



**Committee and Date**  
**22 March 2023**

Item

Public



## Regulation of Social Housing

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<b>Cabinet Member (Portfolio Holder):</b>	Councillor Dean Carroll		

### 1. Synopsis

This report updates Cabinet on the progress of the Social Housing Regulation Bill and sets out the Council’s key responsibilities under the new social housing regulatory regime, which will bring forward a new proactive regulatory regime focused an enhanced set of consumer standards.

### 2. Executive Summary

- 2.1. This report has been produced to provide insight into the Council’s monitoring of the management of its housing stock, carried out by the Council’s Arms Length Management Organisation (ALMO) Shropshire Towns and Rural Housing (STAR), under a Management Agreement and to outline the steps being taken to ensure the Council will be in compliance with increasing regulation and inspection by the Regulator of Social Housing (RSH).
- 2.2. The report outlines the actions required by the Homes and Communities department to ensure Shropshire Council has the necessary oversight and monitoring of the housing management functions carried out on its behalf by STAR Housing in order to respond to the Consumer Standards and any inspection that the RSH carries out of Shropshire Council as landlord of its housing stock.

- 2.3. Strong, well governed decision making processes that delivers services and projects for Shropshire communities is a key outcome for the Healthy Organisation priority of the Shropshire Plan, responding to the new regulatory approach through revised governance and oversight arrangements will not only ensure compliance with standards, but it will also strengthen the Council's role in shaping and delivering services to Council housing tenants and the wider communities in which the homes are situated.
- 2.4. Councillors and senior leaders at Shropshire Council have a responsibility to ensure the Council is meeting the consumer standards with which registered providers of social housing must comply. This responsibility applies to the Council, regardless of the arrangements in place with STAR Housing to provide housing management services. The new regulatory regime will necessitate a fundamental change in the way the Council engages with STAR, requiring the Council to become more directly involved in the oversight of landlord services. STAR can continue as the supplier of housing management and maintenance services, but under enhanced direction and supervision of the Council, with in-depth scrutiny of all areas of service delivery, focused on Consumer Standards.
- 2.5. Proactive consumer regulation will begin in 2024, it is therefore necessary to bring this change in regulatory approach to the attention of Cabinet and to set out the work that needs to be undertaken to best place the Council to respond to this change. The report also seeks to signify a change in the way the Council will interact with its ALMO and to set out how it will become more directly involved in direction and oversight of the management of Council owned homes and delivery of services to Council tenants.

### 3. Recommendations

- 3.1. Cabinet is asked to consider the report and receive a further update on the implementation of changes required to comply with the new requirements as they emerge
- 3.2. Cabinet is asked to note the responsibilities of the Council with regard to the Consumer Standards, in particular the requirements to:
  - Maintain an oversight of the housing stock
  - Understand the performance of its ALMO, STAR Housing
  - Understand the compliance and legislative requirements

## Report

### 4. Risk Assessment and Opportunities Appraisal

- 4.1. Failure to comply with the RSH Consumer Standards may lead to the Regulator taking intervention and enforcement action including penalties against the Council.
- 4.2. The standards being introduced by the Regulator to improve oversight and accountability by Councils for the delivery of good quality council housing management creates an opportunity to benchmark STAR Housing against the sector. Responding to updated performance indicators will create a positive challenge and ensure that Shropshire's Council housing residents will receive housing services to the best possible standard.
- 4.3. Any service change proposed as a result of the regulatory changes will be subject to an Equality, Social Inclusion and Health Impact Assessment. As the RSH objective for the Consumer Standards is *to make sure that tenants get quality accommodation and have choice and protection and can hold their landlord to account* it is likely that any change will result in a medium/ high positive impact.

## 5. Financial Implications

- 5.1. There are no direct financial implications associated with this report. Housing Management services delivered by STAR are funded through the Management Fee, paid through existing Housing Revenue Account budgets.

