

# Fiona MacGregor's speech: CIH Housing 2021 – 8 September 2021

## **Introduction**

Thank you Chan for the welcome.

It's good to be together in person, to reflect on the past 18 months and timely to discuss how that and the range of challenges facing the sector will shape what we all do and how we do it over the months and years ahead.

There is a lot to discuss. Government will carry out a Spending Review in the autumn. The review of the Decent Homes Standard is underway, government is continuing to develop and implement policies to decarbonise housing as part of the longer-term trajectory to net zero and the Building Safety Bill is making its passage through Parliament.

Providing new homes remains an important priority, the need for new affordable housing evidenced by the 1.1 million households on waiting lists. Some of you may be involved in the Affordable Homes Programme strategic partnerships announced by Homes England last week, or receiving GLA funding. And, it will be crucial to achieve the aims set out in the Social Housing White Paper.

## **Consumer regulation**

I want to start with that.

As you know, the central aim of the social housing white paper is to reset and rebalance the relationship between landlords and tenants, for tenants to be safe in their homes, that these homes meet good quality standards with repairs and other issues dealt with promptly and properly with clear routes of redress when things go wrong, and to be listened to and treated with respect by their landlord. In short, the basics.

The last 18 months have been unprecedented. Covid-19 meant that social housing providers had to adapt how they delivered housing services in ways the sector has not seen before. The pandemic also highlighted the importance of home – for everyone. Providers' responses required good data to identify risks to tenant safety from restricted services and to ensure checks and inspections are up to date and that remedial actions are completed in a timely manner.

The pandemic also saw providers adapt their communications with tenants, focus on the range of diverse needs and ensure that vulnerable tenants were identified and support offered.

There were also many good examples of providers sharing experiences, learning and good practice.

But it was always clear that coming out of lockdown was going to bring further challenges: dealing with the impact of everyone spending more time in their homes, with backlogs of both planned and responsive repairs to be caught up, compounded by labour and materials shortages and cost increases as well as heavy competition in all sectors for staff, including those providing care and support.

And as you all know, those challenges are being faced in the glare of unprecedented media attention on the sector and the quality of the homes and services it provides.

Many of you may have heard from our new Director of Consumer Regulation Kate Dodsworth earlier today. If you did, you will have heard it is going to take time to implement the new approach to consumer regulation set out in the White Paper. New legislation is needed to give us the necessary remit and powers.

And all of you will have heard over the last few years our “don’t wait” message. In advance of legislation, we expect providers to take action to deliver the aims of the White Paper: ensuring that residents live in good quality homes and are listened to when things go wrong. Don’t wait for the regulator to have the powers to enforce this.

Recent media coverage has highlighted this in the most uncomfortable of ways. We have all been appalled and ashamed to see some of the conditions that have been highlighted, and what that means for affected tenants.

“Don’t wait” means focussing now (demonstrably) on the “3 Rs” – repairs, redress and respect. And transparency. All essential to building, or re-building, trust.

We published our latest Consumer Regulation Review yesterday and set out some of our findings and learning from our consumer regulation in 2020/21. There is scope for further learning from recent casework.

We’ve been saying for some time that the fundamental relationship is that between landlord and tenant – that is at the heart of the White Paper – re-balancing that relationship. It is unlikely to succeed if an effective repair service is not being delivered.

At its most basic, tenants need to know how to report repairs and have confidence that when they do so, appropriate and timely action will be taken – and if things go wrong, they will be given an explanation and will be treated with respect and courtesy.

Tenants also need to know how to raise a complaint, have confidence in a simple and fair process and be aware of the role of the ombudsman if they consider their complaint has not been handled effectively.

And if some tenants might need additional support with such matters, are you as landlords identifying and reaching out to those tenants – building on some of the good work seen in the pandemic.

There is undoubtedly also scope to do more to proactively identify themes and trends – joining the dots on repairs requests and using complaints as a source of intelligence and rich data.

And we all know that there can be a range of complex factors involved in ensuring some homes are of decent quality and kept in good repair, including the complexity of the built form or (and?) the age – where properties are reaching the end of their useful life. As well as getting the balance right in ensuring properties remain of a suitable standard for tenants, be transparent – keep tenants, regularly, informed of issues and investment plans.

We know that many already do some or all of the things I've just described.

Where you are already doing so, talk about it – tell your tenants, but also share good practice and learning within the sector. There is no room, or need, for competition or even schadenfreude – it does not serve the sector well, does nothing to help address stigma, and risks “there but for the grace of” territory. Sharing learning and ensuring transparency is why I've asked Clarion to publish the lessons learned from the Eastfields estate once that exercise has concluded, and they have agreed to do so.

