

This briefing draws on a recent HQN governance conference held for RSLs in Scotland. The speakers were Professor Lorne Crerar, Anna Evans, Paul Minto of HBJGatelyWaring, Robert Tamburrini of North Glasgow Housing Association and Ewan Fraser of Dunedin Canmore Group.

As the Independent Chairman of the Review of Regulation, Audit, Inspection and Complaints Handling in the Public Sector, Professor Crerar put forward two quotes from RSLs from his Review:

“Everyone wants to scrutinise us – Communities Scotland, the Care Commission, Local Government. Tell them to leave us alone so we can get on with our job of housing provision.”

“Regulation is key to risk. Less regulation will increase risk to funders. Risk equals returns, and rates to RSLs from banks will increase.”

The first one tells of a housing provider claiming to be over-scrutinised whilst the second suggests that regulation is a key factor in assessment of risk in lending to RSLs. Professor Crerar disagreed with the second argument, stating that less regulation can be better regulation, so long as strong governance is in place. This is the direction of his Review, and one which the Scottish Government and the Scottish Housing Regulator have accepted. For many this is a brave move, especially given the context of recession and failures in the financial sector. However, the recent whistleblowing case where Paul Moore exposed the former HBOS Chief Executive supports the stronger governance argument:

“What my personal experience of being on the inside as a risk and compliance manager has shown me is that, whatever the very specific, final and direct causes of the financial crisis, I strongly believe that the real underlying cause of all the problems was simply this - a total failure of all key aspects of governance. In my view and from my personal experience at HBOS, all the other specific failures stem from this one primary cause”

(bbc.co.uk, Tuesday 10th February, 2009)

As we move away from the ‘old’ inspection regime of regulation, so it follows that governance arrangements for RSLs need to be very, very strong. RSLs will become more and more accountable for their internal arrangements to ensure they are delivering on objectives and value for money for the public purse. Times are changing for RSLs: not only will there be changes in regulation, but the economic climate combined with change in HAG rules and Lead Developer debate makes life more complex and risky.

Anna Evans pointed out in an earlier briefing this year for HQN that disasters are not confined to the private sector and can happen in the RSL sector too. The obvious one is Ujima where the ‘no default’ reputation in the sector was destroyed overnight. Examination of the Scottish Housing Regulator RSL ‘hit list’ shows that governance is a reason for engagement in 27% of cases.

The Future of RSL Regulation

“The primary responsibility for demonstrating compliance and performance will rest with RSLs. The Government has accepted this principle and the drive will continue to be to develop robust performance management and outcome focused self-assessment amongst service providers.

Much time is spent in my report as to how such robust self-assessment systems can be developed, recognising that self-assessment is as easy a tool to become self-delusionalary.

In areas of the public sector market and the RSL market in particular, much time needs to be and is to be devoted to develop robust and appropriate self assessment systems.”

Professor Lorne Crerar,
21st January 2009

The trends in the public and not-for profit sector, and now even more so in the private sector are all pointing to more proactive and effective governance arrangements. These might include:

- A different balance between challenge and support between the Board and Executives
- A range of skills and experience for the Board that are relevant to the Association's business and risk
- A stronger focus on skills and experience which potentially moves away from the electoral or representational model
- A Board which actively drives organisational and performance improvement
- A rigorous application of good practice in Board selection, appraisal and renewal
- Increased investment in support and training the Board
- A trend perhaps towards smaller Boards
- A simplification of governance structures in particular: the number of subsidiaries; and the frequency of Board and Committee meetings.

Most importantly, each Housing Association should evolve its own style of governance to suit itself to achieve robust, but more independent self-regulation.

This follows for each Association's self-assessment techniques: it is still unclear what self-assessment models will appear out of the SHR (if any), but with strong governance RSL Boards and executive teams should be able to develop and evolve their own self assessment and performance management techniques over time, with only core data and feedback required by the SHR to fulfil its regulatory function.

Anna Evans Housing Consultancy Ltd

Anna Evans Housing Consultancy works with housing associations to develop governance, leadership and management solutions to achieve growth, cost-effectiveness and improve service delivery. Using our research and analytical skills, we always develop solutions around a strong rationale and evidence base. We provide competitively priced strategic and hands-on consultancy support offering bespoke governance reviews, self-assessment and performance management tools.

Anna Evans has 17 years experience in the sector, with nine years housing sector management consultancy experience. She has hands-on governance experience as a Chair of an Edinburgh based housing association, and recently developed and launched the HQN Scottish Governance Toolkit.

Governing Bodies

"A Governing Body is like a family: it shouldn't matter how many people are in it... what matters is who is in it, and what is put into it to make it work."

Robert Tamburinni, Chief Executive, North Glasgow Housing Association
21st January 2009

"It is now that time in the natural evolution of the cycle of regulation to let go and give more responsibility with consequent accountability to service providers and RSLs."

Professor Lorne Crerar,
21st January 2009

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