



Cynulliad
Cenedlaethol
Cymru

National
Assembly for
Wales

Cofnod y Trafodion The Record of Proceedings

[Y Pwyllgor Cyfrifon Cyhoeddus](#)

[The Public Accounts Committee](#)

27/2/2017

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from the Meeting for the Following Business

Cofnodir y trafodion yn yr iaith y llefarwyd hwy ynnddi yn y pwyllgor. Yn ogystal, cynhwysir trawsgrifiad o'r cyfieithu ar y pryd. Lle mae cyfranwyr wedi darparu cywiriadau i'w tystiolaeth, nodir y rheini yn y trawsgrifiad.

The proceedings are reported in the language in which they were spoken in the committee. In addition, a transcription of the simultaneous interpretation is included. Where contributors have supplied corrections to their evidence, these are noted in the transcript.

Aelodau'r pwyllgor yn bresennol
Committee members in attendance

Mohammad Asghar Bywgraffiad Biography	Ceidwadwyr Cymreig Welsh Conservatives
Neil Hamilton Bywgraffiad Biography	UKIP Cymru UKIP Wales
Mike Hedges Bywgraffiad Biography	Llafur Labour
Neil McEvoy Bywgraffiad Biography	Plaid Cymru The Party of Wales
Rhianon Passmore Bywgraffiad Biography	Llafur Labour
Nick Ramsay Bywgraffiad Biography	Ceidwadwyr Cymreig (Cadeirydd y Pwyllgor) Welsh Conservatives (Committee Chair)
Lee Waters Bywgraffiad Biography	Llafur Labour

Eraill yn bresennol
Others in attendance

Nicola Evans	Cadeirydd, Cartrefi Cymoedd Merthyr Chair, Merthyr Valleys Homes
Steve Jones	Prif Weithredwr, Tai Ceredigion Chief Executive, Tai Ceredigion
Derek Lassetter	Cadeirydd, Tai Ceredigion Chair, Tai Ceredigion
Michael Owen	Prif Weithredwr, Cartrefi Cymoedd Merthyr Chief Executive, Merthyr Valleys Homes
Nick Selwyn	Swyddfa Archwilio Cymru Wales Audit Office

Huw Vaughan Thomas	Archwilydd Cyffredinol Cymru Auditor General for Wales
Helen White	Cadeirydd, y Bwrdd Rheoleiddio ar gyfer Cymru Chair, Regulatory Board for Wales
Mike Wiseman	Cadeirydd, Panel Ymgynghorol Tenantiaid Chair, Tenant Advisory Panel

Swyddogion Cynulliad Cenedlaethol Cymru yn bresennol
National Assembly for Wales officials in attendance

Jonathan Baxter	Y Gwasanaeth Ymchwil Research Service
Fay Bowen	Clerc Clerk
Claire Griffiths	Dirprwy Glerc Deputy Clerk
Meriel Singleton	Ail Glerc Second Clerk
Katie Wyatt	Cynghorydd Cyfreithiol Legal Adviser

Dechreuodd y cyfarfod am 13:15.
The meeting began at 13:15.

Cyflwyniad, Ymddiheuriadau, Dirprwyon a Datgan Buddiannau
Introductions, Apologies, Substitutions and Declarations of Interest

[1] **Nick Ramsay:** Welcome, Members, to this meeting of the Public Accounts Committee. Headsets are available in the room for translation and sound amplification. Please ensure that electronic devices are on silent. In the event of an emergency, follow the directions of the ushers. We have received no apologies, although Neil McEvoy has told us that he'll be arriving a little bit later. Do any Members have any declarations of registerable

interests that they wish to declare at this point? No? Excellent.

[2] Before item 2, Pobl have asked me to clarify a point for the Record of Proceedings from a question directed at them at the Public Accounts Committee meeting held on 13 February in respect of the question referring to checks undertaken on tenants before offering them properties, and specifically about Gwalia, with reference to when they housed the paedophile gang in Kidwelly from London. That was in paragraph 196 of the Record. Pobl wish to state that this was relating to an issue over a decade past and that Gwalia had not housed the paedophile gang in Kidwelly; they had housed a family from the south-east of England with no history of sex or other offending, who went on to form a sex cult, which was then found to have carried out abuse in the immediate community. This abuse was uncovered by the police and other agencies, leading to high-profile and well-publicised prosecutions. Housing associations are sometimes required to house sex and other offenders and would do so in extremely close liaison with relevant agencies, as reflected in Amanda Davies's response at paragraph 199 of the Record to the above question that was asked. I was asked if I would relay that for clarification purposes, which I have done.

13:17

Papurau i'w Nodi Papers to Note

[3] **Nick Ramsay:** Okay. Item 2: papers to note. First of all, the minutes of the meeting held on 13 February 2017. Are we happy to agree the minutes?

[4] **Mike Hedges:** Yes.

[5] **Nick Ramsay:** Thank you. With regard to the inquiry into the regulatory oversight of housing associations, there is a correction from the Welsh Local Government Association—that's in pack page 5. Are Members happy to note that correction?

Craffu ar Gyfrifon 2015–16: Ymatebion i Adroddiad y Pwyllgor Scrutiny of Accounts 2015–16: Responses to Committee Report

[6] **Nick Ramsay:** Item 3: the scrutiny of accounts 2015–16. The committee's report on the scrutiny of accounts was published in December

2016. The committee made 16 recommendations, all directed at the Welsh Government and Careers Wales. They have submitted a joint response and have accepted all of the recommendations except one—recommendation 9—which has been accepted in principle. The response states that recognising changes within Careers Wales since 2014, the Welsh Government will review the process and options of whether a merger of the Careers Wales pension funds would ensure greater efficiency and value for money going forward, and that any decisions in relation to this matter are for the Careers Wales board. Estyn and the Higher Education Funding Council for Wales have submitted comments for the committee’s consideration. The Assembly Commission has not submitted any comments.

[7] We will be returning to this. We can return to this in our session with the new Permanent Secretary in due course, so I propose to note the paper for now. Are Members happy with that approach? Yes, good.

13:18

**Ymchwiliad i Oruchwyliaeth Reoleiddiol ar Gymdeithasau Tai: Sesiwn
Dystiolaeth 9
Inquiry into Regulatory Oversight of Housing Associations: Evidence
Session 9**

[8] **Nick Ramsay:** Item 4, continuing our inquiry into the regulatory oversight of housing associations, and it’s our ninth evidence session, so we’re well versed in these sessions, now. Can I welcome our witnesses to the committee today? Thank you so much for being with us, it’s really helpful to our deliberations. Would you like to give your names, positions and organisations for our Record of Proceedings?

[9] **Ms White:** Yes. Hello, everybody. My name’s Helen White and I’m chair of the Regulatory Board for Wales.

[10] **Mr Wiseman:** My name is Mike Wiseman, and I was the chair of the tenant advisory panel—that’s now changed. I’m also now a member of the regulatory advisory group and the Making it Happen, Making it Work group, as well.

[11] **Nick Ramsay:** Great. We’ve got a fair number of questions for you, as we’ve had for previous witnesses. So, if, at any point, I appear to be moving

things on quickly, it's just so that we can get through as much material as possible. I'll kick off with the first question. In terms of establishing how effective the regulation is and the system of co-regulation, I wonder if you can tell us how the role of the Regulatory Board for Wales has evolved and about the effectiveness of its relationship with the Welsh Government.

[12] **Ms White:** Yes. Do you want me to go first?

[13] **Mr Wiseman:** Yes, carry on.

[14] **Ms White:** The regulatory board, as it stands now, has been in its current form for about 12 months and there were changes made to reflect that. Previously, there were a wide range of stakeholders actually on the regulatory board, and that was causing a problem when it came to discussing some of the more commercial details and some of the complex cases. The board were unable to go into lots of detail about that because of the commercial and sensitive nature of what was being spoken about. So, it was revised so that the regulatory board is now made up of independent members and we have a regulatory advisory group, which is comprised of stakeholders. We work in a slightly different way now.

[15] When I was appointed as chair, one thing I was really keen to make sure was that we were very much connected to the sector. So, we meet quarterly and we make sure that we're out and about. We meet in the offices of housing associations in Wales, we spend a whole day there, and over lunch we ask that the housing association comes in—sometimes the chief execs, sometimes the tenants, come in and talk to us about some of the work that they're doing. So, we don't spend the whole day looking at some of the issues and challenges of regulation; we're actually also talking about some of the really positive work that's happening across the sector. We also have monthly conference calls, so we're able to stay very much connected to the regulator, but also to some of the hot topics, so the challenges and issues, and that's proved really helpful, so that there's an ongoing and developing relationship between us as a regulatory board, but also between us and the Welsh Government, the regulator. Our remit is very clear: we are there to advise the Minister on the performance of the sector and also to challenge and scrutinise the regulator.

[16] **Nick Ramsay:** Is the role of the board clearly understood within the sector?

[17] **Ms White:** Yes, I hope so. I've certainly made it my business to get out and about into the sector. I've taken up every opportunity I've been offered to speak publicly about the work of the regulatory board and I've tried to be as accessible as possible. I've been at Community Housing Cymru's vice-chairs and chairs network event a couple of times in the north and the south and I'm going again this week. We're really making it clear to the sector that we are, as a regulatory board, available and want to be very much part of the sector, talking to the sector and developing and really understanding some of their challenges, so that we can make sure that's very much fed into our work.

[18] **Nick Ramsay:** And does the Welsh Government respond in a timely fashion when problems are identified?

[19] **Ms White:** Yes.

[20] **Nick Ramsay:** That's clear. Do you believe that the demise of the tenant advisory panel could be perceived as a reduction in the role for tenants in the regulatory process, or is that being compensated for?

[21] **Ms White:** It shouldn't be seen at all as a demise. Tenants are very much at the heart of the regulatory framework in Wales, and that's right. We've made that commitment. I've certainly made that commitment publicly when I've been speaking about regulation and the role of tenants within regulation. I think it's really important that that remains and is very much a strong commitment of ours. What we decided as a board was that the way that TAP had been operating, it had done lots of very positive things but, moving forward, we felt that we needed to move participation into a new space, using some new and innovative mechanisms to get the tenant voice heard within regulation. So, building on tenant participation, actually moving us to a space of getting real insight and intelligence, tenant insight, a real strong voice from a much broader range of tenants and communities. Hopefully, that's what we're going to do. We've got the Making it Work group which is the group that's going to take forward participation within the regulatory framework. I'm sitting on that group because I feel it's such an important issue for us and we've got our first meeting later this week about the new mechanism and exactly how that's going to work.

[22] **Nick Ramsay:** Mike Wiseman, did you want to come in on that?

[23] **Mr Wiseman:** Yes, if I may, Chair. As regarding the problems that there

have been in the past with some of the regulatory processes, I was very much involved in putting together the regulatory framework and that was work that was done by tenants up in Trafford Hall six or seven years ago. We came up with the format of what the outcomes were to be with the regulatory framework. So, I've been involved in regulation now right the way through from its onset. There were problems, there have been problems and there have been problems with TAP. A lot of the problems were brought about by some of the things that were happening within the sector, within the organisations that were facilitating the tenant advisory panel as well. So, there have been problems from that standpoint.

[24] The past problems regarding the regulatory process, I don't think that we as TAP—. We've been able to feed in to the regulator through the TAP efforts that we've been able to do, and we've able to report, and at our TAP meetings we've had the regulator attending on all occasions—virtually every TAP meeting that we had there was a member of the regulatory team who came along, and they were taking notes and looking at our recommendations.

[25] The one thing with the previous administration of the regulatory board was the fact that some of the things that we were trying to do then were restricted. Towards the very end we were very aware of some of the things that were happening regarding scrutiny within housing associations. So, we were very aware of this, and we wanted to get something done. We wanted to have a report made and we wanted to see where the scrutiny was going as regards housing associations. Unfortunately, it took nearly two years for us to get the go-ahead to do this work from the RBW, so we were having those sorts of problems. The other things were that the representation of TAP through the Welsh Tenants and others—we weren't getting our voice heard at the RBW meetings. This was unfortunate because we had an awful lot to say and we had an awful lot to come through. This, I feel, has now changed, and in the new format with the new RBW I think that we've got a way of moving forward.

[26] As regards your question regarding TAP, that is the fact that, of course, we lost an awful lot of the people on the ground who we were utilising during that period of time—there were up to 12 members at one particular stage and we were doing that sort of work and finding our reports. I'm hoping, and I'm optimistic, that with the approach that is now being taken in conjunction with the Tenant Participation Advisory Service and myself, we will be able to feed back to the RBW on the new innovations that I

know that TPAS has got in mind, using social media and that type of thing to get, perhaps and hopefully, to the younger generation. It has been rather what we would classify as a 'whitey' [correction: white-haired] convention when it's come down to TAP members and some of the tenant participation people who've been involved.

[27] **Nick Ramsay:** So, there was an initial reduction in experience on the ground with those members who were lost.

[28] **Mr Wiseman:** The TAP members.

[29] **Nick Ramsay:** Yes.

[30] **Mr Wiseman:** The TAP members—what happened there was that we weren't getting anywhere. That's the truth of the matter. It's been like that for quite a little while. When it changed—at the beginning of April last year, things changed and the Welsh Government took over the administration of TAP, things started to change then. We were able to get on to doing a value-for-money report for the RBW, which we did, and that was accepted, and that was taken along in their considerations on the future for value for money. I think we were able to contribute to that. But by that time, through natural wastage, what we were trying to do, what we wanted to do, was recruit new members—but of course this didn't occur. Then it was agreed that we would perhaps not go down that route because of the reduction in funding, especially when it came down to TAP. The TAP funding was more or less taken away and incorporated into the new system.

[31] So, as regards the fact of the diminishing people who were on TAP, this was brought about mainly through the fact of the changes that were taking place at that time, natural wastage, and at the end of the day it was agreed that we were not to have TAP, as such.

[32] **Nick Ramsay:** Thanks. Lee Waters.

[33] **Lee Waters:** Thank you. Could I thank Helen White for your written evidence? It's very useful. You said that co-regulation can work providing three criteria are met. One is the role of tenants being at the heart of it, as we've just discussed. The second is credible and professional practitioners in the regulation team. And the third, then, is the standards of governance in the housing associations themselves. So, how would you rate the system currently on those three measurements?

13:30

[34] **Ms White:** I think it's effective, but I think there is room for improvement, probably on all three of those measures. We've talked quite a lot about the role of tenants and how we want to strengthen that going forward. Mike's very honest in terms of saying TAP wasn't really working as it was, so we are looking at a new mechanism and we're committed to making that work. If that doesn't work, we will find something else that does because the commitment remains. The mechanism—you know, we'll find the right mechanism, but the commitment is definitely there.

[35] In terms of the skills of the regulator, there's some challenges there, which are getting better, particularly now the regulator has been able to recruit some external skills that they were unable to find internally. That will be very helpful for them going forward, particularly as the diversity of the sector increases. The nature of housing associations is changing so that they're becoming more complex in different directions, really, and I think the skills that the regulator has needs to reflect that diversity.

[36] Then, in terms of the housing association governance, again, it's varied. I've seen some excellent examples and I've seen some examples that I'm not so keen on. That's where we as a regulatory board are really keen to add value to the work of the sector. Yes, we report to the Minister and scrutinise the role of the regulator, but we want to also do a third role, which is around working with the sector to inspire and develop learning. We've already done some work on value for money and our second piece of work is going to be on governance, taking forward some of those challenges that we're picking up from the sector where governance perhaps isn't where it needs to be. We're going to work with CHC and other partners and the sector more widely to look at how we take forward some work to develop governance to make sure that that's as strong as it can be going forward, because that really is key.