## 6. Climate Change Appraisal

- 6.1. There are no direct energy and fuel consumption, carbon offsetting or mitigation, renewable energy generation or climate change adaptation implications arising from this report.
- 6.2. However, the Council's HRA stock is expected to meet appropriate standards of energy and thermal performance, in line with Government guidance. STAR Housing will be required to manage the HRA capital programme to ensure that appropriate investment is made available to meet carbon zero targets, and the Council will be monitored for its compliance.

## 7. Background

- 7.1. The management of the Council's housing stock was transferred to its newly formed Arm's Length Management Organisation (ALMO), Shropshire Towns and Rural Housing in 2013.
- 7.2. The areas of management that are covered by the Management Agreement include: tenancy management, estate management, repairs, maintenance, lettings and voids, collection of rents, leasehold and other charges, tenant participation and asset management. Other services are delivered by STAR Housing under separate agreements rather than under the Management

Agreement. This includes management services at St Michaels Street (temporary accommodation) and services at New Century Court, a supported living scheme.

- 7.3. In advance of the 10-year Management Agreement coming to an end in March 2023, Shropshire Council commissioned a Strategic Housing Review of the Housing Revenue Account, having regard to the existing arrangements between Shropshire Council and STAR. The review concluded that STAR has operated effectively within the terms of its Management Agreement, it has delivered Decent Homes, delivers high quality services and has developed valued community connections.
- 7.4. The recommendation of the review was that STAR was retained in its role managing the Council's housing. However, for this to be a viable option moving forward the Company's remit should be re-aligned with, and clearly delivered against Shropshire Council priorities. In May 2022 Shropshire Council approved the recommendation that STAR is retained and approved the award of a further 10-year extension to the Management Agreement. It should be noted that the recommendation was made prior to the extent of the regulatory changes being fully known.
- 7.5. Since the 2018 social housing green paper set out initial proposals to rebalance the relationship between tenants and landlords the RSH has been working with central government, social housing tenants and social landlords on how best to strengthen the regulation of social housing. The Social Housing Regulation Bill is currently in Parliament, with the RSH gearing up to implement new consumer regulations in just over a year's time.
- 7.6. The new regime the RSH plans to introduce will be a step change in the regulation of social housing, moving from an emphasis on economic factors to placing significant focus upon consumer standards. This involves setting new expectations about the services that social landlords provide for their tenants and introducing a proactive regime for the inspection of landlords to measure their adherence with the consumer standards.
- 7.7. As the regulated entity, that is the landlord, it is Shropshire Council and not STAR Housing that has the relationship with the regulator. It is therefore the Council who will be inspected for compliance with the consumer standards. The RSH currently regulates the consumer standards on a reactive basis. Under the new regime this will become proactive, with regular inspections for providers with over 1,000 homes, scheduled to take place every four years. Under the new regime, providers will be subject to unlimited fines if they fail to meet the standards set.

## 8. Social Housing Regulation Bill

- 8.1. The Social Housing Regulation Bill will change the RSH objectives and powers so that it can implement the regulatory reforms needed to deliver the vision set out in the social housing white paper. Once the bill has gained Royal Assent, the RSH will begin the process of consulting on changes to its consumer standards and implanting its new regulatory approach in full.
- 8.2. The Bill includes new standard setting powers, upon which the RSH is consulting, as well as updating consumer regulations as a whole. Subject to the Bill being

passed by Parliament, the RSH is anticipated to consult on the new standards by the summer of 2023.

- 8.3. The Bill will alter how the RSH can apply some of its existing enforcement powers and will give the regulator new powers. Importantly it will remove the 'serious detriment' test which currently places a high legal threshold on the regulator's ability to use its powers when they find a breach of the standards. Removing the test will mean it can take action in a wide range of circumstances.
- 8.4. Staff working for social housing providers will be required to meet new professional competency standards – making it a requirement for landlords (in Shropshire's case the Council) to ensure that staff have the right skills, experience and knowledge and are appropriately qualified to deliver a high-quality service to tenants.

