

## Written evidence submitted by L&Q [RSH 081]

### About L&Q

L&Q is a registered charitable housing association, and we house around 250,000 people in more than 105,000 homes, primarily across London and the South East. We are also a significant housing developer. We deliver new homes for sale and rent across the country, the majority of which are for low-cost rental or low-cost home ownership.

Our vision is that everyone deserves a quality home that provides them with the opportunity to live a better life. Our purpose is to provide homes and neighbourhoods everyone can be proud of. We will do this by delivering safe, high-quality homes, services and support for all of our residents.

### The context of this submission

L&Q is a part of the G15 and a member of the National Housing Federation and has worked with and supported these organisations on their submissions. The specific context of this individual submission is to provide the perspectives of an organisation with a number of characteristics that have led us to reflect on the wider role of regulation in the sector. These perspectives are:

- We are the largest developer in the social housing sector and as such work closely with a whole range of commercial entities as well as public sector bodies. We continually reflect what our not-for-profit, socially driven and regulated status means, how it differentiates us from other types of organisation and how that translates into how we operate.
- Due to the urban, high-density nature of our stock and its age and build profile we have been working through some of the biggest fire and building safety related issues of any landlord in the country.
- We have recently announced a planned £1.9 bn investment in existing stock over the next 7 years so have recent experiences in working through the practicalities of planning for significant investment in quality homes for the long term, and actively and meaningfully involving our residents in this process.
- We have been embracing the spirit of the social housing white paper and acting in advance of some of the anticipated changes to regulation, particularly in making changes to our governance to strengthen the voice of residents in scrutiny and decision making.
- We have had our own recent experiences of cases where our service and housing provision has not been acceptable and have been learning the lessons from those cases.

Ultimately this submission is supportive of the role of social housing regulation. Developing and providing social housing requires a long-term view. This view needs to:

- have an understanding of the evolving needs and aspirations of the individuals and families who make their homes and build communities within the houses we provide
- plan financially and practically for the performance and investment needs of the housing stock over very long timespans.

We believe that the social housing regulatory regime is fundamentally aligned to this long-term view and plays an important role in making sure that the vital social asset of social housing remains available for current and future generations. We think the reforms that have been proposed in the government white paper and the recently released draft Tenant Satisfaction Measures will be useful and important in helping evolve regulation and adjust the balance between the more “resident” focussed elements of regulation and the property, finance and governance focussed elements. Ultimately all of these elements are needed to create balanced and appropriate regulation.

In order to respond to the questions in the call for evidence we have clustered questions we see as relevant.

## Quality of Housing

### Call for evidence questions

How widespread and serious are the concerns about the quality of social housing?

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?

What changes, if any, should the Government make to the Decent Homes Standard?

Should the Decent Homes Standard be amended to include energy efficiency and other means of mitigating climate change, and if so how?

### Response

Issues of quality of social housing have been high profile in the media recently and, like other organisations, L&Q has attracted some criticism in respect of some cases. We have accepted that criticism and are working to make sure our planned and reactive maintenance services and broader service delivery to residents significantly reduce the likelihood of such cases occurring in the future.

The historic issue of poor-quality buildings and poorly maintained buildings is well known. The decent homes programme from the early 2000s sought to address this through: the creation of the Decent Homes Standard; a programme of investment; and a programme of stock transfers to leverage private investment to improve stock quality. In many respects the evidence cited by the G15 and the NHF about the comparative levels of “decency” of social homes compared to the private rented sector and the owner-occupied sector shows the legacy of this programme, with external evidence published in the English Housing Survey showing how social housing stock performs comparatively well at a global level compared to other tenures.

When the recent cladding issues are brought into consideration it is clear that the underlying issues there affect all tenures and as we look ahead to the challenges of carbon reduction climate change mitigation in housing stock it is also clear that the issues of stock improvement and adaptation also affect all tenures. Our overarching point is that the questions about quality of housing are much wider than questions about quality of social housing.

Where the social housing sector has been different to other parts of the property sector has been in its ability to deliver programmatic improvements to stock – this has been seen in the

historic decent homes programme and more recently in the response to removing and replacing cladding of the type used in the Grenfell fire. This is in part due to the very long-term nature of the interest in that stock from traditional social housing providers and the regulatory requirements to manage finances (including investments in buildings to ensure standards are maintained) over the long term. At the macro-level we do think the question on quality of homes for the social housing sector is intimately linked to long term financial planning for long term cycles of investment.