[37] **Lee Waters:** Okay. I'm sure we'll want to get into all of that but, first of all, in terms of the quality of the regulatory team, you do say in your evidence that you think the restriction of recruitment to the internal civil service pool is a major risk to the quality of regulation.

[38] **Ms White:** Yes.

[39] **Lee Waters:** That seems fairly fundamental as this is part of the civil service. So, how might that be addressed?

[40] **Ms White:** I think it has been addressed and there has now been dispensation gained so that they can recruit externally around particular skill sets—finance was one and development skills was the other. So, the team is now strengthened to ensure that that risk is mitigated.

[41] **Lee Waters:** Is that on a one-off basis or is that going to be an ongoing flexibility they have?

[42] **Ms White:** I'm hoping it'll be an ongoing flexibility. I think it's on a case-by-case basis, but the flexibility has been established that it can happen now.

[43] **Lee Waters:** Well, if it's flexible, it can't be just on a case-by-case basis, can it? Either they're going to have freedom to manoeuvre and recruit the best people or they're going to be stuck with having to give preferential treatment to people within the civil service.

[44] **Ms White:** My understanding, in terms of—. I don't know the mechanics of how the civil service recruitment works in detail, but my understanding is, if the skills are required, then there is now a mechanism to make sure they're able to go and get those skills.

[45] **Lee Waters:** In terms of getting the right skills, I understand that the amount of money regulators are paid in England is significantly higher than the amount regulators are paid in Wales.

[46] **Ms White:** Again, I don't know the direct comparison in terms of salaries. I think the challenge could be around the salary of a regulation manager versus the salary of a chief executive, perhaps, in terms of them being—. It's a challenging role, dealing with very senior people within the housing association.

[47] **Lee Waters:** Yes, and do you think we're getting the right calibre of people?

[48] **Ms White:** Yes, I think we have a strong team. But there were some gaps there and I've been given commitments that those gaps are being filled.

[49] **Lee Waters:** Because the evidence we've had to date has been little on the skill level but an overwhelming feeling on the capacity, the number of people there are. There's a general concern in the evidence we've heard that there just aren't enough. Is that a concern you share?

[50] **Ms White:** Yes, it does concern me, but I think that the changes to the regulatory framework that have come into place since the beginning of this year will help make the best use of the time that we've got. We're realistic to understand that there isn't a bottomless pit of money to finance an indefinite number of regulators. We do need to make and demonstrate value for money in terms of the regulators that we have. They are an incredibly hard-working team, I absolutely know that. There are challenges but I'm confident at the moment that they're able to deal with the capacity.

[51] **Lee Waters:** It is your job to hold them to account, isn't it?

[52] **Ms White:** Yes.

[53] **Lee Waters:** Okay, because the weight of the evidence you've given us so far is you seem to be doing good on the support, you're encouraging, you're working alongside with them, but I'm less confident from what you've said so far about how much bite there is to your regulation.

[54] **Ms White:** There is definitely bite and we are more than happy to challenge the regulator. It's done in a very positive way. We're not there to sort of beat them up or batter them in terms of the work that they're doing. The difficulty is that when we have our meetings, quite a lot of the time is taken up talking about complex cases where there are significant challenges for the regulator to deal with. Of course, I can't go into the detail of those cases because of the commercially sensitive nature of what's involved, but I can give you examples of changes in the course of action that the regulator has taken because of advice and challenge that the regulatory board has given. That has happened; that's happening.

[55] **Lee Waters:** Okay, thank you.

[56] **Nick Ramsay:** Mike Hedges, then Rhianon. Mike.

[57] **Mike Hedges:** Following on from what Lee was raising, if you take my view, over the last 40 years, housing associations—we've got a few of them—have become larger and they've stopped being wholly housing associations.

Some of them have diversified substantially. It's a different job being on a housing association board now than it was 40 years ago. Would you agree with that?

[58] **Ms White:** Yes.

[59] **Mike Hedges:** And would you also agree that there needs to be a limit to diversification, and that some of them are turning into a lot of things, but building houses and managing houses seem to be becoming less and less important parts of what they do?

[60] **Ms White:** No, I disagree that diversification should be limited and that the housing element is becoming less important. I have the opinion that housing associations have a really big role to play in the wider community development role around shaping the skyline of communities in Wales. I think they have a massive contribution to make in terms of the skills and the work that they've been doing over the years. I think, historically, housing associations haven't always been the best at talking about the wider role that they're doing, so I think some of that diversification that people are now talking about has always been there, particularly around skills, education, training and advice to tenants on various aspects of their lives. Housing associations have been involved in that for a long time, and I think they have a big role to play. I think what's important is that the governance of the housing associations reflects the diversification that they're trying to do. So, if they're moving into a specific area, they need to make sure that they've got the skills at board and exec level to fulfil whatever their vision and values as an organisation may be.

[61] **Mike Hedges:** Isn't there a danger of increasing risk by diversification?

[62] **Ms White:** Yes.

[63] **Mike Hedges:** And is that a concern you share?

[64] **Ms White:** The increase of risk doesn't concern me. What would concern me is if that risk is not appropriately mitigated and dealt with at board level. And I think it's the housing association's role to develop their own approach to risk, so that they've got appropriate risk assurance frameworks in place. And that becomes more complex as they diversify, because it's not just a single risk—it could be the cumulative impact of a number of risks as they diversify across a number of fields. So, the

governance needs to really sharpen up to be able to deal with and handle that. That's where the regulatory board and the role of the regulator should focus—not so much about what is the risk, but how that risk is being mitigated and is that being done properly and appropriately.

[65] **Mike Hedges:** Okay. I'm going to go on to risk later, I think, but I think that Rhianon wanted to come in, Chair.

[66] **Nick Ramsay:** Mike Wiseman, did you want to respond to that?

[67] **Rhianon Passmore:** Go on. Yes, that's fine; mine was on a slightly different tangent.

[68] **Mr Wiseman:** Just looking at your comments regarding diversification, I've been involved on two boards during my 10 years doing voluntary work. And I think that as long as the boards remain focused as well on their tenants—which is what the core of their organisation is supposed to be about—if they are concentrating on their tenants and making sure that their tenants get the services that they require, I think diversification could be a good thing. Taking up what Helen said regarding doing things out in the community, which is a very, very commendable thing, because it's not just doing things for their own tenants, but it's doing things for the community as a whole. And so, consequently, they do seem to get this wider view of what is going on in their patch, if you like, and I'm involved with other housing associations to look at that community diversity thing.

[69] So, I think that, taking your point about diversification, as long as they remain focused on their core principles, which six or seven years ago were written into the regulatory framework, and that is that the tenants are at the heart of their organisation—as long as that comes up trumps, and as long as that comes up to be their priority, I can't see that any other diversification could be harmful.

[70] **Mike Hedges:** And you think that's true of all housing associations in Wales.

[71] **Mr Wiseman:** No.

[72] **Nick Ramsay:** Rhianon Passmore.

[73] **Rhianon Passmore:** Thank you. We'll come to risk again shortly as well.

In regard to that as a related subject—I'm jumping back mildly in regard to the role of the tenants advisory panel, and its core focus being, as has been mentioned numerous times already today, the customer, which is our tenant—do you feel that anything has been lost in terms of the demise of the tenants advisory panel, and how is that incorporated, further to what you've already said, in terms of that tenant focus of being a support for that tenant and that conduit to the wider framework that was there previously, however much there wasn't a perfect voice? That voice wasn't heard, from what you've said, and we've heard this previously. I'm still concerned that there's something that's still not present that needs to be present. Because, when we talk about the risk, a little further on now in this conversation, that has to be there at its very focus. So, is there reassurance from both of you, perhaps, or not, in terms of that customer-tenant focus?

[74] **Mr Wiseman:** I think that the focus on tenants by tenants was a very good thing. Basically, it's because if you were moving into—. I give an analogy that, if a member of staff or an executive were asked 10 questions from a tenant and a tenant were asked the same 10 questions, they're going to get 10 different answers. One of the main things about all that was, usually, there doesn't seem—or hasn't been, in the past, a great deal of trust between the tenants and their landlord. That probably is historic, and it's going to take an awfully long time for that to pass.

[75] So, I think that, looking at the fact of what we did as a tenants' advisory panel, we were able to get out there and talk to tenants and get the tenants' viewpoint and get the feedback from tenants. I've been assured—and it's early days yet, because it's the new transition into the new approach—not only by Helen and the regulatory board, also by the regulator, and also by the new director, or the director of TPAS who is going to be taking on this role. I've been assured that there are things in place to make sure that this focus on tenants is going to be in place. And also there are going to be ways of possibly recruiting younger people into the tenant participation programme. I think we need an awful lot of co-operation from the sector to get this done, and I think we need an awful lot of work that's got to be done. I remain a little sceptical that we can do that with the reduced number of people that we will have. Mainly, it's got just me at this particular time, although you've got TPAS staff that will be taking this role on.

[76] So, I do feel very strongly from the point of view of the fact that, yes, we have lost something. In my view, we have lost something: a loss of

approach, loss of focus. But in the future there are contingency plans to resurrect that and to take it forward in a much more positive way, I would hope, for making it work. The group is going to be overseeing this to make sure that it does work, and, if it doesn't work, then it's back to the drawing board.

[77] **Rhianon Passmore:** So, in that regard, in terms of that hopeful reassurance that there are green shoots out there, bearing in mind the depleted numbers, what focus is there going to be from yourself?

[78] **Ms White:** Well, building on what Mike said, for me, what I think is really exciting about the opportunity that we've got, now that we're going to do things differently, is to get a real grip on more customer or tenant insight, really, so, moving away from more anecdotal interview-based evidence. Yes, there's a place for that, and there will still be a remit for that in terms of the work that TPAS will be doing in getting information from tenants to feed into us as the regulatory board, but I think there are some real, exciting opportunities to do things differently. I don't often look to the banking sector for the best ways of doing things, but if we look at some of the ways that they go about getting insight, intelligence, and data about their customers then I think there are some real, innovative ways that we can look at perhaps adopting in the housing sector—so, more use of technology. There was a report recently done that talked about the use of apps, gamification, getting people engaged in new and different ways—

[79] **Rhianon Passmore:** How does that work—to interrupt you—in terms of those who are not digitally connected?

13:45

[80] **Ms White:** Well, it's early days in terms of developing that, but we certainly want to look at some ideas. So, there could be an app that we'd ask tenants to sign up to and then we would be able to put questions and information on there that they could then respond to so we'd get an instant response—

[81] **Rhianon Passmore:** I suppose—to stop you—I'm concerned about those who are not digitally connected in any sense or shape or form. We talk to the wider remit, don't we, of what a housing association can do in terms of building that wider community, and there's a role there, I would presume. I suppose I'm seeking more reassurance that we're not going to lose the

heart of what housing associations are about, which is that connectivity with tenants at the most basic level. Apart from digital technology, is there any other great big idea out there?

[82] **Ms White:** The reassurance I can give you—. I started out in tenant participation in terms of my housing career, so that's been where I've developed my housing journey. I recognise the value and understand the value in keeping tenants very much at the centre of what housing associations are doing and also what the regulator's doing. The commitment is there—I think, the mechanism, we just need to get that right. There's a real commitment from myself and others at the regulatory board to making it work.

[83] **Nick Ramsay:** There's still a place, though, for anecdotal evidence, isn't there? You said earlier that, okay, you can move on to the new technology like apps, but that face to face finding out what is bothering a tenant on the ground, there must be a place for that.

[84] **Ms White:** Yes, absolutely, and the new mechanism that we'll have in place will do that using TPAS's networks with tenants across Wales. We'll be tapping into some of that to get that evidence, that discussion-based, workshop-based, evidence. But I think we just need to be a bit smarter at getting more for our money in terms of what we're spending on engagement and participation. So, it'll be a range of options, but, you're absolutely right, I wouldn't want anyone to feel excluded for reasons around technology, so there needs to be a wide range of opportunities for people to get engaged and get involved. But we recognise that needs to be done within a limited financial pot.

[85] **Rhianon Passmore:** Finally, if I may, Chair, in terms of that mechanism that's emerging, have you got a timescale for that?

[86] **Ms White:** We have our first meeting in terms of the making-it-work group, which is really going to start putting the meat on the bones of the framework that we've got in place, which TPAS have developed. But we want to hit the ground running—you know, there isn't time, really, to have a long lead-in period. We want to be getting that tenants' information and tenants' insights straight away.

[87] **Rhianon Passmore:** So, as a strategy, have you got a timeline for when that's going to be ready to float and say, 'Right, I'm going back to committee

and this is our strategy in terms of tenant participation’?

[88] **Ms White:** Well, by the next regulatory board, we’d want to know the direction of travel and when they’re going to be able to say—

[89] **Rhianon Passmore:** When is that?

[90] **Ms White:** The next regulatory board is in a couple of months’ time.

[91] **Rhianon Passmore:** Okay, right. Thank you, Chair.

[92] **Nick Ramsay:** Okay. Lee Waters, briefly.

[93] **Lee Waters:** We heard evidence last week from Newport City Homes, who were raising the question really, implying they weren’t entirely clear what the purpose of the regulator was and regulation was in Wales. So, can you give us a succinct summary of what you think the purpose of regulation in Wales is and what you’re seeking to achieve?

[94] **Ms White:** Yes. The purpose of regulation is to ensure that we have a sound and strong sector, a credible sector, that’s playing its part within the wider range of services that are delivered here in Wales. So, it needs to be credible to the stakeholders, including tenants, of course, as the main stakeholders, but also other stakeholders, in particular lenders. They need to understand that the sector is strong and robust, particularly in terms of the sector’s aspirations and what they want to deliver in terms of new homes, where there are going to be some significant lending requirements. So, it’s to ensure that we have a sound and safe sector that is providing really good quality homes to tenants in Wales, that is providing new homes, much needed new homes, in Wales, and that is providing great services.

[95] **Lee Waters:** You said in your evidence that you were open to the idea of the regulator being separate from the Welsh Government, but you didn’t think that would be desirable at this time. So, what would the circumstances need to be for that to become the better option in your view?

[96] **Ms White:** I think because we have an effective way of working at present—yes, it can get more effective, but I suppose it’s a case of ‘if it ain’t broke, don’t fix it’, really. I think we have a mechanism in place that’s working.

[97] **Lee Waters:** So, how would we know if it was broke, though, on that basis?

[98] **Ms White:** Well, we could have a default in the sector, a housing association could fall into—

[99] **Lee Waters:** So, it would take a crisis for—

[100] **Ms White:** Yes.

[101] **Lee Waters:** Okay. So that's a fairly extreme measurement, isn't it, of something not working? Might there be some early warning signs we should look out for?

[102] **Ms White:** Yes: if, for example, as a regulatory body we didn't feel the regulator was open and up for discussion and challenge on the way that things were currently happening. As it stands, I've not come across an instance where they haven't been open to debate and discussion about new ideas; they're very much connected to the sector. And I know you said before in terms of that support role versus challenge—. I don't think being close and working in a strong partnership with the sector should be seen as being overly supportive. It's very much a relationship where there's lots of challenge, but one that's—. There's actually more strength in working together, and that's proved successful.

[103] **Lee Waters:** I guess the question is, though, as you raised, of the openness, because we've had evidence early on about how difficult it is to get data, and the comparison with the Scottish system, where there's much more open data and it's easier to judge the success of the system. Do you feel the system in Wales is sufficiently transparent and open, and data are easily available?

