



VIEWS

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Deregulation – the path to a stronger independent voice for the housing sector – *Sam McGrady, Director, DTP*



As the mandarins and ministers in the Department for Housing, Communities and Local Government look back on nearly 18 months of social housing deregulation, they can probably do so with a certain amount of satisfaction. On balance, it hasn't caused major disruption to the social housing sector. At the same time it has achieved the policymakers' aim of removing Registered Provider (RP) debt from the Treasury balance sheet: within six months of the new regulatory regime coming into force, the ONS had reversed its previous decision to classify social housing providers as public bodies.

Meanwhile, from conversations we have recently been having with sector leaders, the overall response seems to be: "what was all the fuss about?" We appear at no greater risk of poor strategic decisions being made; in fact I think we are seeing greater signs of improved accountability and transparency, particularly at board level. Decision making is, if anything (in most cases), getting better.

Most panel members we spoke to for our recent DTP Exchange Report said they had noticed little adverse impact from the reforms. Many said they have continued to appraise decisions such as stock disposals and mergers as if they were still having to jump through the regulators' hoops. Proper due diligence is still seen as a business essential, even when advance sign off from the regulator is no longer needed.

Those who have charitable status also still face regulation from the Charities Commission, especially around disposals or constitutional changes. And there is a growing expectation that boards must do more to ensure sound strategic decision making.

Take stock disposal, where the onus is now on providers to give notification after the event, as opposed to securing advance approval. Most of the providers we spoke to said they are not disposing of that much stock anyway, certainly not out of the sector. Instead, many are focused on much more active and intelligent asset management. This might mean sophisticated methods of calculating a property or estate's Net Present Value and beyond, which involves looking at all the costs and benefits of a property, beyond simple financial measurements.

Social or community value might, for example, be taken into account, and the net result can be a better understanding of what investment is required to improve the return on your assets. Most disposals that are taking place are between providers rather than out of the sector.

Constitutional changes are being approached in a similarly responsible way. Just because social housing organisations no longer have to obtain regulatory approval does not mean they are throwing caution to the wind.

At the same time, the reforms have reduced the paperwork and bureaucracy involved in making such decisions. This has to some extent enabled organisations to be more agile and responsive to opportunities. One provider, for example, said they were using deregulation to explore ways they might work with pension funds and 'for profit' providers to deliver new housing development. Another said setting up a commercial subsidiary had been made easier by no longer having to apply for consent beforehand. So there are some signs out there that deregulation might be facilitating innovation.

One noticeable impact of the reforms has been felt by a small number of former stock transfer providers. Here, we are seeing an acceleration of the move to more skills-based boards, with less local authority involvement in governance. To be fair this process predates deregulation, but it has noticeably accelerated as a result of the deregulatory measures.

I think we have largely seen the impact of the reforms play out and I don't expect any significant major ramifications to emerge. In many respects the reforms represent the strengthening of the sector's independent voice and that should be welcomed.

Where we might be headed in the future is less certain. Before the publication of the Housing Green Paper mid-August, one could perhaps have speculated about further deregulatory measures, not least assuming that Brexit happens and the UK removes itself from the rules and regulations of the EU. However, as is now well understood, the Green Paper proposals (and they are, after all only proposals) infer increased regulation in certain areas, or at least enhanced powers for the regulator. We'll be looking to engage the thoughts of sector leaders on this for future Exchange reports. Watch this space.