recent GDP figures and a range of forecasts, the post-pandemic environment will be challenging economically. We know providers are closely monitoring the impact that the end of the furlough scheme might have on unemployment and potentially rent arrears, and, as you begin to catch up on repairs backlogs, how your contractors and supply chains may have been affected.

There is also much discussion about capacity for development and contribution to supply – in the context of significant uncertainty about how the housing market will perform. Providers have already adjusted sales forecasts in the most recent Quarterly Survey. Providers’ boards will need to monitor the issue closely, (as will we), and ensure that risk appetite is aligned accordingly and that ambitions can be supported within stress tested business plans. This will be particularly important as providers may be asked to support the recovery through development, something the sector has a good track record of doing supported by a tried and tested financing model that is well proven – this might not be the time to be overly ambitious in terms of complexity or innovation.

So the range of issues creating uncertainty will impact on how business plans are being revised. In juggling development plans, beginning to re-instate building safety works and beginning to grapple with zero carbon, providers will be firmly back in the territory of how best to balance trade-offs.

Of course we, and you, have been clear that building safety cannot be traded off. A week yesterday, was the third anniversary of the tragic Grenfell Tower fire and in just over two weeks’ time the Public Inquiry resumes. And in that context, the Government has confirmed its intention to publish the social housing white paper later this year. This may involve changes in the regulatory framework and an increased focus on the consumer standards. We’ve said for some time that providers should not wait to focus on areas of their service or their engagement with tenants they need to improve.

As I said earlier, the sector has focussed on front line services to tenants and residents during the pandemic and on reaching out to support tenants.

It goes without saying that your tenants are your most important stakeholders. As lockdown eases, the premium on communication with, and listening to, tenants and residents has never been higher – both on day to day matters, such as risk assessments when accessing peoples’ homes – but also on the strategic direction and focus of your business – what services are needed and valued, and how they might best be provided in future.

In the current context, including the challenges highlighted by the killing of George Floyd and the Black Lives Matter movement, transparency and accountability to tenants, residents, staff and stakeholders matters more than ever. Maintaining that sharp eyed focus on what matters to tenants is not a one-off – continuing to prioritise and work on it will stand you in good stead to respond to the White Paper when it is published.

Next steps for regulation – What we are talking to our board about

Now that we have passed the peak of the pandemic and the lockdown is easing, we are looking at the next phase of regulatory changes we need to make. We are discussing these with our board, and I make a point of this deliberately. The current crisis has required agility, but that does not negate the need for sound decision-making and good governance.

We will continue to focus on specific operational risks through CORS and conduct our Quarterly Surveys so that we have up to date information on viability risks. However, we need further assurance on the overall position of the sector as we go forward, which we can only get from the annual stability check process. To do that we will need Financial Forecast Returns from providers by the Autumn and are considering 30 September as the date we are likely to aim for. We will confirm the position within the next week to ten days.

We will also need to look at a resumption of In Depth Assessments. So that we can get the whole programme going again in due course, we will be looking to run some virtual IDAs with a small number of willing providers over the summer. This is not just about ensuring that remote IDAs will work, but also about ensuring that the IDA is tailored to the specific risks of the “new normal” of the pandemic recovery – including how boards are ensuring their organisation can be resilient in the face of on-going challenges.

Of course, risks that pre-date the pandemic period have not gone away. I mentioned tried and tested models earlier. There is often a value in simplicity, and that may be even more true in times of crisis. I would urge you to think carefully about what we know works, and to always question, for example, whether some piece of elaborate financial engineering is necessary.

The pandemic has been, and may continue to be, particularly challenging for care and support providers – an area that we have been monitoring closely. The pandemic has highlighted the importance of resilience in this part of the sector and of having a business model that can weather a range of storms. That may not be achievable if the business model is predicated on generating a set level of profit, or to meet the financial aspirations of those with short-term horizons.

Conclusion

Providers have shown that they have been able to do the right thing by their tenants during the pandemic by keeping essential services going. The sector is also well placed to support the recovery. Whether that is rehousing former rough sleepers who have been brought in during the pandemic or helping to deliver the recovery in home building.

While we are all hopeful that the trajectory of the pandemic continues to be positive, many challenges remain on the horizon, whether managing the recovery phase, delivering on building safety responding to the white paper or facing up to the challenges highlighted by Black Lives Matter.

In a context of many competing demands, stakeholders will have a range of expectations of providers. The challenge for boards will be to make clear, defensible decisions about how they respond to those demands, that have regard to those expectations but are not necessarily led by them. You should own your own narrative about this – one that reflects your purpose and objectives. Keeping your current and future tenants at the heart of that narrative will be key.

PDF, 868KB, 10 pages

If you use assistive technology (such as a screen reader) and need a version of this document in a more accessible format, please email enquiries@rsh.gov.uk. Please tell us what format you need. It will help us if you say what assistive technology you use.