[104] **Ms White:** The changes that we have made to the regulatory framework that have come into force at the beginning of this year I think will make us more transparent and will make things clearer for people to understand how the sector is performing and how, in particular, individual housing associations are performing. So, yes, I think we are going to get better at doing that. Again, it's the role of the housing associations themselves to be as open and transparent as possible. Lots of them do that in a very good way around the information that they share on their websites. There are others that have some way to go to get a lot better at making sure

that information is clear, signposted, and lots of jargon is taken out. Tenants want access to understandable and easily accessible information and we would, as a regulatory board, very much support that. Really, our work on governance will look at that, around accessibility—

[105] **Nick Ramsay:** Which we're moving on to, as you mention it. Mohammad Asghar.

[106] **Mohammad Asghar:** Thank you, Helen, and Mr Wiseman. My question's straight to Helen, it is. What benefit do you see from being attached to the Welsh Government rather than being an independent body? What impact does this relationship have on the transparency and independence of the board's work?

[107] **Ms White:** Okay. The current system is providing effective regulation, and we're going to build on that in terms of having sharper regulatory opinions that are very clear in terms of how housing associations are performing. We will have the judgment framework, which will be different to how the old system worked, and also we'll be looking much more at the association's ability to improve, the capacity to improve, and also asking that they sign up to a compliance statement. So, I think there are mechanisms in place that are going to make us much more open and transparent going forward.

[108] **Mohammad Asghar:** Thank you very much. Are there any issues you wish to raise about the quality of governance in some housing associations in Wales, and how do you best see the Community Housing Cymru code of governance being applied in these cases?

[109] **Ms White:** Okay. Well, I think, yes, housing associations should never be complacent about the quality of governance that they have in place. I think the best organisations will always be looking to improve and will have a framework and a process that sits around that improvement. Good associations will spend time together as boards outside of the standard agenda. I chair a housing association in England and sit on their group board, and, yes, we spend time going through the association's business, but actually some really valuable time is spent when we have a bit of a blank sheet and no set agenda, when we can talk about some of the issues that are facing the sector and think about the governance challenges that that brings to us, and how we need to change and reflect and develop so that we can meet those challenges. So, I think boards that really understand the

importance of governance will understand that there's quite an investment of time, and also you need to be able to—you know, that that's adequately funded to support the board to develop. The CHC governance code is really an important part of that. Again, I think the best associations will look to that as a starting point, and will almost go to a kind of CHC plus or Nolan plus in terms of how they act and how they operate. That's quite a challenge that they need to think about, but boards that really understand their remit and their role will understand how important it is to spend time on making sure that they're as strong as possible.

[110] **Mohammad Asghar:** Just finally in that case, are there any problems with accountability in accessing data in these circumstances?

[111] **Ms White:** Problems accessing data? Nothing that's been specifically drawn to my attention. I do know that, in the past, there has been some frustration when people can't find the right information on websites. I would always encourage housing associations to be as open and accessible as possible in terms of how they go about sharing their information, be it through newsletters or websites. Again, the regulatory board are trying to lead by example. We have put together some short videos of me talking about the role of the regulatory board and the role of participation and tenants in the work of the regulatory board. So, they're going to be put onto YouTube and other channels shortly. So, we're trying to be really open in how we communicate and encouraging others to do the same.

[112] **Mohammad Asghar:** Thank you.

[113] **Nick Ramsay:** We'll be tuning into YouTube after the session. A supplementary from Lee Waters.

[114] **Lee Waters:** Just to return to the question I was asking you earlier about the Scottish example of having an online tool to allow easy comparison, would you favour that in Wales?

[115] **Ms White:** Yes, I'd be happy to look at that.

[116] **Lee Waters:** Well, it's already been presented to us in evidence by TPAS, so it's a known model. So, beyond looking at it, do you have a view in that it's something that the Welsh Government should be doing?

[117] **Ms White:** I'd have to look at it in more detail. If I think it would help in

terms of that transparency and openness, then yes.

[118] **Lee Waters:** Okay. It hasn't been drawn to your attention before, has it, as a model?

[119] **Ms White:** No, it's not something that we as a regulatory board have discussed in detail as a way forward but, as I say, the governance thematic review that we're doing is going to be kicked off soon, and it—

[120] **Nick Ramsay:** You wouldn't shut the door on that.

[121] **Ms White:** No, not at all. We wouldn't shut the door on anything that would potentially increase accountability, openness and transparency for the sector.

[122] **Lee Waters:** I'm just not sure, having heard your evidence, how exactly—. You say there's good practice, and you then allude to the fact that there's poor practice, but I'm not entirely clear what you're doing to address the poor practice. We've had evidence, for example, from the chief exec of Tai Ceredigion, in a personal capacity, and he says that there's

[123] 'A reluctance within some housing association Boards to modernise their governance, and to adequately scrutinise the information put before them, or to hold...paid officers to account.'

[124] **Ms White:** Again, the changes that have been made to the framework since January are seeking to address some of those issues. If the regulator is challenging the board on a certain inaction or that they're not responding to a challenge that the regulator has picked up on, then that's of massive concern. Our ability as a regulatory board and the ability of the regulator to drive action at board level in the past perhaps has been frustrating. I think the changes now, particularly around having a judgment framework, where it'll be really clear around the regulator's view of the performance of a housing association—. If the board are not performing and responding to some of the challenges that are apparent, then their judgment could change. That has consequences and would hopefully drive some real, clear action at board level to address the concerns of the regulator.

[125] **Nick Ramsay:** Very briefly, Lee.

[126] **Lee Waters:** I wanted to ask you about this judgment framework. It's

similar to the English one, as I understand, where there are going to be two tests: either a standard rating or a statutory action rating, which is the sign that something needs to change. Do you think that's a sufficiently granular measurement with only those two judgments able to be reached?

[127] **Ms White:** I think there are more than two; I think there are four.

[128] **Lee Waters:** Four, okay.

[129] **Ms White:** It's a framework that's been developed very much in partnership with the sector. Yes, it's early days, but we're keen that that drives a way of thinking at both exec and board level, so that it drives a new rigour around some of the governance challenges that are faced by boards.

14:00

[130] **Lee Waters:** Could I ask, Mr Wiseman, whether you think that's sufficiently granular—this new judgment framework?

[131] **Mr Wiseman:** It's something that I had some reservations about, especially after seeing the latest report on Taff Housing Association. That was done at the beginning of February, and it actually brought in, for the first time, that particular model that you are talking about. I have had discussions, and I've had discussions with Helen. From the point of view of the residents and tenants who are very much involved in this process, I think that, to have just that one remark at the end—the standard for the financial viability and the standard for the governance—is not really enough to give information to the tenants who are within that organisation, or other people who look at the site. There doesn't seem to be anything drilled down.

[132] Now, I understand that, previous to this, a lot of the reports that were done were very wordy and very much involved in all sorts of things and what was going on, but what was happening was that certain aspects of that housing association's performance were being highlighted as either good or indifferent or bad. But this is not the case now. Therefore, it's not out there in the domain. What we were hoping was that, through the self-evaluation, a lot of this information would be published by the housing association itself so that they could actually put forward why they've got the rating that they've got, how good or indifferent they are in these areas, which has been highlighted by the current regulatory process. So, I personally, at this particular moment in time—. Once again, it's very early days, but I do feel

that some of the feedback that I've had since that Taff Housing Association report was put out was, 'Well, where's the detail? What are these people doing?' We don't know. So, it's now practically in the hands of the housing association to say, 'This is why we've arrived at this report', and I'm not sure that that is the right approach.

[133] **Nick Ramsay:** Okay. I will bring Neil Hamilton in now before I bring Rhianon Passmore in on the wider subject of risk. Neil.

[134] **Neil Hamilton:** I'd like to explore the role of the Welsh Government in the regulatory process. Social housing is hugely important in Wales. I think about a quarter of the housing stock is managed by housing associations, if I remember correctly. I was wondering whether you think that the Welsh Government ought to be required to report more openly on housing association performance, and indeed other sector issues, to provide assurance to tenants and other stakeholders that risks are being effectively managed and mitigated.

[135] **Ms White:** Well, I think, in the first instance, it is the responsibility of the housing associations themselves. They are independent organisations. Again, I think the best organisations will be wanting to operate in that way, where they are being open and transparent, sharing information in an easy and accessible way. I think, if they're not doing that, then there is a role for the Welsh Government to advise and support them in how best they need to move to do that. That would be done through that ongoing co-regulation. I think that's a really important point. The strength of the relationship between the regulator and the housing associations can really help drive some of those issues that perhaps might not make it, as Mike was saying, into the regulatory opinion report, but are issues that are dealt with in that kind of co-regulatory discussion environment that's an ongoing relationship, to tackle some of those issues.

[136] **Neil Hamilton:** You agree with that, do you, Mike?

[137] **Mr Wiseman:** Yes, I do. I agree that this is very much an evolving process, and I think the regulatory process has been very much an evolving process since its instigation six or seven years ago. I'm hoping, as I've already mentioned to Helen previously, that we're going to reach a period now of stability within the regulatory framework process, if this all comes forward. I know it's very much in the hands of the housing associations, as they are independent organisations, and it's not really up to the regulator to

tell them how to run their business, but, at the same time, I think that they have an obligation, through what they are doing, to give that information over to their tenants and to their stakeholders as to where they are and why they're there, because this isn't necessarily coming through the regulatory reports now.

[138] **Neil Hamilton:** Yes. Moving on to the question arising out of your written evidence, in your written evidence you said that having a regulator separate from the Welsh Government wouldn't be beneficial at this time. Do you think you could expand a bit on your reasons for saying that?

[139] **Ms White:** Well, I think it's back to the fact that there is an effective process in place. There's no evidence to suggest that a parting of ways at this point would add particular value to what the sector is trying to achieve and what Welsh Government is trying to achieve. So, I think it's working effectively as it is, and, as I've said before, yes there's room to improve on that effectiveness, but there's a framework in place that is effective.

[140] **Neil Hamilton:** And do you think there is enough tenant participation in the regulatory process itself, or is it possible to get more people involved? I lived for many years in what was originally a self-build housing association block of flats, and I was amazed at how little interest people took in the way the block was managed until something went wrong.

[141] **Ms White:** Yes, and I think sometimes that is the issue. It's about inspiring tenants to get involved into what can be seen by some as a bit of a dry subject, really. There are some very engaged tenants who want to be involved in regulation from a regulatory board point of view, and also from their own housing association, and I think most housing associations have almost a menu of participation, so you can be involved through reading your newsletter, following your association on social media, right up to the other end of becoming a board member on your housing association. So, the options are there. I think there is an onus on the housing associations to inspire tenants as to the advantages of getting involved and the benefits that it brings not only to them, but also to the associations of their getting more involved.

[142] **Nick Ramsay:** There's an intriguing part of your evidence which says:

[143] 'we are no longer encumbered by having stakeholders around the table'.

[144] **Ms White:** Yes. Well, that point is directly around the discussion about complex cases. Of course, I wasn't on the regulatory board before, but I heard anecdotally of times when they were discussing complex cases, or trying to discuss a complex case without naming the complex case, which of course is not going to work. Now that the stakeholder group sits separate and the regulatory board is made up of independent members, we can really get under the skin of some of those complex cases and advise and challenge the regulator on possible courses of action as those complex cases go through the motion of hopefully becoming less complex.

[145] **Nick Ramsay:** So, you can have a more open discussion, more focused.

[146] **Ms White:** Absolutely, yes, and we do. We have really open, honest, frank discussions about what's going on.

[147] **Nick Ramsay:** I'm glad you explained it—on the face of it, it just seemed like you didn't want stakeholders at the table.

[148] **Ms White:** No, no. The stakeholder voice is stronger now, in that it sits separately on the regulatory advisory group and is fed into us as a regulatory board. I think it's actually a better system. It works better.

[149] **Nick Ramsay:** Great, okay. On risk, Rhianon Passmore.

[150] **Rhianon Passmore:** Thank you. As has been alluded to previously, some housing associations are ,obviously, by their very nature, different to others. I will definitively go into risk in a moment, but, in terms of working to optimum capacity and being able to publish transparently that information, what is actually stopping housing associations all singing from the same hymn sheet on that front? Why is it that some are able to not publish a regulatory opinion, and why is it that some are different to others, or are allowed to be, you could argue?

[151] **Ms White:** Well, the framework is never chosen to be—. Or, the way that we ask the framework to be applied—the basis of it being very much around co-regulation, the self-evaluation that we ask—the regulators never wanted to be overly prescriptive about how that happens. We felt that it was very much in the remit and role of each housing association themselves to define how they do that. So, I suppose that leaves some room for things to be different.

[152] **Rhianon Passmore:** Should that self-evaluation remain as it is, or should that be more mandatory.

[153] **Ms White:** Well, self-evaluation is—

[154] **Rhianon Passmore:** In terms of publication.

[155] **Ms White:** I can't understand why any housing association would choose not to publish their self-evaluation.

[156] **Rhianon Passmore:** So, where should that come from in terms of direction? It has to come from the regulator, yes?

[157] **Ms White:** Yes.

[158] **Rhianon Passmore:** And so, would you welcome that?

[159] **Ms White** I would welcome that, and I'd also say that, in the best associations, there's nothing that the regulator should ask a housing association for that the housing association board don't ask for themselves.

[160] **Rhianon Passmore:** Thank you. Thank you, Chair. In regard to risk, obviously, there are huge issues facing housing associations at the moment in terms of the issues around welfare reform, unknown and unquantifiable in some cases. We've got the huge issues around volatility, inflation, Brexit—all the issues that have been discussed previously at previous committee meetings. So, in terms of being able to mitigate for those risks, you alluded to previously that those frameworks of looking at that risk should be in place. I'm more interested in how, in terms of both of your roles, you are actually looking at those early warning systems so that we don't have a nuclear default and, therefore, sector contagion across Wales. What early warning signs are in place in terms of what the Welsh Government's regulatory framework is saying has to be in place? And, as a secondary to that, how effectively is that monitored, and by whom?

[161] **Mr Wiseman:** Looking at it from the tenant standpoint, I think that, to look at the cliff edge, if you like, in the past, through the tenant engagement that we've been doing—. I prefer the term 'tenant engagement' rather than 'participation', because housing associations tend not to necessarily be engaged with their tenants, but they participate by giving them surveys to do

et cetera. So, I find that that is the definition of engagement.

[162] I personally feel that by looking at the engagement with their tenants and the tenants seeing things that could possibly be going wrong—they normally see this sort of thing. The everyday tenants see them through lack of services, for example, and not being able to contact their staff when they need to be contacted and things not being done that they expect to be done. There's an awful lot of problems around feedback. Tenants ask questions, they ask for things to be done, and there's no feedback given to them. So it's all that sort of breakdown in the day-to-day operations that tenants see and they start to worry what's going on.

[163] In the past, we've been able to collect this sort of information and feed that through to the regulator to maybe help mitigate certain actions that might be needed to be taken in the future. We've been able to do that through our TAP meetings and so on. So, I'm hoping that that sort of thing could continue in the vein that it has been in the past and that we can still have that hands-on situation. I realise that we've got to move with the times and there are things that can be done now through social media and that sort of thing. I take your point regarding the fact that not all tenants are necessarily digitally inclined. In fact, there's a great deal of tenants that aren't digitally inclined—and they're older tenants.

[164] I also take the point that not all tenants want to be involved in what's going on. As long as their home is comfortable and they're warm and contented and they pay the rent—'Why worry me?' They've got that sort of attitude. It's only people who want to be actively involved that you will hear an awful lot of. So I would think that, regarding looking at the future of any particular housing association, there is a good mark there from the tenants and being able to get involved with the tenants to say, 'What do you think is happening? Is there anything going wrong? Do you feel there's something going wrong?' I hope that that sort of rhetoric is going to be continued so that we can see what the tenants feel about how things are going with their housing association.

