

Written evidence submitted by the Riverside Group [RSH 077]

This submission is made by The Riverside Group Ltd (TRGL), a not-for-profit Private Registered Provider of social housing.

TRGL is also the parent of one of the largest charitable housing association groups in the country. Following London-based One Housing joining the Group in December 2021, we now own and manage over 75,000 homes across England and Scotland.

Our submission to this inquiry is based on years of direct experience of the regulation of social housing as a registered provider. Over the decades, we have been subject to a range of regulatory approaches, however we believe that the current system has matured to a position which can now be developed further to better meet the needs of our customers and wider stakeholders.

Our overall relationship with the Regulator of Social Housing (RSH) has been constructive and positive, and whilst we have retained compliant gradings against the Governance and Financial Viability standard throughout our history, we have also seen a regulator which is prepared to use its powers appropriately. Our experience shows a willingness on the part of RSH to challenge in a robust and effective way in the interest of improving effective governance, the management of risk and achieving value for money for the benefit of customers.

This submission does not address all of the questions posed by the Committee. Rather it focuses on those most relevant to the effective management of assets, and the changes in the approach to consumer regulation set out in the Social Housing White Paper.

For ease of reference we refer to TRGL as Riverside throughout the rest of this document.

1. What is the impact on social housing providers' resources, and therefore their ability to maintain and improve their housing stock, of the need to remediate building safety risks and retrofit their homes to make them more energy efficient?

1.1 The impact of building safety remediation and the need to retrofit homes are the biggest challenges facing the social housing sector today. They are not optional – this type of investment is at the very core of every landlord's responsibility to maintain and improve their housing stock to ensure that all customers have the right to a decent home. Most providers understand the need to prioritise this investment.

1.2 At Riverside, we have identified c£250m to meet the cost of fire safety remediation works to high buildings in the wake of the Grenfell Tower disaster. In essence these are works that are required to address years of regulatory failure.

1.3 Whilst we have been frustrated at the slow pace of the Government's overall response, which has created huge uncertainty for tenants, leaseholders and housing associations, we welcome the Building Safety Bill and the

announcement with it on EWS1 forms not being required for buildings below 18 metres in height. However decision making regarding applications to the Building Safety Fund remains very slow, and we call on the Government to establish a clear plan which will enable social landlords to accelerate their efforts to remediate fire safety issues in their high buildings for both tenants and leaseholders.

- 1.4 Considering decarbonisation, we estimate that the cost of achieving net zero carbon (based on today's pricing) to be c£1bn for Riverside – a figure still only partially accounted for in our business plan, in common with most providers. To meet our retrofit investment obligations, we are dependent on costs reducing as the retrofit market matures, and, for example, the price of technological solutions such as heat pumps falls. The Government has a key role in enabling these market changes, and whilst we would expect to bear the brunt of this investment ourselves, we are looking to Government to co-invest, helping bridge the current funding gap through measures such as the Social Housing Decarbonisation Fund.
- 1.5 As a consequence, we are looking to Government to support our investment activities by:
 - extending the Building Safety Fund to cover the cost of non-ACM cladding remediation for the tenanted stock of social landlords (in addition to leasehold), even where this does not affect organisational viability
 - forgoing VAT on building safety remedial works as well as making recent spending on works VAT-recoverable.
 - making good the commitment to provide the full £3.8bn Social Housing Decarbonisation Fund (promised in the 2019 Conservative Party manifesto), with more being available in next spending review
 - exploring other means of funding, including Government backed loan guarantee funding to reduce interest costs
 - further developing the recent Heat and Buildings Strategy, setting very clear standards and targets for new and existing stock, with effective measures in place for achieving them, including investment to support innovation and the scaling up of production.
- 1.6 If this level support is not forthcoming, difficult trade-offs will need to be made. This would inevitably lead to:
 - Reducing development – for context the £1.25bn Riverside needs to invest in cladding remediation and decarbonisation to 2050, is the equivalent in grant terms of supporting the construction of 23,500 new affordable homes
 - Accelerated stock disposals/rationalisation of 'hard to treat' stock – which will not help the country achieve net zero

We will not sacrifice the required investment in our current homes.

