

## **PlaceShapers response to DLUHC Select Committee Inquiry: The Regulation of Social Housing**

### **How widespread and serious are the concerns about the quality of social housing?**

PlaceShapers is the national network of place-based social landlords. Our members exist to provide and maintain affordable, safe and good quality homes for all our tenants.

There is a significant problem with the quality of some of the housing in this country. England has some of the oldest and least sustainable housing in Europe. The 2021 English Housing Survey shows that 13% of homes in the social rented sector do not meet the decent homes standard, along with 21% of private rented sector and 16% of owner-occupied homes. We know that there are some homes which are unfit for people to live in and ensuring these homes are improved or demolished should be the key focus for all housing providers.

However, it is also important to differentiate between very poor-quality housing that has serious health implications and more common frustrations tenants experience because of poor day-to-day service.

In preparing our response to this inquiry, we spoke to tenants who live in PlaceShapers homes across the country. They did not feel that the recent examples of very poor social housing highlighted in the media were representative of the social housing in their areas. They also felt that their landlord would respond promptly and efficiently to such poor housing.

However, they did feel that such extreme examples were very serious because they highlighted the vulnerable position of tenants who can feel they have little power to take action and hold their landlord to account. They also reported poor service such as extended waiting times for day-to-day repairs or poor communications from their landlord. This is something all landlords can and should address, and we know many of our members have completely revised their communication and complaints service in recent years.

We also know that our members are spending vast sums of money restoring and improving ageing housing. This investment is both more crucial and more challenging as landlords seek to meet the ambitious target of net-zero by 2050 along with challenges on building safety.

### **What is the impact on social housing providers' resources, and therefore their ability to maintain and improve their housing stock, of the need to remediate building safety risks and retrofit their homes to make them more energy efficient?**

As not for profit organisations, PlaceShapers have always invested their surplus into the maintenance and improvement of existing stock and building new homes. In making investment decisions, we seek to balance the needs of existing tenants with those of future tenants for new, good quality homes.

To meet the growing demands, and in a period where Government subsidy for housing and especially for social housing has significantly reduced, housing associations have become increasingly reliant on private financing to fund their housebuilding and physical restoration work. Private finance's contribution represents more than 80% of gross English housing association investment in 2018-19, in comparison to less than 50% in 2000-01.

But even with this investment surplus is finite, and the increasing pressures of both the net-zero target and building safety costs will stretch resources, impact services and potentially see fewer new homes build.

Anecdotally, when speaking to PlaceShapers members, we found that only one out of 116 organisations would be able to ensure financial sustainability when incorporating the cost of bringing all housing stock to net zero standards by 2050 into their business plans. The National Housing Federation have found there is a funding gap of £36 billion to get Housing Association homes to net zero, despite the £70 billion the sector is already planning to spend on futureproofing homes.

Many PlaceShapers are already leading the way on sustainable housing and introducing retrofitting at scale. But a further funding dilemma will be presented as roll out this programme to more homes. Financially, there is an argument that some homes, particularly in low value areas, will be sold off. Spending vast sums retrofitting homes with very low value does not make financial sense. However, our members are driven to think first about the places they work, and do not want to dispose of low value stock. We want to be an active partner in bringing about long-term solutions to housing need and climate change, but this requires government support and additional investment, with long-term thinking key.

Where the net zero target is a long-term financial commitment and challenge, the building safety crisis has put immediate pressure on our members. One member has informed us they have budgeted for an expenditure of £70 million in their five-year business plan to meet fire safety requirements. This organisation has an annual rental income of £50-60 million, therefore building safety spending will account for around 25% of their gross income.

PlaceShapers are fully committed, and legally required, to meet regulatory requirements of building safety. However, the financial impact is limiting the ability to invest elsewhere, with immediate impacts.

There is already evidence to demonstrate that investment into new homes will be negatively impacted. The National Housing Federation found that due to the cost of meeting new building safety requirements, 10% of new affordable homes will not be built over the next five years. For context, housing associations completed 46,753 new homes in 2019/20; over one in five of all homes built in England that year were built by housing associations.

Members have also reported that other services with high social value that they provide will be reduced due to financial pressures. This will include provision of social infrastructure, employment initiatives and more expensive housing types, such as supported housing.