[165] **Rhianon Passmore:** Would you say that's particularly pertinent around welfare reform?

[166] **Mr Wiseman:** Not necessarily to welfare reform, but I do feel that with welfare reform there are these problems regarding getting the money in in the future. Also, if the arrears are going to clock up, which we've been told

they will, if that's going to be the case, then I think that there's going to be problems on the horizon. I wouldn't like to see that happen, but I think it could. It has done in other places and I wouldn't like to see the arrears get to that level—

[167] **Rhianon Passmore:** So, in terms of an early warning system and the risk structures, I suppose I'm looking for more evidence that those mechanisms are really well oiled and are in place to swing into action so we don't have huge deficits and eviction.

[168] **Ms White:** I think, again, the strength of the co-regulatory process is that ongoing relationship and understanding of some of the challenges and risks that associations are facing. That's very much a live discussion that's happening between the regulation managers and the associations on an ongoing basis. So, that's really helpful in terms of managing some of those emerging risks and the impact of those risks. We do have a sector-wide paper on risk, which highlights the big-ticket risk items and how they may impact the sector. We also, in our work as a regulatory board, consider sector-wide risks on a regular basis and think about what could be on the horizon, starting to look ahead, particularly as certain unexpected world events happen and things change. We can start to reflect that in some of our thinking about main risks for the sector and look for those signposts and start to think about how we mitigate those. But again, the housing associations themselves are responsible for managing their own approach to risk, and very much taking on board what Mike was saying around hearing the tenants' concerns, and some of the softer evidence around the risks that are coming, but also some of the hard evidence that you'll get in intelligence from your risk assessment frameworks and your risk assurance work.

14:15

[169] **Rhianon Passmore:** So, those systems for individual housing associations, we hope—and I trust that there's more than hope at the end of my questioning—how is that being tested robustly at a national level to ensure that we don't just end up with, suddenly, 'Somebody's gone under'? Can you just extrapolate a little on how you do that?

[170] **Ms White:** Yes, I can. That's done through the regulatory framework. Part of their regulatory opinion will be based on the quality of that approach to risk. So, the regulation managers will have insight and sight of the work that the housing associations are doing around risk—is it being appropriately

stress tested, do they understand the cumulative impact of more than one thing going wrong at a time? It's all well and good to consider if one issue happens; what happens if they all happen? So, the stress testing—it's for the housing associations to do that through working with their regulation managers, and then that forms part of the judgment that the regulator will make. So, it is being tested through that—through the framework.

[171] **Rhianon Passmore:** And those regulatory opinions are all published.

[172] **Ms White:** Yes.

[173] **Rhianon Passmore:** Okay. Thank you. In regard, then, to—I know Mike wants to come in on this—but in regard to the core business, as far as I'm concerned, in regard to what we're doing, which is looking after those in need of housing, those who are most vulnerable, who are unable to afford market prices in terms of moving forward, how do you perceive—? You've mentioned this earlier, especially in England, for instance, where some housing associations are truly diversifying into very different areas, and whilst we don't want to be prescriptive in Wales, and whilst we recognise that wider community agenda that there could be a huge role within—and I know that we're going to talk about co-ops slightly in a minute—what is your view in terms of how far diversification should go? Do you feel that there should be a view on how far diversification should go? Or should it just be all left to local autonomy?

[174] **Ms White:** I personally think that it is up to the housing associations to decide. What the regulator needs to be considering is how they deal with that diversification in terms of it not having an adverse impact on their core purpose—going back to that original core purpose of providing good-quality homes and services to tenants. But I think there's real value in exploring the role that housing associations can play in really creating sustainable communities and better outcomes for people in Wales—they can really add value to that. Diversification that supports that, I think, should be welcomed.

[175] If they were looking to diversify into some kind of random, non-housing-related area, then yes, that would be of concern to the regulator, and they would need to demonstrate how they're mitigating possible risks and the adverse effect on investment in social housing assets as a result of that diversification. I think, again, it's really important that housing associations are clear on their vision and values and purpose, and again, a board that spends time thinking about what they're trying to achieve, that

understands the skills that are needed for them to take that forward, would be considering all those risks when it comes to that diversification.

[176] **Nick Ramsay:** Okay. We're into the last five minutes or so, and there are still a few people who want to come in for questions. If you can be succinct with your questions and the answers. Mike Hedges.

[177] **Mike Hedges:** Two very quick questions. The first one is: interest rates are at a historical low, and have been historically low for a very long time. People get to think that the current low is what it's going to be for a very long time. How robust do you think the housing association sector is to interest rates of 10 per cent or 15 per cent, which some of us have lived through in the past?

[178] **Ms White:** Well, their stress testing would need to understand that. They need to be in a position where they understand the impact of increased interest rates, issues around welfare reform and all the other things that can happen. They need to understand how that impacts on their business and how they would mitigate and ensure that they are able to remain solvent throughout what could be a very difficult time. So, yes, it's down to housing associations to make sure that they've done that work.

[179] **Mike Hedges:** And the last question is: housing associations have variable amounts of variable/fixed rates. Some are running quite a lot of fixed rates, very small numbers have variable rates and others will do it the other way around. Is there any concern over those that have got variable rates, that if there is a rapid increase in rates—for example, the pound hits parity with the dollar, the Bank of England panics and starts increasing interest rates to stop it dropping below parity with the dollar, which could have an immediate effect on those if people are on variable interest rates?

[180] **Nick Ramsay:** We don't want to veer too much into the area of international finance.

[181] **Ms White:** I can give a really quick answer to that. That should be reflected in the Treasury management policies of the housing association and they should be thinking about those sorts of things in those policies.

[182] **Neil Hamilton:** Presumably you're thinking about it, too.

[183] **Ms White:** Yes. Well, we take comfort from the housing associations

being able to demonstrate to the regulator that they have the appropriate policies and procedures in place to deal with such fluctuations.

[184] **Neil Hamilton:** But you must have your own ideas on what prudential regulation means in these circumstances in a way that, perhaps, the banking regulator didn't in the years before 2008.

[185] **Ms White:** Well, I think the regulatory framework wants to protect the key principles around housing associations being independent, tenants being at the centre and co-regulation. So, yes, we're considering all sorts of different issues in the context of those principles.

[186] **Neil Hamilton:** But there is a serious issues here, because if housing associations are developing into property development companies, albeit for understandable and benign reasons—that they want to increase the amount of money available to spend on social housing—they're taking a different kind of risk altogether from the provision of long-term housing from which they'll derive rents. But if they're speculatively developing property for sale, then their capacity to get a return on that investment may be prejudiced by volatilities in the market that they can't control.

[187] **Ms White:** And they would need to demonstrate to the regulator that their business plans take account of all that volatility and all that change, and that their skills at board level reflect those challenges.

[188] **Nick Ramsay:** There you are, I was mistaken; we did want to ask you about international finance. You know more than the banking regulators, anyway. Thanks for that question. I just want to bring the auditor general in briefly with a point of clarification.

[189] **Mr Thomas:** You talked earlier about sector-wide risks and ONS reclassification must surely be one of those, particularly in relation to the financing. I just wondered—you mentioned earlier that you didn't think that now was the time for the regulator to become independent, yet one of the reasons for the ONS reclassification is the extent of Government control of the sector. So, do you see a ground for making regulation more independent?

[190] **Ms White:** Yes. I think in response to the challenge from ONS and reclassification, the appropriate action is being taken to ensure that there is sufficient independence in how regulation takes place to address the ONS

concerns.

[191] **Nick Ramsay:** Great. Lee Waters, did you have one final very quick question? I just wanted to follow up the questions of my colleagues, really, in terms of whether you've got a view on the current level of gearing in the sector, and whether or not you're content with that.

[192] **Ms White:** It's not something that we have, as a regulatory board, discussed in detail around that specific issue, but it's not something that's been drawn to our attention as a matter of immediate—

[193] **Lee Waters:** I'm slightly concerned that the view you seem to be taking of your role is around monitoring particular bureaucratic processes. So, it's around tenant involvement, it's around checking governance in the broadest terms and not really taking a broader view of the risks facing the sector. So, in that sense, you, as somebody who is holding the regulator to account, don't seem to be showing much in the way of robust criticism or vigilance of the system.

[194] **Ms White:** Well, I think we do. We advise the Minister on the performance of the sector. So, we're in—

[195] **Lee Waters:** But only on those very narrow terms.

[196] **Ms White:** I don't think I agree. I think we are taking a broader remit. The work we've done around value for money has proved really successful. So, we are going beyond perhaps some of that narrower remit around the policy base, looking at ways to inspire and help the sector to do more, and deliver more; and we're going to be doing that more with our governance thematic review as well. I certainly feel that the way that the regulatory board is set up now, we've got scope and space to do all those things. We are very much trying to do that.

[197] **Nick Ramsay:** Do you think you are taking—following on from that question—a broad enough view? If not, is that something that can be improved over time?

[198] **Ms White:** I suppose, yes. Again, as a regulatory board, we're certainly not perfect, and as a board, although we're 12 months in, we're still developing and really testing our remit and our role. I think the skills around the table complement that. There are some who are kind of looking at some

of the micro stuff, and there are others around the table that are very much thinking in that more macro approach. I think, collectively, there's a real strong set of skills to not only scrutinise the regulator, to challenge the regulator, but also to hopefully inspire and help the sector to deliver more, going forward.

[199] **Nick Ramsay:** And on that very positive-sounding note, we are out of time. Can I thank you, Helen White and Mike Wiseman, for being with us? It's been really helpful. It was remiss of me not to thank you for your evidence as well, which I know some of the Members have mentioned. It was exactly the sort of evidence we like: it was concise and in plain English. I certainly understood it anyway, so that was a start. But thanks for being with us today. It's been really helpful. We'll send you a copy of the transcript so that you can correct anything that you think is amiss there.

[200] **Ms White:** Okay. Thanks for having us. Thank you.

[201] **Nick Ramsay:** Thanks for being with us.

[202] **Mr Wiseman:** Thank you.

[203] **Nick Ramsay:** We'll now have a three-minute break. Two minutes, 50 seconds—time enough for you to do whatever you need to do, or maybe not.

*Gohiriwyd y cyfarfod rhwng 14:27 ac 14:35.
The meeting adjourned between 14:27 and 14:35.*

**Ymchwiliad i Oruchwyliaeth Reoleiddiol ar Gymdeithasau Tai: Sesiwn
Dystiolaeth 10
Inquiry into Regulatory Oversight of Housing Associations: Evidence
Session 10**

[204] **Nick Ramsay:** Could I welcome Members back? Item 5 is continuing with our inquiry into the regulatory oversight of housing associations, and we're on to evidence session 10. Can I welcome our witnesses to this afternoon's meeting? Thank you being with us. Would you like to state your name and position for our Record of Proceedings?

[205] **Mr Jones:** Steve Jones, Prif Weithredwr, Tai Ceredigion **Mr Jones:** Steve Jones, Chief Executive, Tai Ceredigion

[206] **Mr Lassetter:** Derek Lassetter, chair of the board at Tai Ceredigion

[207] **Nick Ramsay:** Great, thank you being with us today. It's really helpful to our inquiry. Now, we've got a number of questions for you, and the first one is from me. Can you tell us how the role of the Regulatory Board for Wales has evolved, and the effectiveness of its relationship with the Welsh Government?

[208] **Mr Lassetter:** Sorry, did you say the role of the Regulatory Board for Wales?

[209] **Nick Ramsay:** Sorry, yes, the regulatory board, in terms of the regulatory framework—the Regulatory Board for Wales. How do you feel it's evolving and the effectiveness of its relationship with the Welsh Government?

[210] **Mr Lassetter:** Well, thanks very much for inviting us along—first thing. Let me give you the view, if I may, from the perspective of the board. As far as the board are concerned, in terms of regulatory framework, I think there are two major points of which the board—any board and our board—needs to be aware. One is the purpose of the regulatory framework—what it's trying to achieve—and the second one, from the perspective of the board, is what the regulator needs from the board.

[211] On the first one, our understanding from the board is that the purpose of the regulatory framework, really—the chief one—is protection of tenants, and the second one, obviously, is Welsh Government finance, which the board are there, in a way, to protect. On the second one, the regulatory framework is actually quite a comprehensive document covering all aspects of finance, governance, services, and it is actually a really good guide to board members to make sure that the board are in a position to be able to challenge the executive team, in terms of that which is important to the regulator. So, in that sort of respect, providing everybody enters this in an open and honest way, my view, actually, is that the current regulatory framework is actually quite effective.

[212] **Nick Ramsay:** And do you think it's been made more effective since the changes in January 2017?

[213] **Mr Lassetter:** I think it's a little bit early to say from my perspective as chair of the board. Certainly, we're aware of the direction of travel. We're

looking for a sort of more co-regulatory, co-production approach, which is good. I think there's probably a change in performance standards. There's more interest in performance standards—to be a little less bureaucratic and a little less prescriptive than in the past. I think it relies very heavily on continuing tenant involvement. It relies quite heavily on the Welsh Government regulatory team, and it also relies quite heavily on good governance at housing associations. We're still awaiting some of the detail of the new approach. I would say, at this point, it looks to be a positive move.

[214] **Nick Ramsay:** Steve Jones, do you have anything to add?

[215] **Mr Jones:** The only thing I would add to that is that we, as chief execs of housing associations in Wales, had some input last summer. A number of us got together and put forward some alternative suggestions that we're listening to. I think what you see now in the end result in January is a result of that co-working between the regulation team and the leadership within registered social landlords in Wales, and local authorities as well. So, I'm very optimistic. I think what we had prior to January was effective, given the best of wills from all sides. I think what's now been put into place since January—I'm very optimistic that that's a further improvement.

[216] **Nick Ramsay:** Does the Welsh Government deal promptly with issues and problems as they arise? I suppose that's the key to whether these changes are working or not, and whether things on the ground are actually being improved when you're notified of problems.

[217] **Mr Jones:** I think my personal experience has been that they are very quick to react when there's a need for quick reaction, and very supportive when you tell them there is a problem or make them aware of a problem. I've suggested in my evidence, which I've put forward today, that there has been a capacity issue within the regulatory team over the last three or four years. I think, again, there have been some improvements with the current head of regulation. I think Ian Williams has been a very positive influence since he's come in, in terms of sorting out what the remaining issues are to be resolved.

[218] **Nick Ramsay:** Is the system, as it stands at the moment, independent enough to be successful?

[219] **Mr Jones:** I think it's been a good way forward. The more independent regulatory board, I think, is a very positive step. I think you've got a very

strong chair of that regulatory board, who I have known personally for a number of years, coming from north Wales. So, I think somebody who knows the sector, who isn't afraid to say what she thinks, and some other very strong individuals on that regulatory board—. So, I think, it's actually, again, a further improvement in Wales.

[220] **Nick Ramsay:** You've said that you think that the changes that were made in January have been, in the round, successful. Were there any glaring deficiencies prior to that that have been corrected in areas before the changes this year, where things went wrong, that wouldn't happen again under the new system? Sorry, that's a convoluted way of asking you where you think things are going right.

[221] **Mr Lassetter:** I have to say that, at this point, I personally don't see any changes in the new regulatory system that fill gaps that were missing in the existing regulatory framework. From our perspective it's a little bit early to say, because we haven't seen the full details yet. But nothing occurs to me immediately. I don't know whether Steve can come in.

[222] **Mr Jones:** No.