2. Is the current regime for regulating social housing fit for purpose?

- 2.1 Yes, we believe the current regime for regulating social housing is fit for purpose, **but only as it applies to the economic standards (as originally designed)**.
- 2.2 The regulation of social housing is currently divided into two approaches: the proactive regulation of the economic standards (Governance and Viability, Rent and Value for Money), and the reactive regulation of the consumer standards.
- 2.3 It is our experience that the economic standards are actively regulated in a highly effective way through planned engagement activity which includes: stability checks; the submission of routine data; engagement meetings, and in-depth assessments. Through this, and the pro-active reporting of potential non-compliance events, the RSH is able to secure assurance about registered providers' compliance with the economic standards and then provide ratings for governance and viability, actively managing non-compliance through a range of intervention tools.
- 2.4 This approach has been in place for over 10 years, and has been highly successful, ensuring that the sector has remained stable and attractive to investors, despite increasing risks. As a result, the regulator has been able to intervene in cases of financial distress (often linked to poor governance), preventing any providers from becoming insolvent, as well as dealing with systemic issues associated with high-risk activity (again usually a product of poor governance), as evidenced by its ongoing intervention with a number of providers engaged in the provision of supported housing through lease-based models.
- 2.5 This overall approach is based on the principle of 'co-regulation' – a mature approach which places the onus on providers' boards to work with residents in seeking assurance that standards are being met, and then demonstrating how they do this to the regulator. We strongly support this principle, and have been able to put in place robust processes which provide assurance that our organisation and the services we deliver remain compliant with the standards, self-referring where there is a question about whether a standard has been breached. We support our customers to play an active role in reviewing and scrutinising our performance as a landlord through a range of activities.
- 2.6 We believe this approach minimises interference (as required by legislation) and is wholly appropriate for the regulation of independent organisations, especially given the 2015 ONS decision to 'reclassify' housing association debt (then £600 bn) onto the public sector balance sheet, subsequently reversed following the introduction of 'deregulatory' measures through statutory instruments. It is important that in considering any redesign of consumer regulation, the lessons of 'reclassification' are learnt.
- 2.7 However, we do not believe that the current approach to regulating the **consumer standards** is sustainable, particularly given legitimate public concerns about standards in social housing, initially triggered by the Grenfell Tower disaster, but subsequently reinforced in rising complaints, some highlighted by the media. Currently, consumer standards are only regulated on a reactive basis: that is to say that the Regulator only intervenes in cases of

“serious detriment”, which are usually health and safety related. This is a high bar, and the consensus - including amongst the majority of providers - is that a more proactive approach is now needed.

3 How clearly defined are the roles of the Regulator of Social Housing and the Housing Ombudsman?

- 3.1 In broad terms, the respective roles of the RSH and Housing Ombudsman are reasonably clear and well understood, with the RSH considering organisational compliance with regulatory standards, and the Housing Ombudsman focusing on serious individual customer complaints.
- 3.2 However, as the RSH’s consumer regulation powers are extended, there is an opportunity for bringing further clarity, ensuring there is no room for ambiguity, particularly around the subject of identifying sector-wide good practice and issuing guidance.
- 3.3 The RSH already has powers under the Housing and Regeneration Act 2008 which allows it to undertake thematic reviews *“The Regulator may “carry out or commission studies designed to improve the economy, effectiveness and efficiency of registered providers”*. It may also *“publish ideas or information...undertake research in relation to social housing [and] provide guidance, advice”*.
- 3.4 These powers should be reconfirmed as part of the prospective consumer regulation changes, with the RSH playing a more active role in promoting best practice, drawing both from its own experience, and the experience of the Housing Ombudsman in handling individual complaints.
- 3.5 It should be clear that this type of sector advice/guidance should be the responsibility of the Regulator of Social Housing alone, with the Ombudsman playing a supporting role by feeding in evidence from its complaints handling role. As a regulator the RSH will have a rounded overview of the type of practice - good and bad – which will determine compliance with the consumer standards. In contrast, the Housing Ombudsman has a narrower focus on service failure triggered by serious complaints. To avoid ambiguity, there must be a single source of regulatory guidance and good practice, and this should be the RSH.
- 3.6 The publication of the recent spotlight report by the Housing Ombudsman on damp and mould has been welcome, however once the changes to consumer regulation are in place, it should be clear that any recommendations from this type of report should be passed to the RSH to include in guidance or codes of practice.

