



ALL-PARTY PARLIAMENTARY GROUP FOR  
**HOUSING MARKET &  
HOUSING DELIVERY**

## **Online Roundtable with Fiona MacGregor Chief Executive of the Regulator for Social Housing**

Wednesday 29<sup>th</sup> September 2021 at 2:40pm - 4pm

### **Chair**

Ben Everitt MP (Chair) (BE)

### **Guests**

Aster

Get Living

Homes for the South West

JLL

Land Promoters & Developers Federation (LPDF)

Places for People

RPS Group

Sanctuary Group

Settle Group

Meeting starts 2:40pm

### **1. Introduction**

- FM gave an overview of the regulator's objectives. There are two statutory instruments in legislation that the regulator follows. The first is the economic objective, which currently is regulated on a proactive basis. Governance, viability, value for money and rent are the key areas the regulator operates in. The regulator grades the viability and governance aspects.
- The consumer objective is the second objective which is a reactive objective. This may change after the social housing white paper is published and implemented.
- FM mentioned risk management stating a lot of horizon scanning occurs within the regulator for risks to the sector, and forecasts are used. FM suggested the regulator puts a lot of work into ensuring the sector is well governed.
- FM suggested the risks to the delivery model of new affordable housing have been heavily explored. Some of the risks facing the sector today, if not unprecedented, are certainly wide, with fire safety, building safety, and cladding.
- There are big financial exposure issues for a small number of firms.
- FM suggested that the sector will have to face up to zero carbon obligations, suggesting firms should plan for this now, despite a lack of change in regulation.
- The way the regulator checks housing and developments involves metrics ranging from the quality of decision making, the necessary trade offs and their governance, cost pressures and the desire to continue to contribute to supply of affordable housing.
- The regulator is interested in the provider staying viable, and that the provider is open and transparent.



- It is relatively rare that providers get into financial trouble. The regulator has a role to attempt to prevent this. There are some real cost pressures at the moment though, ranging from materials to labour. There is much more of a squeeze on margins and interest cover. Providers are stretching to meet their own desires and government demands.
- The social housing white paper in due course will enhance the regulator's role.
- The consumer objective is reactive; the regulator responds to cases highlighted to the regulator. The regulator doesn't go out of their way to find issues. Soon the regulator may gain a proactive response, so it can explore more, and the regulator won't need to wait to be alerted to cases.
- The regulator's message continues to be 'you shouldn't wait until new legislation, or new regimes. Whatever you can do now you should. Be prepared. If there are things in your service that you can do better now, do it. Don't wait. Do it now.'
  
- BE thanked FM for her overview

## **2. Questions and discussion**

Q: How do you think your relationship with Homes England will play out? Government has two agencies with clear objectives, but one can see tensions there.

- FM said she used to work for Homes England, but it was called something else back then. She said she knew Peter Denton, new CEO of Homes England, stating they have a good relationship. FM thinks there aren't binary choices. If anyone is in a position where the choice is either investing in existing stock or investing in new supply, then FM said you should focus on existing stock. But FM suggested that in reality, it is never like this. It is about a balance. Communities know best what the priorities are. Demand for new housing is well known.
- From a Homes England perspective, FM said she was clear that Homes England pushes organisations so far that existing services and existing homes may be compromised.
- It is not in anyone's interest to threaten the viability of firms. If a firm states to the regulator that Homes England made them do something, FM said this was not a good excuse.

Q: I do recognise what a difficult balance it is for regulators when it comes to sectors like ours. I would be interested in your perspective. Housing Associations enjoy good profits. Are we heading into a cycle where we can expect reduced profitability and margins across the sector. Do we need to recalibrate what a strong firm, or successful firm, looks like? Should we worry?

Q: A linked question, what are your views on the green agenda, growth, regeneration and stock disposal?

- The sector has enjoyed a level of profitability that lots of other businesses would kill for. Even current tightening still looks reasonably comfortable. What lenders and rating agencies are comfortable with is important to assess. There are questions as to short term dips compared to longer term downward trends. We can allow these short term impacts caused by building safety challenges.