[223] **Mr Lassetter:** Okay.

[224] **Nick Ramsay:** Lee Waters, did you have a question?

[225] **Lee Waters:** Not specifically, but I'm happy to ask one. [*Laughter.*]

[226] **Nick Ramsay:** You looked quizzical.

[227] **Lee Waters:** Well, I'm just generally inquisitive. [*Laughter.*] If we just go on to a little bit about the openness and transparency and the data that are available to your tenants and the broader community about how you perform in comparison with other housing associations. Do you think there are enough data out there? We've had evidence from TPAS about the Scottish model, where online tools are available. Do you think that that would be a positive development?

[228] **Mr Jones:** I think there are a number of good examples around the RSL sector in Wales of openness and transparency. Certainly, we work very proactively with our active tenants group. They're involved in our business planning away day. They were involved in my recruitment, originally, in 2009

when the stock transfer took place. Our exec team—myself and the other directors—meets with the tenants group—initially, once a month, and once we got beyond the five years, and having delivered all the 172 promises in the transfer document, we now meet bimonthly for a strategic meeting with the tenants’ group representatives. They come to the quarterly strategic board meeting to give independent scrutiny evidence to the board members on whether or not we’re achieving our strategic objectives, and they get the report from the executive team—the same as the board members do—and they give their independent scrutiny view to the board members in the board meeting that they’re invited to. They also come to our business planning away day. That’s in addition to all the normal stuff, such as the annual tenants’ conference, where I do a questions-and-answers session.

[229] **Lee Waters:** I don’t doubt there’s good practice, and your evidence suggests there is good practice, but you yourself say there’s inconsistency within the sector in Wales.

[230] **Mr Jones:** There is.

[231] **Lee Waters:** So, my question is: are there sufficient data available across the whole sector for comparisons to be properly made?

14:45

[232] **Mr Jones:** No, I don’t think there are.

[233] **Lee Waters:** So, what, practically, are the sorts of things that we could recommend as a committee that could improve that situation?

[234] **Mr Jones:** Similar recommendations, I think, what I’ve heard from the regulator on a number of occasions is that they’re encouraging us to publish performance data. The performance data are there, because we use them. The board use them; they need them to do their assessment to keep us accountable. More of those should be published. So, some guidance on that from Welsh Government or from the regulator, I think, would be welcome. There is plenty of good practice around in terms of the data being shared and open.

[235] **Lee Waters:** Okay. Mr Lassetter, I think you wanted to come in.

[236] **Mr Lassetter:** Yes. Being a relative newcomer to the housing

association sector, I can't speak for the sector, but from our perspective at Tai Ceredigion, I've actually been extremely impressed with our Tai Ceredigion monitoring group. Interestingly, they operate independently from Tai Ceredigion; they don't even share our premises. They prefer to operate offsite to maintain their independence. They have a separate budget to allow for travel and stationery and telephone calls and all the rest of it. From time to time, they have a monthly meeting, which is very much structured as a board meeting, essentially. It's of a very professional standard and, from time to time, as chair of the board, I have no right to attend their meetings, but they are quite keen to invite people along to their meetings, so that they can get a flavour of what they're doing. So, the next invitation would be to, in fact, our regulatory manager to attend, and I've got a session booked with them in two or three months' time. It's extremely effective.

[237] **Lee Waters:** Can I ask, in terms of tenant involvement, what your view is of the fact that the tenant advisory panel has been wound up? Does that cause any concern to you? The description we had from Helen White about the new regime was that it is going to be far more about trying to use data and interactive forms of engagement. Do you think that's going to be sufficient?

[238] **Mr Jones:** I think the straightforward answer is, 'Time will tell.' I've raised some concerns in my evidence about the lack of tenant involvement in certain situations of late. I have also raised concerns about the lack of effectiveness that I've seen from Welsh Tenants and TPAS Wales during the last year, possibly because they were going through a tender process at the time, and didn't feel that it was the right time for them to speak out. I think time will tell. I think tenants should be involved, as they are in Tai Ceredigion's business, in the heart of the business. I think part of the regulator's role is to ensure that there is some consistency across Wales, because at the moment, I don't believe that there is. I'm quite forthright in my personal views at chief executive meetings about the need to involve tenants properly and not just pay lip service to it.

[239] **Nick Ramsay:** Do you think that there is a danger that that's going on—paying lip service to tenants' concerns, rather than really dealing with them?

[240] **Mr Jones:** There are some examples I've seen around Wales where I think that that is the case and that needs to change.

[241] **Rhianon Passmore:** Chair, if I may—

[242] **Nick Ramsay:** Rhianon Passmore.

[243] **Rhianon Passmore:** In that regard, then, there have been discussions for a long time as to whether there should be quotas of tenants on boards, locally, but aside from that, as a wider issue, addressing the points that have been made around the inconsistency, you mentioned that you'd welcome guidance from the regulator, or a stronger code of practice, perhaps, with regard to the application of performance data. It seems to me that everybody is saying this and there are a few who don't want this to happen. So, what would you articulate as being the optimum model so that we can get a more equitable picture of what's happening across Wales? What would you like the regulator, ideally, if he had a magic wand, to be able to say, 'This will improve data collation and therefore improve the spread of best practice'? Because it's of no interest that some organisations are looking at CHC plus or Nolan plus and others are basically not anywhere near that.

[244] **Mr Jones:** I think Community Housing Cymru has done some good work recently with the accounts—looking at some comparisons across the global accounts—and I think that has come up with some interesting comparative data around management costs and other things. Those are the sorts of data that were being produced by Tai Cymru—for anybody who's been around long enough in housing, as I have, in Wales—which was collecting those data independently. I don't necessarily see it as the role of the regulator to do that, although I understand the regulator has said that they will use those global accounts data—those comparative data—as part of their new ongoing assessment process, which I welcome. The sector itself has to take responsibility in the same way as local authorities have to take responsibility, where they're still landlords, to collect the data, feed them into a central place—whether that's the WLGA or whether that's Community Housing Cymru, the Chartered Institute of Housing, HouseMark consultancy, or some other independent body—that actually properly crunches the data so that we can do proper comparisons.

[245] **Rhianon Passmore:** Is it possible to make a proper comparison, bearing in mind the different models of mutuals and—

[246] **Mr Jones:** I think you have to be quite prescriptive in terms of the data collection to ensure consistency. I think that's a lesson coming out of the HouseMark benchmarking exercise.

[247] **Rhianon Passmore:** So, is that worth doing?

[248] **Mr Jones:** I think so. I think the early lessons coming out of the global accounts comparison that the regulator has been looking at are that there are some very useful graphs coming out of that that are asking some interesting questions. By looking at the graphs, it begs some questions about why there are these differences between similar-sized organisations operating in similar areas.

[249] **Rhianon Passmore:** Okay.

[250] **Nick Ramsay:** Mohammad Asghar.

[251] **Mohammad Asghar:** Thank you, Chair. Do you believe that the Welsh Government has the capability to respond to the housing associations that are failing? And do witnesses also have any examples where the Welsh Government has been unable to help effectively in these situations?

[252] **Nick Ramsay:** Who wants to take that?

[253] **Mr Lassetter:** I'll leave that one to you, Steve, I think. *[Laughter.]*

[254] **Mr Jones:** I can't think of any examples where the Welsh regulation section haven't effectively intervened appropriately where necessary, either in a very supportive, early role or in a firmer, more intervention role. I'm thinking of recent cases I'm aware of in the last 24 months. I go back to my question about whether or not they've had sufficient resources to do that adequately, but I think the will has certainly been there. I've seen some very proactive and very pragmatic approaches from the regulatory team. That's my personal experience.

[255] **Mohammad Asghar:** Further to that, how can the Welsh Government improve on supporting such housing associations, whether monetarily or in terms of advice?

[256] **Mr Jones:** I think it goes back to the regulatory framework approach. There has to be that honesty when people are having problems. One of the things we discussed as chief execs last summer around the new framework was the need for people to stick their hands up if they've got problems, and then to have mutual peer support from other organisations. I don't think

we're there yet, but I think we're going in the right direction, as I said earlier on.

[257] **Nick Ramsay:** Lee Waters, is it a supplementary on this?

[258] **Lee Waters:** I want to ask about transparency, if I may do that now. I must say thank you very much for your evidence, particularly the evidence you submitted in a personal capacity. We appreciate your board being willing for you to do that as well; that's very helpful to us as a committee. You made some very interesting and quite troubling observations on the situation at Tai Cantref, and I just wonder if you could reflect a little further on what that says about transparency within the sector.

[259] **Mr Jones:** It's difficult to make comments when you don't have the full information to hand, so I can only make comments on the information that I'm aware of personally; I'm not going to speculate. I'm sure there are reasons why the statutory inquiry report hasn't been published—very good reasons; probably legal reasons. I think it's for this committee to make its own inquiries as to the real reasons; I can't give you those answers. All I can say is that within the local community that we operate in as Tai Ceredigion, amongst our tenant representatives, our elected tenant representatives, amongst community activists we work with and local council members, there is a lot of community concern about the lack of transparency. And also we have some concerns, and I had some concerns, about two areas in particular: one, the process that was followed in terms of the bidding process. You don't normally have seven days to put a bid in. We've been involved in another potential bid for some surplus stock from an English RSL recently in mid Wales, and there the process was at least two months, if not longer, if you wanted to put a bid in. The two main concerns I have, which I've said in my evidence, are: one; about the lack of tenant involvement in the whole process, which I believe, personally, is contrary to the housing legislation requirement. I'm not convinced that the housing legislation was actually adhered to; some of my peer colleagues may have different views on that. My other concern was around the Welsh language, and the lack of assessment of the potential impact in a county area where the last census showed quite a dramatic decline in the Welsh language.

[260] **Lee Waters:** You said that you asked for formal feedback on the scoring mechanism that was used to reach that decision. It was denied. Were you given any other explanation why?

[261] **Mr Jones:** It was commercially sensitive, I think, was what the letter said. The other bidders who asked for feedback got exactly the same reply, because we talk to each other.

[262] **Lee Waters:** Right, because the explanation we were given by Wales & West Housing was that their impression was that there was identification that there was a storm coming, they were sounded out at short notice as to whether, in that event, they would be willing to step in and help out, which might explain the very short period the tender was open. Is that an explanation that seems credible to you?

[263] **Mr Jones:** I watched the evidence session that you're referring to, and it was interesting to have a bit more of the truth coming out in terms of what actually happened. As far as I'm aware, I'm sure that is the truth, that they were approached by the interim chief exec, as I understand it, Hilary Jones, for help. Now, that's the puzzling bit, because the regulator had been working with me and two other local RSL chief execs to sort out a local rescue package, if it was needed, so it was on the shelf, which is what a proactive regulator does. So, for somebody then who's in there to do an interim job to go off piste, if you like, and approach a large association from outside the area that doesn't have a strong culture around the Welsh language is disappointing, and I think has caused a lot of problems.

[264] **Lee Waters:** So, what do you think are the lessons to be learned from that?

[265] **Mr Jones:** I think it's difficult to draw lessons until the statutory inquiry report is published or a summary is published, or until the Welsh regulations have their learning lessons session on that particular case. They've done it with Family Housing Association, lessons to learn from that, and that was very useful for the sector to learn those lessons. I think we're still waiting for the Cantref one.

[266] **Mr Lassetter:** We're very anxious to learn the lessons to be learned.

[267] **Lee Waters:** Okay, thank you very much.

[268] **Nick Ramsay:** Neil McEvoy.

[269] **Neil McEvoy:** I'm just following up on what Lee was saying there. Do you feel that there was a level playing field with Tai Cantref, amongst the

organisations that had an interest in taking over?

[270] **Mr Lassetter:** I think it's very difficult for us to say. From the board perspective, we had to approach it on the basis of what's best for the tenants of Tai Ceredigion; that was the board's first requirement. We entered into the whole thing in a very open way; we gave the chief executive freedom to discuss with anybody he needed to discuss with; and, as a company, Tai Ceredigion were asked to put in a bid for co-operation or merger with Cantref. We were given minimum information from which to do that; we had no up-to-date financial information; and we had no idea of what the problems were that we might be facing. But, one of the things we did know was that the aims and objectives of Tai Ceredigion were very similar to the aims and objectives of Tai Cantref, in terms of location and language, the size of the organisations, et cetera. It was almost a perfect fit between Tai Cantref and Tai Ceredigion, and we put together a special project team to spell out all the different scenarios. The executive team at Tai Ceredigion did a lot of work on putting together quite a comprehensive document, and the result was that I think we got an answer back in seven days that we weren't the chosen ones, with no feedback, and I guess the minimum we expected would've been the opportunity to have gone along and met and discussed. We didn't have that opportunity. It was purely a paper exercise, so we weren't very happy with that, I have to say.

15:00

[271] **Neil McEvoy:** Do you think it's either normal or reasonable to give you seven days to make the application?

[272] **Mr Lassetter:** No. I don't think that's reasonable at all, particularly in the circumstance where we didn't have the opportunity to sit down even for an hour with the board of Cantref, for them to ask questions of us and for us to ask questions of them. I don't think seven days—. The process, as such, seemed rather odd to me, I have to say.

[273] **Neil McEvoy:** What was your feeling finding out that Cantref had been on the telephone to Wales & West to discuss them helping out?

[274] **Mr Lassetter:** Well, we—you know, we—.

[275] **Mr Jones:** That didn't actually come out until some of your previous evidence sessions, so—

[276] **Neil McEvoy:** [*Inaudible.*]—in the session.

[277] **Mr Jones:** We were in the dark as to why Wales & West had become involved at all, given that they'd sold all of their stock in Ceredigion and Carmarthen and Anglesey and Gwynedd two years previously.

[278] **Neil McEvoy:** Yes.

[279] **Nick Ramsay:** Okay. On this point, I think, Mike Hedges.

[280] **Mike Hedges:** Two very quick points on this. The first one is: how were you able to do due diligence if you hadn't seen their accounts?

[281] **Mr Lassetter:** We couldn't.

[282] **Mike Hedges:** And so, without having done due diligence, how were you able to bid? The other one is: was the seven days due, or could it have been due, to the lender threatening to withdraw the lending facility?

[283] **Mr Lassetter:** On the first question, we had no opportunity to do due diligence, because we had no opportunity to look at the financials, et cetera, so we had no opportunity to do that. All we could do when we put our 'bid' together was illustrate those areas that were common between the two companies. So, no, we had no opportunity to undertake due diligence. Obviously, had we been chosen as a potential merger partner, then we would've done a hell of a lot of due diligence before committing.

[284] **Mr Jones:** We did look at the public accounts and, through local knowledge, we knew the stock, we knew it was poorly maintained, we knew what a lot of the problems were, but the bid was to become the preferred bidder. Whoever was chosen as preferred bidder then went on to do proper due diligence. So, it wasn't—. But, even so, seven days and the shortness of the process period, and the lack of feedback still to this date, I think, begs questions of transparency, which you're raising legitimately.

[285] **Mike Hedges:** I don't think anybody could say anything rather than that everybody should get feedback from anything they ever bid for, if only to benefit you as an organisation for the future. You probably don't know the answer to this, but was the fact that it had to be done so quickly driven by debt and driven by lenders, because, sometimes, you have these things

where lenders threaten that, in 28 days, they're going to remove all financial support and you've got to find somebody within those 28 days or you have to fold?