### **Is the current regime for regulating social housing fit for purpose?**

The Regulator for Social Housing is currently able to effectively and proactively regulate on financial, safety and governance issues.

However, there are concerns over whether the current regime can provide adequate protection and assurance to tenants. Current regulation does not allow for the Regulator to speak to tenants or proactively pursue cases of poor quality and service. PlaceShapers have supported calls from both tenants and the Regulator itself to strengthen consumer regulation, which is being addressed through new proposed consumer regulation in the Social Housing White Paper.

We explored consumer regulation at length with a group of engaged tenants. They felt that there were currently key gaps on consumer regulations, identifying two problems in particular:

- i) The 'serious detriment' test sets the bar too high for regulation to meaningfully intervene in most problems tenants have with their landlord. One tenant explained that "even small problems have a detrimental effect on tenants and wellbeing".
- ii) Tenants felt there was too much ambiguity and space for landlords to interpret regulation and set their own standards. There was a strong desire from tenants to have much more prescriptive regulation on consumer standards. Not only would this provide clearer guidance for landlords but would enable tenants to hold their landlord to account more efficiently.

We believe the Regulator must also have a mechanism for measuring the overall quality of service we are offering tenants. The tenant satisfaction measures, currently being consulted on, are an important part of this.

We are strongly in favour of the increased focus placed on an outcomes-based approach to consumer regulation by the Regulator and White Paper. We believe this will allow for active consumer regulation to take place in the same way that active governance and financial viability regulation does now.

This was also the view of tenants we spoke to, who felt strongly that the recommendations made in the White Paper should pass into legislation as soon as possible.

### **How clearly defined are the roles of the Regulator of Social Housing and the Housing Ombudsman?**

The Housing Ombudsman can respond to required action in specific cases, where redress process within the organisation has not been satisfactory. The Regulator's role is to look beyond individual complaints to both wider organisational impact and how this affects the wider sector. We think these roles are clear, but the inter-relationship between the two is not. We suggest there could be more work to ensure the learnings from cases seen by the Ombudsman feed into the wider strategic decision making of the Regulator.

Tenants had mixed views on whether the roles of the Regulator and Ombudsman were clearly defined. Some tenants we spoke to felt that most tenants do not know the difference, and this was due to a lack of awareness of the regulatory system itself. Recent efforts by the Ombudsman to raise its profile and educate people on the service they provide has been welcomed and feel that this will benefit tenants.

Other tenants understood the difference but are less clear on how the two bodies currently work together. Several tenants were supportive of the proposals that would allow the Ombudsman to pass on information to the Regulator when they notice a pattern of bad service.

The lack of awareness and engagement with the regulatory system is a problem that new legislation must rectify. The main way of achieving this is through consultation and co-design with social housing tenants on how they can engage with both the Regulator and Ombudsman. It is also essential that both the Regulator and Ombudsman are properly resourced, so they are able to do what is effective of them.

### **Does the current regime allow tenants to effectively resolve issues?**

Many tenants do not feel the current regime allows tenants to effectively resolve issues as we do not currently have a system of proactive consumer regulation.

Others felt that the resolution of issues was often effective, but that the system is not easy to navigate and takes too long to achieve an outcome. Tenants felt frustrated by the slow response times of the Ombudsman and the Regulator's inability to deal with issues that fall below the 'serious detriment' test.

For most individual tenants, the route to effectively resolving issues will still be through the Ombudsman. We welcome the White Paper's proposals to strengthen the role of the Ombudsman and in particular support the proposal to allow tenants to contact the Ombudsman directly. Our engaged tenant group was also very supportive of this proposal.

It is also important to recognise that most of the responsibility to resolve tenant's issues should continue to fall on the landlord. We cannot expect the Regulator or Ombudsman to deal with all issues of poor service. When there are cases of frequent poor service and poor-quality housing then housing association executive teams and Boards should be proactive in resolving this.