At L&Q we have recently announced our plans to invest £1.9 million over seven years in the quality and safety of existing stock. This is in no way intended to be a triumphalist statement and is more a statement of our priorities for our long-term financial planning and service delivery. L&Q is in the relatively fortunate position to be able to reprioritise its resources in this manner, but this has come with trade-offs in terms of investment in new supply. Many of the costs of achieving carbon neutrality are as yet not quantifiable and, whilst our planned investment does take account of some environmental upgrades we would expect to have to plan for ongoing (potentially significant spend) on these matters beyond the end of the current seven-year investment cycle. As set out above, it is in taking this long-term view on financial sustainability and investment where the current regulatory regime adds significant value – requiring registered providers to always think in these terms.

With regards to the specific questions about updating the Decent Homes Standard and climate change mitigation we have responded to a range of consultations on these matters. Our overall perspective is that the Decent Homes standard is now around 20 years old and it is right that it should be updated to reflect learnings from implementing the standard and modern expectations. In respect of environmental matters, we have previously argued that it would be better if thought were given to making sure regulations and associated resources that are made available to fund and incentivise upgrades are unified to avoid piecemeal and unstrategic approaches to improving the sustainability of homes.

In respect of the role of the regulator on these matters we would not expect them to become experts in all the details of building quality and building performance but we do see them continuing to have a role in evaluating how seriously and effectively social housing providers are grappling with these challenges, assuring themselves of compliance and planning for the future by review of organisational strategies, financial planning and Board oversight.

## **Regulation of Social Housing**

### Call for evidence questions

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

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

Does the current regime allow tenants to effectively resolve issues?

Do the regulator and ombudsman have sufficient powers to take action against providers?

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

Should all providers of social housing, not just councils, be required to register with the regulator?

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

### Response

In our view we broadly believe that the regime for regulating social housing is fit for purpose in that it is focussed on ensuring that social housing is available for those that need it for the long term. From our perspective we experience the regulator taking a robust and challenging yet proportionate approach to its role. It is notable that in recent years the regulator has increased its sophistication in working with regulatory data for ongoing monitoring purposes and periodic “In Depth Assessments” are a rigorous qualitative tool. From our experience we have confidence that the regulator understands the social housing sector and acts independently with skill and expert judgment.

We know that there have been some concerns expressed about the role of the regulator in resident facing matters and this formed a significant part of the Green and White papers over the last three years. We do think that the current “serious detriment” approach to regulating these matters with its associated naming and shaming practices is likely to have had a deterrent effect from the worst practices. However, we are supportive of the intention of the regulator acquiring more powers to regulate resident facing matters more proactively. We look forward to seeing more of how this regime is developed. If the regulator is able to apply approaches that are analogous to those outlined above in relation to its economic role (sophisticated use of data, backed up by a qualitative assurance-based regime), we believe that this has potential to positively increase the focus of social housing providers in these areas and drive-up standards at the global level. Subject to resolution of issues relating to the serious detriment test we believe the regulator has access to a sufficiently wide range of enforcement powers.

In respect of the relationship between the social housing regulator and the ombudsman, there is a long-standing distinction between the regulator’s role in tackling the underlying systemic organisational issues that may have given rise to failure and taking action against organisations, and the ombudsman’s role in providing redress for individuals. The blurring between these roles has also been long standing – from the regulatory perspective an individual issue may be indicative of a wider failing that it believes it should take action to resolve at an organisational level, and the Ombudsman is keen to ensure there is wider learning from individual cases. We believe all of these perspectives are healthy and in the ultimate interests of improving accountability to residents and improving their experiences in social housing. However, given this inherent area of overlap it is important that there is effective co-ordination between these organisations. In the current environment where the Ombudsman regime has been subject to an element of reform but the anticipated reforms to the social housing legislation and regulatory regimes as set out in the white paper have not yet materialised, the overall regime does feel slightly imbalanced at the moment.

In terms of taking action in advance of the social housing White Paper, for around two years L&Q has been seeking to make changes at a governance level and throughout the business to redress the balance of power with residents. To date we have reviewed and changed our governance structures to give more weight to the voice of residents and currently have a formal committee of our Group Board, known as the Resident Services Board that is comprised of a significant majority of residents that oversees all services to residents at a governance and strategic level as well as spearheading the wider efforts to involve residents at all levels. We have resident representation on our Group Board and on all board

committees. For a large organisation like L&Q we felt it was important to us to drive the agendas of resident focus and accountability through our governance structures. Despite the progress made we still believe we are at a relatively early stage in the path we are pursuing. Our key learning to date that is that the changes we are making are as much about culture as they are about following regulatory rules and it will be really important that as regulation is developed it doesn't engender a "box ticking" mentality in the sector.

In response to the questions about who and what should be regulated, we believe it remains critical that the regulator is given sufficient powers to ensure that the long-term view of social housing assets and the relationship with social housing residents is enforced across the regulated sector – regardless of the constitutional form of organisations or the other activities they undertake.

*December 2021*