[286] **Mr Jones:** What I would say on that—and it's difficult without the full information, but what we were aware of was that the gearing ratio, I think, was 53 per cent. It was low; it wasn't a highly geared association. We knew the stock very well, because it wraps around Tai Ceredigion's ex-council housing stock, so we knew the stock very well. There was pressure from at least one of the four lenders; we were aware of that from what consultants and lawyers had told us. Whether or not that was manufactured, because in these sorts of situations—they're not unique, it's happened plenty of times before—quite often a lender or lenders will put pressure on the regulator, or on the Government, to make a quick decision. The lenders do what's in the lenders' interest, as always. I think it's up to you, as a committee, to decide whether or not there were things that Welsh Government could've done, or should've done, differently. There was pressure from at least one of the lenders that I'm aware of. I spoke personally to two of the lenders—our lender, Barclays, was one of them—and I spoke to one of the other lenders in confidence, and there wasn't that much of a rush. There wasn't a financial crisis, and, even if there was a cash-flow problem, both we and at least the other two associations locally had enough cash flow to give a short-term loan, which, again, has been done in other cases. So, I think there's a bit of fog being thrown around this financial crisis, which is convenient for some people, maybe, but I don't think that's getting at the real nub of the issue.

[287] **Nick Ramsay:** You've spurred a lot of interest here. First of all, Rhianon Passmore.

[288] **Rhianon Passmore:** Thank you. Very briefly, in terms of the situation that occurred, what systems could have been implemented or what frameworks could have been strengthened? What could Welsh Government, in terms of its regulatory framework or its team—what could have been enacted that would have stopped this type of scenario occurring?

[289] **Mr Jones:** I think it's difficult to answer that, Rhianon, simply because we are not aware, as an organisation or as individuals, of what other constrains the regulator—or Tai Cantref, as bought, for that matter—were under. So, it's very difficult for us to comment on that.

[290] **Rhianon Passmore:** Okay. Thank you.

[291] **Nick Ramsay:** Lee Waters.

[292] **Lee Waters:** Could I take you back to your answer to Mike Hedges's question, where you implied that you suspected it's possible that one of the lenders might have manufactured a crisis? Can you elaborate on what you meant by that?

[293] **Mr Jones:** Well, from what consultants and lawyers have told me, because we took legal advice and we took consultancy advice as part of this process, as you'd expect us to do, it is not unusual, in these sorts of situations, for one or more lenders to put pressure on by setting deadlines. It's normal practice; that's what I was told by the consultants who advised us.

[294] **Lee Waters:** So, what is it that would have spooked them in the first place?

[295] **Mr Jones:** Again, the public line appears to be—I've heard from several lines—that the statutory inquiry triggered a default—

[296] **Lee Waters:** Right.

[297] **Mr Jones:** —which, technically, it does. The blame, from what I'm hearing in the sector and have heard for the last six months—a lot of blame had been placed on the regulator for triggering that when there was no need. I think it's very easy for people to make those sorts of situations, but they don't know how bad the situation was in Cantref at the time, or how difficult the regulator was having a job to persuade the board of Tai Cantref to improve things. So, I think it's something we can't answer and it's very difficult to speculate and we shouldn't speculate. Until that statutory inquiry report is published and we know the full facts, it's very difficult to come to a conclusion.

[298] **Lee Waters:** But, from the facts that you do know, you think it's likely that the regulator's actions precipitated the crisis, but what we don't know is whether those actions were justified or not.

[299] **Mr Jones:** I'm not saying that. I'm saying that's what other people in the sector are saying. I don't necessarily agree with that, because we don't have the full facts. I'm not going to agree with something when I don't have the full facts.

[300] **Lee Waters:** But your local knowledge makes you doubt that's entirely true, does it? That version of events.

[301] **Mr Jones:** Strictly speaking, it's a matter of fact. If a statutory inquiry triggers an automatic default, which I understand it does, then, of course, it did cause the thing. But how you then work with the lenders—how the regulator then works with the lenders, as they did, hard, because I'm aware of that, to mitigate those circumstances—. There may have been—. There may be lessons to learn; we don't know. I suspect there are lessons to learn, but, until we have the full facts in front of all of us, it's very difficult to know what those lessons are.

[302] **Lee Waters:** Okay. Thank you.

[303] **Nick Ramsay:** Without those lessons, this could repeat itself in the future, unless this is addressed.

[304] **Mr Jones:** Absolutely. That's the risk; that's the danger.

[305] **Neil Hamilton:** Given the nature of—

[306] **Nick Ramsay:** Neil Hamilton.

[307] **Neil Hamilton:** Sorry, Chair.

[308] **Nick Ramsay:** No, go on.

[309] **Neil Hamilton:** —business and monetary conditions in recent years, it seems, from what you've been saying and what little we know about the cause of the problem, that, whatever the problem was, it must have been developing gradually over a period of time rather than being the product of some cataclysmic event that nobody was expecting. In those circumstances, given the nature of regulation, the identity of the decision takers in this particular case, and the peculiarity of the process that was adopted for choosing a preferred bidder, do you think that the Welsh Government is sufficiently independent to undertake an effective regulatory role?

[310] **Mr Jones:** As I said earlier on, I think the new regime—the new regulatory board and the new framework from January—is another major step forward on the road to where I think it needs to get to. I think, if I'm

being perfectly honest, and I usually am, in 2007–08, when the organisation first got itself into trouble—Cantref—there is a lot of talk still around the sector about political influence at that time that prevented it being merged into another organisation because of political influence on civil servants. I’ve had that personally, direct from senior civil servants that were involved in that decision making at the time, that there was some political influence. Maybe if there hadn’t been some political influence at that time there would have been a different decision in 2008 and it wouldn’t have been allowed to continue being independent. Again, it’s down to what the full facts—the lawyers may have a very different set of advice to give you as a committee in terms of the constraints that they were under at that time, in terms of intervention powers they had, Welsh Government had, at that time.

[311] **Lee Waters:** That’s intriguing—

[312] **Nick Ramsay:** Neil, have you finished your questions?

[313] **Neil Hamilton:** Yes, I’ll let Lee—[*Inaudible.*]

[314] **Lee Waters:** You’re teasing us now, Mr Jones, with these little morsels. So, the suggestion was that there was political influence in 2008 that prevented this from going ahead. What was the nature, what was the motivation behind that?

[315] **Mr Jones:** I’m not a politician, so I wouldn’t—. I’m only repeating what I’ve been told by a senior civil servant who was involved in that decision in 2008.

[316] **Lee Waters:** Why wouldn’t have—what would have been the logic of preventing that from going ahead?

[317] **Mr Jones:** What, a merger at that time?

[318] **Lee Waters:** Yes.

[319] **Mr Jones:** They may have wanted to keep a community-based housing association independent, particularly one that was very strong in the Welsh language. It is less so—by 2015, it was less in that position. It had become less, certainly, Welsh language-based compared to Tai Ceredigion.

[320] **Lee Waters:** In 2008—remind me who the Minister was then.

[321] **Mr Jones:** I can't recall. I'm not a politician.

[322] **Nick Ramsay:** We can look that up later, I'm sure. Back to Neil Hamilton.

[323] **Neil Hamilton:** It also prompts the question: do you think the Welsh Government deals quickly enough with problems that might arise in housing associations?

[324] **Mr Jones:** As I said earlier on, I think that the evidence I've seen is that they intervene, either supportive or with more intervention if required, when they're told. I think the problem is if a board isn't working properly, if the governance is poor, or if the chief exec isn't sharing information, or an executive team, then I think that's when you get into trouble. There has to be an honest, open dialogue between the regulation team and executive and boards, and, certainly, I've seen good evidence of that happening. I think there are some examples where it hasn't happened in the recent past, and you've seen the regulatory reports that result from that.

[325] **Neil Hamilton:** You'd think, with a co-regulation system, different stakeholders representing different interests, and the same amount of information being provided to all of them, that you might get a more rounded perspective on what might be happening in these organisations. Is that in fact the case, do you know?

[326] **Mr Jones:** My personal experience and our experience of our regulatory manager has been that each one has been very proactive and very keen to listen about what the problems are and how we're dealing with them, and very supportive. I can't speak for other parts of Wales where there have been problems.

[327] **Nick Ramsay:** Oscar.

[328] **Mohammad Asghar:** Thank you very much indeed, Chair. Thank you—*[Inaudible.]* Why was no language impact assessment undertaken by Tai Ceredigion—you are talking about language quite a bit now, we heard it—and a statement, a public statement, not issued on these matters?

[329] **Mr Jones:** The board at the time felt—correct me if I'm wrong—that, having been through a bidding process, it would be wrong, without the full

facts being known, for Tai Ceredigion's board to make a statement, and they asked me not to make a public statement about it. I did raise concerns privately with my professional body and with others, including Welsh Government, around the Welsh language issue, because I felt that the Welsh language wasn't properly being considered as part of the decision-making process in that.

15:15

[330] **Nick Ramsay:** Mike Hedges.

[331] **Mike Hedges:** Something I keep on asking people about—and you might have a different view—is that, historically, housing associations were very similar to yours, although you came out of council stock, in that they were locally based and relatively small. What we've seen is a huge number of mergers and acquisitions, which have seen from very, very large housing associations covering vast tracts of Wales. We've talked to three of them in recent times—one which covers almost all of north and mid Wales; Wales & West Housing, which covers most of south Wales; and Pobl, which seems to stretch from the Pembrokeshire border to Monmouthshire. Do you understand why we've had this movement away from locally based housing associations to very large housing associations, which are also diversified? And would you want to continue to be a locally based housing association, or do you see yourself joining in the clamour for merger?

[332] **Mr Jones:** Tai Ceredigion, in its rules, says that it's principally based in Ceredigion and serves the people of Ceredigion, but not exclusively—so, we have bought properties in north Pembrokeshire and over the border in Carmarthenshire. I think, if you look back at the history—and I'm a bit of a historian—of Wales & West, for example, they took over a lot of the stock. The only other association that got itself into real trouble in the long distant past was Corlan, and most of the Corlan stock ended up being taken over by Wales & West because, at the time, they were the only association large enough to be capable of taking them over, and they've now benefited from Cantref as well. So, that's just the way things happen over time. I think, compared to England, we haven't seen many mergers in Wales. I think we are a lot more community-focused in Wales, and I think there are strong reasons why, particularly in the Welsh heartlands in north-west Wales and mid-west Wales, there is a strong argument for having a strong, sustainable locally based community housing association, whether that's Tai Ceredigion or Grŵp Cynefin in the north. You've seen two Welsh-speaking areas—Tai

Clwyd and Tai Eryri—coming together as Grŵp Cynefin in the north-west, and that's worked really well.

[333] As to our operational area, our board and tenants agreed some years ago that we would expand to cover mid and south-west Wales as an operational area. That doesn't mean that we would necessarily move into all parts of that area, but if there are opportunities—if the local authority wants us to work, for example, in Carmarthenshire, or Pembrokeshire want us to work in the Welsh-speaking areas of north Pembrokeshire, where we've already bought some land to develop—as long as we can service the needs of tenants in those areas—for example, we've got a base down in Cardigan—we can easily service tenants' needs going 15 miles into Pembrokeshire. Why wouldn't you, if the local authority wanted you to, work in that area to give some competition to the existing local association?

[334] Where I think it gets more difficult is where you've got a centrally based organisation—based, say, in Cardiff—that is struggling to manage the telephone calls that are in Welsh. They may have only one or two Welsh speakers in their call centre. I think it becomes a lot more detached from the tenants and from the local communities, and I think something is lost when that happens. So, I'm a strong believer in strong, viable, local community-based housing associations. It could be that regional is the answer in the future; I don't know. That's possibly a model that Wales should be looking at.

[335] **Mike Hedges:** Sorry, I was just going to say that I've yet to see any evidence anywhere that merger after merger does a great deal of good to anybody. I keep on thinking of the banking sector, where if Lloyds's bank hadn't merged with Halifax, it wouldn't have been in the mess it ended up in. That's just a comment.

[336] **Neil Hamilton:** That was a merger that was at very short notice as well.

[337] **Nick Ramsay:** Any further questions? We've got one minute left. Are there any further questions for our witnesses?

[338] **Rhianon Passmore:** Yes, very briefly.

[339] **Nick Ramsay:** Rhianon Passmore—there's a surprise.

[340] **Rhianon Passmore:** I'll be quick. In terms of the risks that are facing housing associations across Wales, and across the UK actually, how do you

feel that you are placed and how do you feel that Wales is placed in terms of its frameworks and its assessment processes?

[341] **Mr Lassetter:** Well, I have to give some credit, actually, to the regulatory team who put together a very fine document as guidance for boards to identify the type of risks that the board should be conscious of. It's a document that we use, actually, quite regularly. Risks are manifold in our business. The biggest ones generally are related to some sort of catastrophic loss of income. We've got, as I suppose most associations have—. We spend a lot of time via our audit and performance committee on regularly visiting our risk registers, looking at the mitigations, and we stress test, to a great extent, to almost include the perfect storm. I think, from our point of view, we're comfortable that we are—. We're not risk averse, but we are aware of the risks that we face.

[342] **Rhianon Passmore:** And do you feel, then, in terms of the framework that you're working within, in terms of that regulatory framework around you, that there is enough assistance from Welsh Government in terms of the regulatory team to be able to fully assist you in that job?

[343] **Mr Lassetter:** Yes, I do actually; yes, very much so.

[344] **Mr Jones:** It's mainly the job of the board to do that, and I think an effective board, which I believe we have at Tai Ceredigion, does it very well. The regulator is very supportive if you ask for support, but, actually, most of the time, you shouldn't be using a regulator as a crutch. You should have a sufficiently skilled and experienced board, as we have, to effectively manage the risk to the business carefully.

[345] **Rhianon Passmore:** Okay, thank you.

[346] **Nick Ramsay:** Great. Can I thank our witnesses, Derek Lassetter and Steve Jones, for being with us today? It's been really helpful. We'll send you a transcript of today's proceedings for you to check.

[347] **Mr Lassetter:** Thank you.

[348] **Mr Jones:** Thank you.

[349] **Nick Ramsay:** Thanks for being with us. A very quick changing of the guard now.

15:22

**Ymchwiliad i Oruchwyliaeth Reoleiddiol ar Gymdeithasau Tai: Sesiwn
Dystiolaeth 11
Inquiry into Regulatory Oversight of Housing Associations: Evidence
Session 11**

[350] **Nick Ramsay:** Without further ado, item 6 is continuing our inquiry into the regulatory oversight of housing associations, and this is evidence session 11. Thanks to our witnesses for being with us. Would you like to give your name and organisation for our Record of Proceedings?

[351] **Ms Evans:** Yes. I'm Nicola Evans, and I'm the chair of Merthyr Valleys Homes.

[352] **Mr Owen:** I'm Michael Owen, the chief executive of Merthyr Valleys Homes.

[353] **Nick Ramsay:** Great. Thank you for waiting patiently back there. We've got a number of questions for you. I'm kicking off with the first question. Quite simply, how effective do you think the current regulation is, how does the system of co-regulation work in practice, and what has been learnt from past problems? A general question to start with. Nicola.

[354] **Ms Evans:** Okay. Well, thank you for inviting us to give evidence today. We fully support the co-regulatory approach and we believe that the new approach will focus on the big issues, like financial stability, and focus on risk as well. We recently set a new corporate strategy for Merthyr Valleys Homes and, in that, our members said they wanted to focus on us remaining in a strong financial position in order to deliver what our members want us to do in our strategy. We feel that the new framework has a better fit with the purpose of the board, and so we welcome the increased emphasis on boards providing assurance against the performance standards and whether they're achieved or not. We think that the new approach has a greater focus on governance and financial stability, and we support that, and I guess, in our model, our board is also accountable to a democratic body as well. So, we have, built into our model, double assurance and double accountability. So, in practice that means that, as a board, we're not only providing assurance to the regulator that we're meeting the performance standards, but we're also providing assurance for people who live in our homes, and those people who

work in our housing service, that we are meeting standards, and that we're delivering our corporate strategy.

