



House of Commons

Communities and Local
Government Committee

**The work of the
Regulation Committee of
the Homes and
Communities Agency: the
Government's Response
to the Committee's
Second Report of Session
2013–14**

Third Special Report of Session 2013–14

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The Communities and Local Government Committee

The Communities and Local Government Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for Communities and Local Government.

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The Reports of the Committee, the formal minutes relating to that report, some or all oral and written evidence are available in a printed volume.

Some or all oral and written evidence may be published on the internet only.

Committee staff

The current staff of the Committee are Glenn McKee (Clerk), Sarah Coe (Second Clerk), Stephen Habberley (Inquiry Manager), Kevin Maddison (Committee Specialist), Emma McIntosh (Senior Committee Assistant), Mandy Sullivan (Committee Assistant) and David Foster (Assistant Media Officer).

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Third Special Report

On 11 September 2013 the Communities and Local Government Committee published its Second Report of Session 2013–14, *The work of the Regulation Committee of the Homes and Communities Agency* [HC 312]. On 6 December 2013 the Committee received a memorandum from the Secretary of State for Communities and Local Government which contains a response to the Report. The memorandum is published as an appendix to this Report.¹

Appendix: Government response

I wrote to you on 25 July, in response to your concerns about the Regulation Committee of the Homes and Communities Agency, following Julian Ashby’s oral evidence to the CLG Select Committee on 15 July.

Since this time, I have read the Select Committee’s published report on its inquiry into the work of the Regulation Committee with interest and have considered its recommendations carefully.

You will be aware that the Regulator recently announced the start of its independent review of the Cosmopolitan case. I fully support this and will await the results keenly.

I agree that it is vitally important that the ratings on financial viability and governance should be robust, distinct from each other, and able to be taken at face value. I am satisfied by the Regulator’s response that this is indeed the case. I welcome the introduction by the Regulator of a “Grades Under Review” section on its website, which indicates providers whose gradings may be subject to a downgrade to a non-compliant level. I also welcome the Regulator’s intention to amend the straplines (V3 and V4) indicating non-compliance with the viability standard, so that they are clearer that the provider has been given a non-compliant grade. These changes should further strengthen the transparency of viability and governance ratings.

I welcome your recommendation that the Regulator work with other regulators to examine their use of statutory powers. The Regulation Committee includes members with experience of other regulatory regimes, and I am assured that the HCA has a regular dialogue with other regulators, including social housing regulators in the Devolved Administrations. I welcome the HCA’s proposal to review its approach to viability regulation, drawing on learning from other regulators and other third parties—like credit rating agencies—that have relevant expertise.

You also recommended that an experienced former regulator in another sector should review the operation of social housing regulation. I do not consider that we should take

¹ The Committee has already published the response of the Regulation Committee of the Homes and Communities Agency, in its second special report of 2013–14, [The work of the Regulation Committee of the Homes and Communities Agency: the Regulation Committee’s Response to the Committee’s Second Report of Session 2013–14](#) [HC 836].

forward any wide-ranging review of social housing regulation in the near future. The Regulator faces a challenging agenda in regulating an increasingly diverse sector; and the reforms to regulation which we instituted via the 2011 Localism Act are still bedding down. A further review at this stage could undermine lender confidence in the role of the regulator.

You raised concerns about the resourcing, capacity and capability of the Regulator. Earlier this year, my department gave approval for the Homes and Communities Agency to recruit additional posts as part of its restructure of the Regulation Directorate—upgrading its skill set, to ensure that it has the specialist financial and commercial expertise to respond to the new challenges in the sector. This process is in train and I can provide reassurance that we will continue to support the HCA to ensure that they are adequately resourced with the right expertise, although this will be within the context of my continuous drive for improvements in efficiency across the DCLG Group.

You recommended that Government, working with the sector and the Regulator, should clearly publicise the correct complaints procedure regarding consumer standards, to avoid misdirected complaints. I agree that it is important that consumers have complete clarity on this issue and my department will work with the Regulator and the Ombudsman to ensure that this happens.

December 2013