One of the strongest aspects within the White Paper proposals is the emphasis placed on changing the culture within the social housing sector to encourage more engagement with tenants, and to increase the measures which allow tenants to hold their landlord accountable for failures. A key principle for PlaceShapers members is to put tenants at the heart of all we do and we will continue to set the highest standards for ourselves in delivering this. Sector initiatives such as the NHF's Together with Tenants are really welcome and PlaceShapers members have been active supporters and early adopters of this work.

### **Do the regulator and ombudsman have sufficient powers to take action against providers?**

There are currently sufficient regulatory powers on governance and financial viability which the Regulator uses proactively.

The White Paper proposes these powers are extended to consumer issues. It also makes regulation proactive not reactive and proposes the serious detriment test becomes a much lower bar as a trigger for regulatory action – changes which PlaceShapers supports.

When discussing this issue with tenants it was clear that they felt the Regulator needed much stronger powers. Therefore, it is crucial that the proposals in the White Paper become law as soon as possible.

We believe the Ombudsman has sufficient powers; however, we do not believe they have sufficient resource to cope with the demand following the White Paper and the roll out of the Complaint Handling Code. The lack of resource has been demonstrated by the length of time investigations take and the length of time it takes for responses to emails is a particular concern.

### **Will the reforms proposed in the social housing White Paper improve the regime and what progress has been made on implementing those reforms?**

Yes. We welcome a greater role for the Regulator in proactive consumer regulation.

We agree with the White Paper's assessment that the culture of housing providers is important and that this must work hand in hand with regulation to ensure standards are high. PlaceShapers members have embraced a 'don't wait' attitude to the regulation and are already implementing changes based on the White Paper.

However, there are challenges with this approach as members do not want to implement things which need to be significantly changed when regulation is introduced. For instance, one of our members has moved to the UK Institute of Customer Service to benchmark customer satisfaction but is unsure whether this approach will be consistent with the regulation that is eventually mandated.

Regrettably, there has been little progress implementing these reforms legislatively. It is important to remember the climate in which the Green and subsequent White Paper were published. These papers recognised that some social housing tenants do not feel listened to, experience stigma and feel unprotected by current regulation. It is vital that there is a concerted effort from Government to enable the provisions of the White Paper to be enacted as soon as possible.

### **What changes, if any, should the Government make to the Decent Homes Standard?**

When we asked tenants this question some thought that the Decent Homes Standard should cover other areas of the fabric of the building - internal walls, windows for example. Our members believe this is a key omission from the current standard – that it does not cover communal parts or areas – and these should be included, based on both health and safety and condition. Our members would also welcome further clarity regarding materials - for example what should and should not be used for fire doors.

Many of our members operate a 'Decent Homes Plus' standard, with locally applied additional standards to their homes. We would welcome the Decent Homes Standard being updated to reflect enhanced levels that most landlords work to, as opposed to simply the "minimum" standard. It would also be sensible to remove the ability for the minimum standard to be met whilst some individual components fail to meet the standard.

We believe the Decent Homes Standard should apply to all rented homes in the social and private rented sectors, but especially in those homes housing homeless and vulnerable households.

### **Should the Decent Homes Standard be amended to include energy efficiency and other means of mitigating climate change, and if so how?**

We recommend the Decent Homes Standard is aligned with the Government's green agenda. We consider energy efficiency to be extremely important, especially where poorly performing properties are detrimental to health and wellbeing and exacerbate fuel poverty.

The Decent Homes Standard should align with the national objective of homes to be EPC band C by 2030. It should also include the cost of heating a home, to ensure that new builds achieve this standard when handed over. This must include a formula to reflect minimum internal temperatures, air exchange rate, floor space and geographic location. This will address fuel poverty and support the government's net-zero ambitions.

The Decent Homes Standard should also be consistent with other energy efficiency legislation. The Decent Homes Standard should not be the primary mechanism for setting energy efficiency standards of housing, but rather the process in which homes are defined as 'non-decent' if they do not meet the legally required energy standard.

**Should all providers of social housing, not just councils, be required to register with the regulator?**

Yes, we recommend that all regulation of social housing should be compulsory for all providers. We see no reason why all providers cannot be brought under one regime.

With our response to the first question in mind, which highlights the problem of poor housing quality across all tenure types, we would also support the regulation of private rented housing in line with the National Audit Office's recent report Regulation of private renting.