Taking account of the learning in the Consumer Regulation Review, and of sharing and implementing learning among landlords, will all support the sector to be prepared to meet the requirements of the new consumer regulation regime when it is implemented.

For our part, we are working towards the design of a revised consumer regulation framework. We will need to make decisions about three broad areas:

- changes to the standards that providers should meet;
- how we can gain assurance on whether providers are meeting the standards and respond if they are not;
- and a set of tenant satisfaction measures that will help tenants and us hold landlords to account.

We will continue to engage with providers, tenants and other stakeholders as we develop these three elements and undertake several statutory consultations over the next couple of years.

We are working to a faster timetable on tenant satisfaction measures because of the lead-in time for collecting any new data.

Those have a dual aim: to provide tenants with greater transparency about their landlord's performance, and to inform us, about how a landlord is complying with the consumer standards.

Although, understandably, there is much interest in what proactive consumer regulation will look like, changes to regulation are only part of the picture. It is even more important for providers to focus on developing and maintaining the right organisational cultures.

And we will build on the principles that work well on our economic

regulation. We will continue to be assurance-based, and undertake our role in a proportionate, risk-based and outcome focused way. We remain committed to co-regulation. Board members and councillors remain ultimately responsible for ensuring that they provide quality accommodation and services to their tenants and comply with our regulatory requirements.

## **Financial context**

Whilst we are all wrestling with the white paper agenda, we cannot lose sight of the many economic challenges and financial pressures facing the sector. It is grappling with investing in its existing stock, whilst building more homes (at a time of increasing cost pressures and labour shortages). And over the longer term, how to deliver the zero-carbon agenda and to ensure that they can continue to build new homes through the economic cycle.

Nonetheless, the sector's fundamentals – cashflow, asset base, demand – remain strong. The sector remains an attractive place for private capital – especially capital seeking strong ESG performance – and we are seeing that reflected in the pricing of debt for traditional housing associations. Total new finance agreed in 2020-21 amounted to £15.1 billion, the highest ever recorded.

We are currently looking at this year's business plans. Again, the headlines are encouraging. Providers' development forecasts have recovered their upward trend alongside increasing levels of investment in existing homes. The notion that the sector cannot deliver on building safety and stock improvement as well as delivering new supply appears to be an overly stark dilemma.

However, in the current debate about funding new social housing supply there is some confusion between financing and economics. There is no shortage of finance, and most providers have the capacity to raise more debt. Too often we see so called 'innovative solutions' trying to solve a problem that does not currently exist. There is no shortage of available capital, but the difficult economic problem is generating sufficient return on that capital from sub-market rents whilst paying market prices for land and development. The recent Affordable Homes Programme announcement will clearly help with the economic conundrum to some extent, but our review of business plans shows how the desirable and necessary investment in, new supply and existing homes can gradually erode the financial and economic capacity of providers; which is leading some to try and find other ways to fund their business plans.

The arrival of new providers, including some for-profit models also raises the prospect of new entrants unencumbered by the need to invest in existing stock. But, new models with higher expected rates of return still face the same challenges (arguably even greater challenges) when it comes to making the development economics of affordable housing stack up.

Of course, the right approach to financing for each provider will depend on the particular investment challenges they face and which investments each provider chooses to prioritise. In this context clarity of purpose and communication are essential. Individual providers need clarity on their priorities to enable effective decision making and to explain the choices

they are having to make, taking their tenants (and investors) with them.

## **Conclusion**

The backdrop is complex for providers, navigating uncertainties and making decisions on how they will meet their core purpose and how they will apply resources to meet the range of demands they face. Whether that is improving the safety and energy efficiency of existing homes or providing new homes for future tenants. Choices made by providers and their boards affect the safety and security of tenants, and the ability of future tenants to have a place that they can call home. Choices made, and how they are communicated, also speak to the culture of individual organisations, and will significantly impact the reputation of the sector as a whole.

So, while delivering new homes to meet unmet need is as critical as ever, that should not be at the expense of the quality of existing homes.

There is much that landlords can do to get on the front foot – to find issues and ensure tenants have confidence that it is worth reporting repairs; triangulate where possible through identification of themes and trends – and fixing issues promptly and effectively wherever possible. And be transparent about complexities, pressures, delays or where things go wrong. But find them before others do it for you. And fix, wherever possible, issues before they escalate, which leads to trust breaking down and established routes to redress being circumvented.

Where things do break down and there is evidence of failure at organisational level please be in no doubt that we will call breach where we consider that it exists. We will not be influenced by size of organisation or by type of organisation. We will do our job in line with our role and remit – and will not succumb to pressure from any quarter – whether that pressure is to call, or not to call a breach.

No one wants it to come to that, and no landlord sets out to provide a poor service. But this is, and should be, all about services to tenants, not about regulators or roles or remits.