[355] **Nick Ramsay:** And as far as Merthyr Valleys Homes are concerned, the changes of January of this year, how effective have those been? Have you seen an improved situation since before or is there very little difference?

[356] **Mr Owen:** We had quite a lot, during the process of becoming a mutual, of discussions with the regulator. So, we've had a reasonably light touch since January. We haven't had a visit, but I think our feeling is we were part of the team that Steve Jones referred to in the earlier session that was part of the co-designing of it. So, I think there are a lot of merits in it. I wanted to echo what Nicola said about the board's role. It felt previously a bit more like an inspection process rather than a regulatory process. I think now we are getting into a regulatory process, which is better.

[357] **Nick Ramsay:** Great. In terms of the transparency and accountability of the Welsh Government, how do you find the system and their processes for regulation? As I said before, do you think it's improved since January, since the changes that were made?

[358] **Ms Evans:** I guess, for us, as a member-controlled organisation, we support members being at the heart of housing associations. We believe that there's a greater focus on tenant involvement, and I guess we wanted to make sure that tenants are at the heart of decisions about expenditure and setting rent and aren't being marginalised towards the scrutiny side of things and that they are a full part of the process. In terms of transparency, our board is an accountable democratic body, as I've said. So, I think we do have that double accountability role, which is obviously transparent in its nature anyway, I think. Do you want to add anything?

[359] **Mr Owen:** You were asking particularly about whether we think the Welsh Government's regulatory process is transparent, rather than ourselves? Is that what you were getting at, Chair?

[360] **Nick Ramsay:** Yes. In terms of that regulatory process, how does it work in practice and is it independent enough? Do you think the balance is right?

[361] **Mr Owen:** I think it's on a journey and I think it's probably at the right place for where we are in the housing associations' situation in Wales. I think

it's transparent to a degree, but there are quite a lot of issues involved in complete transparency, particularly with the funding situation in housing associations. If you get the call wrong, the implications for tenants could be significant in the long term. So, I think you need a proper debate between the associations and the regulator and an agreement about when things are transparent as well.

[362] **Nick Ramsay:** You said you think it's about right for where we are at the moment.

[363] **Mr Owen:** Yes.

[364] **Nick Ramsay:** That doesn't mean in the future it couldn't be more independent.

[365] **Mr Owen:** I think independence is a good thing per se, for a regulator. But I think it is, as I said, a kind of a journey, because the principal funders are the Welsh Government and you need to have some levers for what you're funding with. So, it's a balance between regulation and what you get for your money as well, isn't it, and what tenants want.

[366] **Nick Ramsey:** Yes. Rhianon Passmore, did you have a question?

[367] **Rhianon Passmore:** In that regard, talking about the changes since January around the regulatory framework, you mention on page 49 of your evidence to the committee the potential impact of regulatory intervention on funders—and this is slightly pertinent to what we were talking about previously—in terms of the ability, therefore, for that to impact negatively on you as an organisation. Do you see that that is worsened or strengthened as a potentiality by the changes in January?

[368] **Mr Owen:** When an organisation has an agreement breach with the funders, there is a cost, and, for the tenants, it can be very, very expensive in the life of the business plan. It can be a significant reduction in capital programme or increases in rents. I gave some figures there that I've heard. It's always confidential how much it is. Generally, for the size of an organisation like Merthyr Valleys Homes, our loan was set in 2009. An adjustment of that for a governance or a regulatory intervention could be in the cost region of £10 million or £15 million, which the tenants would have to pay for. So, the regulation has to be right. I think it's getting there and I think it's a much better process.

[369] **Rhianon Passmore:** So, you think it's stronger than it was previously.

[370] **Mr Owen:** I think it is, yes.

[371] **Rhianon Passmore:** Okay, thank you.

[372] **Mr Owen:** I think the board is stronger.

[373] **Rhianon Passmore:** In terms of your model.

[374] **Mr Owen:** No, in having the board as the regulator.

[375] **Rhianon Passmore:** The regulatory board.

[376] **Mr Owen:** It is a better process now with a board and a strong board.

[377] **Rhianon Passmore:** Okay, thank you.

[378] **Nick Ramsay:** Lee Waters.

[379] **Lee Waters:** Yes, thank you. I think your point about the consequences of intervention is a fascinating one and I am grateful to you for making that point in your evidence. You also say in your evidence that there are not enough people in the regulatory team, and you raise a question mark about the quality of them, given that the pay grades that we offer differ.

15:30

[380] **Mr Owen:** It's a balance every public sector organisation makes, isn't it? You know, in an ideal world, you'd have hundreds of staff doing regulation, all on fantastic pay, to mitigate against any event that occurs. In reality, it's a compromise between the likelihood of an occurrence and the team. I think the team there are very good; I think they could be strengthened with more people who are solicitors and accountants, but that would need a bigger budget. It's how much are you getting for your money, really, isn't it? I think, probably, a stronger team would be better, but there's always a limit to how much you can just add to a regulation team, isn't there? And I think while we all—for want of a better word—act appropriately, the size and the capacity of the team is perfect. If there's intervention required at several organisations simultaneously, it might appear to be a very small

team.

[381] **Lee Waters:** But, as you said, this isn't a consequence-free judgment, is it?

[382] **Mr Owen:** No.

[383] **Lee Waters:** Because the quality of the judgments that team have to make have significant financial implications for the viability of your organisations.

[384] **Mr Owen:** Well, more if they intervene, rather than the judgement. If they just make a judgement, saying, 'You need to improve', that generally doesn't have a financial consequence—

[385] **Lee Waters:** I mean judgement in the broader sense, in terms of what they decide to do.

[386] **Mr Owen:** Yes. If they decide to come in and make a bad intervention, or the organisation breaches its own covenant without any involvement of the regulators, which has happened—. So, it's about getting that right. Even with the best regulators in the world, it doesn't stop a bad housing association making bad decisions.

[387] **Lee Waters:** But your evidence suggests they haven't got that right at the minute—there aren't enough of them, and we're not paying them enough. That's what your evidence says.

[388] **Mr Owen:** I think I would agree with that, yes.

[389] **Lee Waters:** Okay. Thank you.

[390] **Nick Ramsay:** But you said earlier that they are acting more like a regulator now than a policeman, or an inspector—

[391] **Mr Owen:** I think they're more like a regulator than an inspector now. It feels more like we're getting into a regulation regime.

[392] **Neil Hamilton:** So that means that there's more of a two-way process, rather than a top-down—

[393] **Mr Owen:** More of a two-way process, with the board having the responsibility for assuring that the organisation is in the right place and doing the right things, rather than someone coming into the building and checking your complaints folders or wanting to see a roof that's been repaired by somebody. It feels more about governance, as opposed to the service.

[394] **Neil Hamilton:** So you feel you've derived some profit from the intervention of the regulator in your affairs, in that instance.

[395] **Mr Owen:** Merthyr Valleys Homes, before I started, was in massive intervention from the regulator, and it's not anymore. So, it was a good process. We worked really closely—and Nicola wasn't the chair at the time either, I should add. We worked really closely and it was a very good process, I've got to say, which didn't actually require funders' intervention.

[396] **Rhianon Passmore:** How important, bearing that in mind, do you feel the model is that you've chosen, in terms of being tenant focused and having that double accountability that was mentioned, that double scrutiny? And in terms of that model, which isn't well utilised across Wales, often deemed to be very tricky to do, although very worthwhile, how important has that been in terms of your current position? Or is it unimportant?

[397] **Ms Evans:** I just want to give a bit of an outline, I suppose, of the model, if that would be helpful. So, we wanted to change our arrangements, to balance that issue of having a strong and effective governance structure with an accountable, democratic structure as well. So, in 2015–16, the board, tenants and committee members began a journey to find a model that was a good fit for Merthyr Valleys Homes. So, we established a commission, which then met for over a year, in fact, to look at some of the options that were available to us.

[398] We had the standard LSVT model, with the council holding the golden share, prior to becoming a mutual, which in itself has many challenges and has some areas that could be improved. I guess, as you'll be aware, housing associations are complex organisations that require a skilled board to manage public money. So, with the LSVT model, in effect, you get eight out of 12 of those board members either directly elected by tenants or appointed by the council. So, it can be a challenge to make sure that you get the right skills around the board table. So, I guess what you're left with, really, is four of those independent members who often used to make sure that you had

the right skills around the table and also make sure that the board reflects the diversity of the community.

[399] In addition to that as well, it can be difficult for some board members who also are wearing other hats. So, if you're a tenant board member, you're elected as a tenant, but if you're a councillor board member, you're still a councillor. But, obviously, when you're a board member, you have the legal responsibility to the organisation itself, so it can have that conflict in how you act as a board member. So, we wanted to find a different model that got past that as well.

[400] I guess a consideration for us also was that staff didn't have a role in the current LSVT model that we were using. We didn't feel it was quite right, because staff obviously give a lot of time—in our case, a lot of our staff have given their whole career towards Merthyr Valleys Homes, so we wanted to find a model that reflected their contribution so that they could have a say in the long-term future of the organisation as well.

[401] We felt that the mutual model was a good fit for Merthyr Valleys Homes. So, in our new model, all employees and all tenants over the age of 16 can become members of the mutual. We then have a democratic body and those members elect tenants and staff to the democratic body. There's an 8:11 split in favour of tenants. That democratic body has very definite responsibilities, one of which is to elect the board, to appoint the chief executive and they set the vision and values—

[402] **Rhianon Passmore:** If I can interrupt you, because we've got that here, and thank you for that. In terms of how that has benefited you in terms of your current position, has there been additional benefit, because you are more of a holistic, tenant-centred organisation, from what you've said, or is that not a correlation that I can draw from that?

[403] **Mr Owen:** We took a lot of it from the Lord Myners report about the separation of the board from the democratic bit and we've just been working on our corporate strategy. We set the rent for this year with tenants. It was a very interesting process of setting the rent with a democratic body. It wasn't the rent that perhaps the board would've set. The democratic body went with a higher rent, which we weren't expecting. So, it's been interesting in that sense. I think that the corporate strategy that we've adopted has some definite changes of direction that wouldn't have been there before, perhaps.

[404] **Rhianon Passmore:** They might be changes in direction, but in terms of how beneficial they are for the whole organisation holistically and corporately, bearing in mind that it is so heavily tenant focused, or seems to be at its heart, is that—?

[405] **Mr Owen:** It's early in the process and I wouldn't like to fly a flag straight off, but I think some of the real big changes are about responsibility. Part of the philosophy behind the mutual was about changing the relationship between the landlord and the tenant. Many of our tenants are very excluded from the employment market and there is a very low turnout in national elections in some of our larger communities and neighbourhoods. It was about trying to completely re-engage that process with: 'You own this housing association—you own it in the long term, come and be involved'. It had to be a more positive offer than just, 'Would you like to turn up and have custard creams on a Tuesday and talk about repairs?' It was much more of a bigger process as well, long term.

[406] **Rhianon Passmore:** So, would you see your ethos as an organisation as a community regenerator or purely as a housing organisation? How would you encapsulate your vision?

[407] **Mr Owen:** The one big change was about diversification. They wanted us to remain as a housing association primarily and not diversify, but equally to tackle poverty and disenfranchisement of people and to bring people back in. That was quite an interesting dynamic. They didn't see it as us doing employment opportunities and other things, but about how we work, being an anchor investor in Merthyr and staying there.

[408] **Rhianon Passmore:** So, what is your view on diversification, chair, if I may, in terms of your organisation around your core reason, which is housing? How do you see the role that diversification in Wales is going to play? Every organisation is different, but—

[409] **Mr Owen:** I can't comment on the rest of Wales, but we won't be diversifying. That is a corporate directive we've got from our—

[410] **Rhianon Passmore:** You have your mandate and you're sticking to it. Okay, thank you.

[411] **Nick Ramsay:** Mike—I was going to say Mike Hedges on custard creams then. But Mike Hedges on that point or any other point you wish to

make.

[412] **Mike Hedges:** I was going to talk about chocolate biscuits instead, actually. [*Laughter.*] Two quick questions. The first one is: you talked about tenants and councillors having a vested interest if they were members of the board, but surely it's exactly the same situation for accountants, solicitors and other people within the community who are on the board—I assume you have some of those—who have also got their vested interest and maybe even have their own businesses in the area.

[413] **Mr Owen:** Sorry, we didn't mean a vested interest. What we meant was occasionally people would have a conflict of interest where they were directly elected as a member for a constituency and wanted to say, 'On behalf of my constituents, I want to say this but, on behalf of the board, I've got to say that'. That was the conflict. It wasn't that they had a vested interest that was a wrong interest; it was just a conflict of accountability.

[414] **Mike Hedges:** But doesn't the same conflict exist for accountants, solicitors and other people who have businesses within—unless you've got none of those on your main board—who have businesses within Merthyr? Don't they have a conflict of interest?

[415] **Mr Owen:** We have clear conflict-of-interest policies for those businesses. They can't benefit from our work, so it's not the same interest. I'm sorry, I don't—

[416] **Mike Hedges:** I'm not trying to be difficult, but almost anybody you have on a board who's living in Merthyr, if it was in Merthyr—but if it was in Swansea, living in Swansea—will have a conflict of interest from where they live and where they work.

[417] **Mr Owen:** I get what you're getting at now. I think what we're saying is independents on boards aren't truly independent. I agree, and one of the decisions of Merthyr Valleys Homes was that the accountable people appoint the independents rather than the independents saying they're independent when they haven't got any independence and they have many, many interests. Nicola was an independent board member and is now an appointed board member, which is different.

[418] **Mike Hedges:** The other question I've got: my knowledge of housing and rent setting is at least eight years out of date now, so apologies for that.

But from what you've said about the rent, when I was involved in it, what you actually had was a cap and if you went above the cap then you'd have clawback. If you went under the cap, you had a situation where you would have a shortfall of money. So, everybody was going to the cap. Are you telling me that rent capping and clawback no longer exist?

[419] **Mr Owen:** It's never existed in housing associations. It's a local authority control mechanism from Treasury. We have a Welsh Government rent-setting policy. Merthyr Valleys Homes, two years ago, took a rent decision to have rents below the policy. So, our rents are below the policy. So, there was some latitude with our rents to go to policy or to stay below policy. So, it's not a case of capping or anything like that.

[420] **Mike Hedges:** Sorry, I'm saying this to you in local authority terms as an ex-local-authority housing association, but the point is that governments of whatever ilk want to control the amount of benefits they're paying in terms of housing benefit, don't they? So, they have some level of control over any area where they're paying that. That was the point I was trying to make.

[421] **Mr Owen:** It's an interesting conflict, because clearly the Welsh Government sets rents but the English Government sets benefit levels. They've jumped in with local housing allowances, which is one of our biggest risks.

[422] **Mike Hedges:** Thank you.

[423] **Nick Ramsay:** Oscar.

[424] **Mohammad Asghar:** Thank you very much, Chair. Thank you, Michael. I just read your letter dated 13 February. You mention there are four elected councillors, four directly elected tenants and four board non-executive directors. There are 12. So, if there's a split decision of six to six, how are you going to come to the final decision? In any dispute, if there's six on one side and six on the other, how are you going to come to a decision then?

[425] **Ms Evans:** That's the old model that we used. That was when we were under the LSVT model rules. As a mutual, we now have eight board members that are directly elected by the democratic body.

[426] **Mohammad Asghar:** We know that, but the fact is there are 12.