- What the regulator is interested in links back to governance. FM doesn't think that recalibrating the G1-V2 boundary on viability grades is useful. The V1 grading isn't an end in itself. If that is what is guiding a business then it is poor governance.
- In terms of the other question, FM thinks it is still early days. Rushing to wholesale disposal of stock is wrong. Whoever owns it will have the problems of the vendor, you are just passing the problem on. There will be some impossible cases in terms of zero carbon. This leads to debates comparing large scale disposal and regeneration. There are 30 years to achieve net zero; there may be more technological innovation, new solutions, and better prices. The cost may change over time, we have seen this before with solar panels, wind turbines, etc. Heating may be the next technological change.

Q: My question refers to the degree of exposure to the market. If we look at the desire to have 50% home ownership products and we see risk increasing in the housing market, how will the regulator square this circle?

- FM said she was careful what she says on government policy. As providers you need to be making decisions on an informed basis. If Homes England or the Government tells you to do something, then in the eyes of the regulator, this is not a good excuse.
- Risk should always be informed.
- Demand for shared ownership seems to have held up. Demand for shared ownership increases as house prices increase, and is relatively stable when house prices decrease.
- If it is a choice between unsold and empty properties and being converted to a different tenure, in risk terms, individual providers should think about exit routes.
- Dialogue is needed between politicians and the sectors.

Q: Without repeating the previous questions, I was wondering your views on reputation as a sector?

- FM said she often wonders if one of the biggest risks that is less tangible is reputation. We see this in mainstream media, politics, social media etc. It is a cross cutting issue.
- We are suffering Inflationary pressures across the sector. This is clearly impacting repairs and construction. We should be open and transparent about this. We should communicate with tenants and clients, transparency will help. Rent increases are coming. The £20 cut in Universal Credit is imminent which means costs for fuel etc. may not be met.
- Openness is a good first step. Conversations and transparent trade offs need to occur.

Q: How do you see your organisation working alongside the fire regulator?

- FM said this was a high level answer due to current circumstances. The building safety bill hasn't passed yet but if it does there may be some changes. FM said her organisation regulates organisations, while the building and safety regulators look at specific high risk buildings, some of which are owned by the organisations FM regulates. The housing ombudsman deals with individual complaints.
- FM said her organisation has a good relationship with key stakeholders in the new BSR.
- FM said she is expecting protocols on where to share information.



- The BSR are looking at housing principally from a building perspective but if they are not getting satisfaction, FM would expect them to notify the regulator and FM could look from a governance perspective at an organisational level.
- FM stated the regulator for social housing isn't full of building safety experts, it is very technical. If they aren't getting the right responses, that is where the regulator for social housing will come in.

Q: Everything you say resonates with me. Two questions, are you getting many applications from private capital, outside the sector, which don't have the legacy issues that registered providers may be suffering at the moment. And a supplementary question to that is what is your perspective on private capital entering the sector? How do you think you need to regulate it?

- FM said she is seeing a steady stream of 'for profit' organizations entering the market, but it is not dominating at the moment. It is building steadily. FM agreed, if they are starting from scratch, they don't have the same legacy pressures and so may have a bit more free finance in terms of new supply.
- FM said the regulator is keen to make sure that the provider is capable of meeting the regulator's standards over the long term, no matter who the provider is. Standards apply to all. The regulator is keen for new entrants to understand what it means to be a registered provider, and the obligations that go with it. It is not just a badge. The badge has always been traded and in the past entrants haven't fully understood the obligations. FM said the regulator is keen to test providers. For example, how would providers account for a change of obligations. It is not just a static model.
- In terms of private capital, it is already there, £110bn already. The regulator has no ideological view, FM said nor should they.
- FM said the regulator is interested in how to safeguard tenants' homes and services. How do you bake in the safeguards? It is easy for a charity, and more difficult for private capital. FM said she sees lots of private capital looking for long term patient returns. That is great.
- The regulator doesn't judge intent but capabilities.

BE thanked FM. Meeting ends 15:55.