



THE SOCIAL  
HOUSING  
REGULATOR

5 September 2011

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Dear Chief Executive

This letter covers three areas: an update on progress of the Localism Bill and the DCLG directions to the social housing regulator, improvements to the quarterly financial survey and an update on guidance in relation to the Affordable Rent programme

### **Changes to social housing regulation - update**

Introduction of the new regulatory framework is scheduled for April 2012, linked to reforms in the Localism Bill. The Bill completed its Committee stage in the House of Lords in July, and Lords Report stage will take place in early September when Parliament returns. After conclusion of consideration in the Lords, the Bill will return to the Commons and Royal Assent is expected later in the autumn.

Ahead of this, DCLG's consultation on its proposed new directions to the regulator ends on 29 September 2011. The areas covered by the directions are: Tenure & Mutual Exchange (two new areas); and, rents, quality of accommodation and tenant involvement and empowerment (which replace the existing directions from the previous government).

Since the consultation was originally issued, DCLG has made a change to the terms of its draft Tenure direction (the formal notice of this is on DCLG's website at: <http://www.communities.gov.uk/publications/housing/socialhousingregulator>)

Government's original intention was to direct the Regulator to set a tenancy standard to require that when providers offer flexible tenancies these should be for a minimum period of two years. You will know that following further consideration, Government is now proposing that flexible tenancies of two years should be exceptional and that the majority of tenancies will be for longer terms of at least five years.

Government proposes that if social landlords decide that there are exceptional circumstances where tenancies of less than five years may be appropriate they should set out in their tenancy policy what those circumstances should be. A revised draft direction to



the Regulator has been issued and responses to the directions consultation should be on the basis of this revised draft.

Once the consultation on directions ends, DCLG will review the responses and issue the new directions to the regulator. We then expect to start our statutory consultation in November. This consultation document will set out proposals for the content of standards in the future regulatory framework and how we intend to apply the proposed 'serious detriment' test for the regulation of consumer standards.

The revised regulatory framework will reaffirm our commitment to co-regulation and deliver a stronger focus on proactive economic regulation. Alongside maintaining the current emphasis on governance and viability, the revised framework will include a strengthened value for money standard to provide a clear focus on identifying and understanding value for money in a co-regulatory environment. Further review of the rent standard will enable us to ensure that the regulatory approach to Affordable Rent continues to be sufficiently supportive and enabling, while offering the right protections for tenants and for investment.

#### **Quarterly financial survey (private registered providers only)**

In the covering letter to Finance Directors, that accompanied the June quarterly survey, we noted our plan to review the structure, content and outputs of the next survey in September. To help our review we asked for comments and received a wide range of useful and constructive feedback.

The main changes you will see in the next and future financial surveys are:

- The frequency that we ask some questions will vary to ensure we gather information at an appropriate time, whether this be on a quarterly, six-monthly or annual basis.
- The wording of the questions is more focused. This is intended to make the data gathered more relevant.
- Questions on the Affordable Housing Programme have been added. These will help the regulator and the HCA assess the impact of the new product on the sector.
- We have reduced the number of narrative questions in order to focus more on numerical and trend analysis.

The quarterly financial survey remains a crucial element of our understanding of risk in the social housing sector. It will also contribute to identifying where further engagement with individual providers is needed. We hope the changes will enable us to produce a better, more timely report and enable more effective regulatory engagement.

We will continue to review the content of the survey on a regular basis to ensure that it remains appropriate.



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**Delivering new Affordable Rent homes without HCA funding**

In July we published joint guidance with the HCA on the delivery of new Affordable Rent homes where a provider is not receiving grant funding as part of the 2011-2015 Affordable Homes Programme. The guidance is available on our website at:

<http://www.tenantservicesauthority.org/upload/pdf/AR-outside-programme-guidance-note-270711.pdf>

As I have said in my earlier letters, please feel free to contact me or any of my colleagues at any time. I am particularly interested in your feedback and suggestions for the content of future letters.

Yours sincerely

**Claer Lloyd-Jones**  
Chief Executive