## 9. Consumer Standards

- 9.1. Subject to the Bill being passed by Parliament, the RSH will consult on the new standards by the summer of 2023. The RSH has already identified a number of themes that the standards should cover. These themes are to be used to structure the work to develop the new consumer standards.

**Safety:** *All landlords must provide homes and services that are safe*

**Quality:** *All landlords must provide good quality homes*

**Neighbourhood:** *Landlord's role in working with other agencies, to contribute to the wellbeing of neighbourhoods in which tenants live*

**Transparency:** *Landlords must be transparent with their tenants and provide the information they need to hold them to account*

**Engagement and Accountability:** *Landlords listen to tenants and take their views into account and will deliver better outcomes for tenants*

**Tenure:** *Landlords must have a fair and transparent allocations process*

- 9.2. Housing Provider Boards, and in the case of a local authority, Councillors are responsible for ensuring that the Consumer Standards are met. This is a fundamental part of a registered provider's commitment to co-regulation. Registered Providers should have the systems and processes in place to provide assurance to their Board and Councillors that the standards are being met, with the responsibility remaining solely with the Council and not STAR Housing.
- 9.3. Once the new consumer regulation is introduced, the RSH through its proactive inspection programme will be seeking assurance that both the service outcomes for tenants' experience and the accountability arrangements are consistent with the expectations of the new standards. The RSH is currently developing its approach to inspections and will be refining it following further engagement with tenants and landlords.

- 9.4. The RSH approach to regulating the standards, focuses on co-regulation and the adaptation of the in-depth assessments (IDAs) to fit with the consumer regulation regime. Currently the RSH through its IDA, reviews the Governance and Financial Viability of Private Registered Providers, to which Local Authority Registered Providers are not subject. Consumer inspections will in future look at new sources of evidence and assurance, including information from tenants, to ensure the Council is delivering the outcomes expected by the regulator. For example, the RSH will seek feedback from Council tenants, consider a wide range of STAR Housing's Board/ council reports on service performance, evidence from tenant satisfaction measures and evidence from the Housing Ombudsman.
- 9.5. STAR Housing is currently undertaking a gap analysis of compliance against the standards and has recently completed a self-assessment of its complaints procedures against the Housing Ombudsman's Complaint Handling Code, the outcome of which has been reported to the Asset Assurance Board, which is responsible for monitoring STAR's performance in accordance with the requirements set out in the Management Agreement. Findings from the gap analysis will be included in an action plan for the Council and STAR to work through.
- 9.6. In addition to the gap analysis, it is necessary for the Council to review its governance framework, ensuring that it has the right level of oversight, direction and control necessary to provide assurance that the standards are being met.

## 10. Next Steps

- 10.1 The Council must ensure it is prepared for the new consumer regulation to start in April 2024. Along with the gap analysis a review of the current arrangements between the Council and STAR is required, specifically the design and implementation of an accountability structure that provides the Council with the required oversight of the performance of STAR in complying with the Consumer Standards.
- 10.2 An Accountability Structure will focus on:
- Client Management – Formalised and Formal Arrangements
  - Leadership – Focus at Cabinet and Senior Leadership Level
  - Clarity of responsibility between the Council and STAR – backed by effective reporting and assurance
  - Data Accuracy and Integrity – Clear line of sight to data which underpins performance reporting and compliance with consumer standards
- 10.3 The Council is also required to identify a responsible person for consumer standards compliance and clarify roles of senior staff, with regard to arrangements and relationship with STAR, to include nominating a person responsible for health and safety.
- 10.4 A further report setting out a proposed accountability structure will be presented at a future Cabinet.

## 11. Conclusion

Cabinet is requested to consider and note the content of this report and receive further updates as the new requirements emerge.

**List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)**

STAR Housing Management Arrangements – Council. 12 May 2022.

**Local Member:** n/a

**Appendices** [Please list the titles of Appendices]