4 Will the reforms proposed in the social housing White Paper improve the regime and what progress has been made on implementing those reforms?

- 4.1 We believe that the reforms proposed in the Social Housing White Paper will improve the consumer regulation regime to a significant degree. Whilst some progress is being made by the Regulator, it is being hampered by the lack of Parliamentary time to bring forward the necessary legislation which will allow the RSH to develop new consumer standards (and the department to direct it in doing so) and then regulate them effectively. Many in the sector (not least tenants) were disappointed that enabling legislation was not included in spring 2021's Queen's Speech. This needs urgent prioritisation by Government.
- 4.2 The new approach to regulating consumer standards has been set out by the RSH in its paper "Reshaping consumer regulation: our principles and approach" (Nov 2021), and will be similar to that applied to the economic standards, including some sort of inspection of larger associations (over 1000 units). It identifies the following core principles: Co-regulatory; Proportionate; Risk based; Assurance based; Outcome focused.
- 4.3 We support this approach and welcome a greater focus on the consumer standards within the context of the co-regulatory, outcome focused model, successfully applied to economic regulation. This is because it:
- Puts customers at the centre through their role in co-regulation – rather than creating a more directly interventionist role for the Regulator
 - Preserves sector independence, minimising the risk of reclassification
 - Continues the highly successful approach applied to economic regulation, building on the current Regulator's skill set
 - Minimises the potential for the diversion of resources (of providers), for example in managing a process-based inspection regime.
- 4.4 As part of this, we also welcome the introduction of the proposed Tenant Satisfaction Measures (TSMs), and believe the increased transparency they should bring will support customers in their scrutiny of their landlord's performance and hold them to account.
- 4.5 However we are concerned that the TSMs are introduced in such a way that customers can be confident in their accuracy, and are able to compare 'like with like' in benchmarking with other providers. In due course we will be responding to the RSH's current consultation, making the point that the measures will only achieve these objective if they are very tightly defined and collected using a prescribed methodology, with an effective assurance process in place so that there is a high degree of confidence in the integrity of the results. Collecting and analysing reliable tenant satisfaction data using surveys is complex, involving sampling and weighting techniques, and advanced statistical analysis. Without the necessary rigour, there is a danger of error, or worse, landlords deliberately 'gaming' the results. If this were to be the case, the introduction of TSMs would reduce transparency as opposed to improve it.
- 4.6 The precise way in which the Regulator will operationalise the new regime is yet to be defined in detail, and again we would recommend an approach similar to that successfully applied to the economic standards. In considering powers and sanctions, in the case of non-compliance we would recommend an approach

that encourages honesty through self-reporting, ensuring the RSH actively works with the regulated provider and its customers to return to a compliant position as soon as possible.

4.7 The White Paper reforms also propose the introduction of an 'access to information' scheme to improve transparency. This is something we support, however we believe it should be different to a full 'Freedom of Information' regime which is more appropriate to the public sector, and which could add to the 'reclassification' risk. Any scheme should focus on improving transparency for customers and their legitimate representatives, designed following consultation with tenant bodies. A full FOI scheme is potentially open to exploitation by third parties and exploited for business development purposes, taking resources away from consumers.

5 What challenges does the diversification of social housing providers pose for the regulatory system?

5.1 All consumer standards need to apply in equal measure across all registered providers: local authorities and not-for-profit and for-profit private registered providers.

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