[427] **Mr Owen:** That was the old structure, sorry.

[428] **Mohammad Asghar:** Well, this is the one I've got. The second bit, on the same letter, is: why is there a discrepancy of 24p in gender-balanced pay? A lady or woman is getting 24p less per hour than a male for the same job.

[429] **Mr Owen:** I'm happy to answer that. That's probably the lowest of any organisation and the closest of any organisation in Wales. The gap in Wales is about 15 per cent.

[430] **Mohammad Asghar:** But in this Chamber we all get the same salaries; in the Chamber—we're getting the same salary.

15:45

[431] **Mr Owen:** You might, but I would be very, very surprised if the Welsh Government has a completely equal pay balance. I would bet good money that it doesn't.

[432] **Mohammad Asghar:** Or the Commission. Now, my other question is: do you believe that the Welsh Government—?

[433] **Nick Ramsay:** We're not in the habit of betting as a committee. [*Laughter.*]

[434] **Mr Owen:** I don't have the figures, but I'm sure it doesn't. [*Laughter.*]

[435] **Mohammad Asghar:** Thanks. And now my question is: do you believe that the Welsh Government has the capability to respond to housing associations that are failing? Do the witnesses have any example where the Welsh Government has been unable to help effectively in these circumstances?

[436] **Mr Owen:** I don't have any evidence of where they haven't intervened effectively at all. But I was appointed by the Welsh Government onto another housing association that was in difficulties, and then I ended up being the chair after a number of board members left. So, that was a kind of a by-agreement intervention; it didn't require the funders' approval for that intervention. It did bring a significant amount of changes, and it was about trying to use the skills that were in the sector to put some improvement into

an organisation that could have potentially failed.

[437] **Mohammad Asghar:** How can the Welsh Government improve on supporting such housing associations, whether monetarily or in terms of advice?

[438] **Mr Owen:** I think it's about where the failing is, if it's at executive level or if it's at board level, or if it's in a particular compliance area—you know, if it's failing on, say, health and safety. Is that a failing because the board wasn't challenging enough? Or is it just somebody lied in the chain, and it's a failure that you can go in, you can restructure, bring in some different people and sort it out very quickly? So, it depends, really. I think, generally, there's enough skills within the Welsh housing sector, including people who work in local authorities, to provide support—peer support, executive support or governance support—to organisations that are struggling. I think the difficulty is the organisations that are struggling but don't recognise they are struggling.

[439] **Nick Ramsay:** What would be your view on the remuneration of board members?

[440] **Mr Owen:** Do you want me to take that?

[441] **Ms Evans:** Yes.

[442] **Nick Ramsay:** It's probably best that you take that, Michael Owen. [*Laughter.*] It would be fairer.

[443] **Mr Owen:** We personally think it's a decision that the organisation should make. And I think in an organisation where you've got a very accountable structure to the people who pay the rent, the people who work in the organisation—if they felt it was the right decision to remunerate board members, I think it would be up to them. I think a blanket ban doesn't really help anyone. Nicola, in particular, gives up a huge amount of her own time, unpaid, to sit on the board of a very big complex organisation. You have to take an afternoon off this afternoon and that has a cost in personal lives. And it does mean it becomes increasingly a retired occupation, and then we say, 'Well, the board isn't very reflective'. Well, what a surprise—the only people who've got enough time to turn up to board meetings, regulatory assessments, regulatory engagement meetings, governance training, and you're going to the governance on Friday and Thursday. So, two and a half

days off in a week is a big ask for an unpaid board member.

[444] **Nick Ramsay:** So, it should be a decision left, really, to the organisation involved rather than an across-the-board decision?

[445] **Mr Owen:** I think it should be a decision that should be wider than a board that isn't accountable. I think a board paying itself is difficult. If the tenants vote for it, it's coming out of their rent: that's a slightly different proposition. I think it's more open and I think it should be an open decision as well.

[446] **Ms Evans:** Just to add there, I think I'm quite lucky—I've got quite a flexible job. I don't have dependents, so I can give my time freely. I think if there was a financial penalty on me doing so, then that might change my decision to be a board member, which is fine, but I think then you'll only get the type of people like me, which isn't good governance. You want that variety of people around the board table.

[447] **Nick Ramsay:** You're being very modest.

[448] **Ms Evans:** But you want that variety of opinion and different types of people around the board table. So, I think, as Mike said, it's for the organisation to make that decision on the best use of their tenants—

[449] **Nick Ramsay:** And how much time on average will you give up a week, then—two days?

[450] **Ms Evans:** I really struggle to answer this one.

[451] **Nick Ramsay:** It varies from week to week, obviously.

[452] **Ms Evans:** Yes, it does. It adds up and you don't often realise it, but I do use a lot of my annual leave. When I go to book a holiday, I've used a lot of it on Merthyr Valleys Homes. So, it's a different kind of—it's hard to put a figure on it.

[453] **Nick Ramsay:** I feel very sorry for you if you're on holiday today.
[*Laughter.*]

[454] **Mr Owen:** Can I just add just one more thing, Chair? I think, if you have a structure with tenants and employees in it, the risk to Welsh

Government and everyone in the public sector is that board members pay themselves extraordinarily high salaries or fees. I think you're talking about balance in that. People who pay rent in Merthyr aren't going to give huge amounts of money to board members, but I think reasonable compensation for lost time is something to which they would probably say, 'Yes, I think that's fair'.

[455] **Nick Ramsay:** Yes. Mike Hedges.

[456] **Mike Hedges:** Welsh Government don't have any difficulties setting remuneration rates for a whole range of other places, and when it gets reclassified by the Office for National Statistics, then the Welsh Government won't have any influence over it; it will be entirely up to you. But, until then, setting either a daily rate and/or a rate for the chair, which I realise is probably more onerous than that of the rest of the board members—do you think that would be a step in the right direction?

[457] **Mr Owen:** I think it would be, yes. Do you?

[458] **Ms Evans:** Yes.

[459] **Nick Ramsay:** Okay. Neil Hamilton.

[460] **Neil Hamilton:** I think your mutual structure—[*Inaudible.*—]—and I had the advantage of sitting next to one of your members at our stakeholder event last year. I quizzed her quite a lot about it, and I'd like to see more of it. You were talking earlier on about tenant participation. Are you able to say that, as a result of mutualisation, you now do have greater ordinary tenant participation in the affairs of your organisation, bearing in mind that the tenants have elected representatives to the board? Has that actually encouraged or discouraged people who are not on the board but are nevertheless tenants to participate in the process?

[461] **Ms Evans:** I think there are a number of tenants who would like to be board members, but are put off by that kind of legal responsibility that a board position carries. We have tenants who are really interested in setting the direction of the organisation and want to contribute in that way, but they don't want to sift through a 30-year business plan. So, I think with a democratic model, that structure has that, because the way I see it, the democratic body sets the direction of where we want to go, and that's often a conversation that tenants want to be part of. And then the board is, then,

‘How do we get there?’, with the detail and the mechanisms of how we deliver that. So, I think, to answer your question: yes, it has increased participation because of that.

[462] **Neil Hamilton:** So, your democratic body includes, potentially, any member of your association, does it?

[463] **Mr Owen:** We’ve got 880 members currently. We’ve been growing that since last May. It’s not an easy thing to concept: to suddenly say, ‘Do you want to be a member?’, but we’re really pleased with 800 people being members. They are people who stood for elections, put a short—for want of a better word—manifesto out. There was a good turnout in the vote, and it brought new people in who we hadn’t met before, who we hadn’t been involved with. It wasn’t the same old faces. It brought new people who are really deeply committed and really, really active and great.

[464] **Neil Hamilton:** So, you know, obviously, about the rest of the sector in Wales, or a good deal of it, I’m sure, having been involved for such a long time. Do you think that you have greater tenant participation on a mutual model than other forms of structure?

[465] **Mr Owen:** I think we have different participation. I think we’ve kind of wanted to get—as I said about the joke about the custards—people being involved for the things that they wanted to be involved in, rather than us saying, ‘You can be involved in this’ or ‘You can be involved in that’. It has changed the dialogue around, with people saying the things that are really important to them. So, I think we’re hoping that that will be a much more long-term process, and as they begin to see change they’ll think it’s worth continuing to be involved. I think that’s the thing. It has to feel worth while to give up your evenings to talk about housing.

[466] **Neil Hamilton:** True. So, do you think that tenants’ views are better captured and reflected by the structures that you’ve got in your organisation than in the alternatives?

[467] **Mr Owen:** Yes. An interesting one came out of the corporate strategy. I talked about diversification; another one was a desire to have front gardens enclosed. We’ve got a lot of open-plan estates, and it’s kind of easy for us: we just send the mower up and down, but, actually, people were saying they wanted their own front gardens back. So, we’ve started a process this year of enclosing them, and we’re going to offer that from 1 April. We’ve just been

setting up all the processes so that people can take ownership of their front gardens rather than having it open plan. So, that could be a significant change. Once people start feeling that on estates, that would be—. You know, we've had other big messages—you know, this hasn't just come out of the blue. There's been a sort of five or six-year involvement process to get to this.

[468] **Neil Hamilton:** I can see that that would be a great benefit, by creating a sense of individuality about a communal setting.

[469] **Mr Owen:** Individuality within the planning constraints [*Laughter.*]

[470] **Nick Ramsay:** Oscar.

[471] **Mohammad Asghar:** Thank you very much. A final question to you—anyway, thanks—Nicola. Does Merthyr Valleys Homes believe that the changes to its governance could be rolled out across Wales? If so, what are the benefits or pitfalls of this new arrangement?

[472] **Ms Evans:** I think it's something that we took on as an organisation because it was the right fit for us. So, I think, you know, we'd be happy to share that with any other organisation thinking of doing the same. In terms of the benefits, I think just to echo what's been previously said, I guess, we've always had tenants at the heart of everything we're doing with Merthyr Valleys Homes, but now we've kind of gone beyond that—tenants have a real stake in the organisation because they own the organisation, in effect. So, I think that's one of the—. You know, as Mike said, it's that kind of change in dynamics, really. It's not about just asking tenants what they want and having good involvement, but it's now that they are the owners—they're responsible for that decision. So, I think that's where I see the main difference and main benefit there. I don't know if you wanted to add anything to that.

[473] **Nick Ramsay:** Michael Owen.

[474] **Mr Owen:** I think that's probably got that one answered.

[475] **Nick Ramsay:** Okay, thanks. Rhianon Passmore.

[476] **Rhianon Passmore:** Thank you. You've partially, or mostly answered what I was going to ask you in terms of ownership from stakeholders and

from tenants being at the heart of your organisation. Would you say that your model, as a co-operative model in essence and in ethos, compared to all of the other apples and oranges in that basket out there across Wales, really, truly has the ethos of tenants at its heart?

[477] **Mr Owen:** We would, yes.

[478] **Ms Evans:** Yes.

[479] **Rhianon Passmore:** I know you would, yes.

[480] **Mr Owen:** Yes, I think there are really only two—. There's the traditional housing association model and the local large-scale stock transfer model, and then the mutual is—. There are a couple of slight versions of the mutual, as it's probably the nearest to a co-operative. So, the words we use are: the tenants and the employees own the organisation—it's your future.

[481] **Rhianon Passmore:** Okay. And in terms of how different the different models are out there, how transferable—you've partly addressed this earlier on in terms of diversification—is this model to other organisations?

[482] **Mr Owen:** Well, we transferred from a large-scale voluntary transfer and we went to the regulator. It required four decisions, actually, didn't it?

[483] **Ms Evans:** Yes.

[484] **Mr Owen:** The Welsh Government had to agree it as a regulator. The funders had to agree the change to the rules and changing the governance structure presents risks. One of the debates we'd had with tenants was, 'If you want this, how much are you willing to pay for it? The fund has changed the margins and it's going to cost us £500,000 a year. Is it worth it?' So, the funders had to agree it, the tenants themselves had to agree it, and Merthyr Tydfil County Borough Council had to agree it as the golden shareholder.

[485] **Rhianon Passmore:** Okay. So, in terms of risk, how do you feel you fare in terms of the regulatory framework and all of the support mechanisms that you've got around you in terms of how you perfect-storm test your risks and how you manage them? As a mutual, are you more at risk or do you feel you're less at risk in terms of volatility with lenders?

[486] **Mr Owen:** I think the risk in the mutual is interesting, because the

other mutual that's the same as us is the Rochdale Boroughwide Housing in north Manchester and they had a 1 per cent rent cut that they had to manage through the mutual in their first year. So, instead of it being the glorious, 'Let's all spend together', it was, 'What are we going to cut together?' They came through that, and I think we could come through a financial strain on the organisation through our ability to work it out ourselves about what are our priorities.

[487] **Rhianon Passmore:** In terms of how you stress-test that, how rigorous are you doing it in your organisation?

[488] **Mr Owen:** Do you want to talk about the away days?

[489] **Ms Evans:** Yes. We stress-test our plan like most other organisations in terms of good governance. But also, we had a board away day last year that specifically looked at risk to ensure that the board were fully aware of the risk and how to manage it, what we're going to do to mitigate any risks and to have not just the one risk, but a combination of risks. So, as a board, we are constantly looking at that. I guess, in terms of the new model, you've got a different skills make-up of board members around the table, so I guess you've got that added capacity, potentially, within the board, to manage risk and to mitigate the imbalances.

16:00

[490] **Rhianon Passmore:** So, with regard to yourselves being a mutual, do you feel that you are in a stronger position than others or do you feel that you are just in a different position to others?

[491] **Mr Owen:** I think we're certainly in a stronger position in relation to—. The big risks are when you have to mitigate and it has a financial consequence so that you have to cut programmes of repairs and expenditure or cut staffing programmes. And, you know, we have a collective decision around those things, so it'll be a more combative approach, I guess, because people will say, 'Well, there are other savings you could make not necessarily that', but eventually, it will be a more transparent and open process and you'll reach the point that everyone will go, 'Well, we've got to do it, so let's get on and do it.' I think that will be—it won't be in a dark room—it will be very open when we make those choices. It'll be choices around rent levels and it'll be choices around repairs.

[492] **Rhianon Passmore:** Right. Thank you.

[493] **Nick Ramsay:** Any final questions to our witnesses? No.

[494] **Mr Owen:** Thank you.

[495] **Ms Evans:** Thank you.

[496] **Nick Ramsay:** Thank you for being with us today, Nicola Evans, Michael Owen, and thank you for your written evidence as well—that was very useful in helping us form our questions. We'll send you a transcript for you to check for accuracy. Thank you.

16:01

**Cynnig o dan Reol Sefydlog 17.42 i Benderfynu Gwahardd y Cyhoedd
o'r Cyfarfod ar gyfer y Busnes Canlynol
Motion under Standing Order 17.42 to Resolve to Exclude the Public
from the Meeting for the Following Business**

Cynnig:

Motion:

*bod y pwyllgor yn penderfynu that the committee resolves to
gwahardd y cyhoedd o weddill y exclude the public from the
cyfarfod yn unol â Rheol Sefydlog remainder of the meeting in
17.42(ix).*

*accordance with Standing Order
17.42(ix).*

Cynigiwyd y cynnig.

Motion moved.

[497] **Nick Ramsay:** Okay, I propose—that's right, isn't it? Yes. I propose, in accordance with Standing Order 17.42(ix), that the committee resolves to meet in private for items 8 and 9 of today's meeting. Members are content.

Derbyniwyd y cynnig.

Motion agreed.

*Daeth rhan gyhoeddus y cyfarfod i ben am 16:02.
The public part of the meeting ended at 16:02.*

