



# The future of regulation of the affordable housing sector in England

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TRIBAL

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## KEY MESSAGES

The system for regulating affordable housing providers is under pressure from a range of challenges – fundamental changes in the system are essential.

UK and international experience suggests that:

- a common regulatory system for all affordable housing providers – encompassing, for example, housing associations, commercial bodies and arms length management organisations – is feasible;
- regulation can successfully focus on either activities or organisations;
- as long as affordable housing remains a high profile issue, government will find it hard to resist regulating it – it is the profile of the activity, rather than the competence of the providers, that drives regulation.

This study for the Housing Corporation identified two feasible options for reforming the regulatory system:

- A **modernised registration** system in which eligibility for registration is extended to all forms of corporate body (not just not-for-profit bodies) and other changes are made to the rules on activities and structures (e.g. allowing commercial bodies to have registered subsidiaries).
- An **accreditation or licensing** system focussing on regulating activities rather than particular types of organisation.

Whatever the system there are some clear messages:

- Any new system must focus on outcomes – for tenants and the taxpayer – and should not prescribe in fine detail the processes that providers must use.
- The boards and senior managers of housing providers should, within a statute-backed framework of explicit standards and expectations, be allowed to manage their organisations and work with service users to set and monitor performance and quality standards.
- Where organisations fail to meet these obligations, the regulator needs to be able to intervene quickly.
- Consumer-led approaches should increasingly replace conventional regulation. Approaches such as tenant inspection and the right to choose a new manager could deliver real service-user power and offer clearer incentives and sanctions to providers.

## The study

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The Housing Corporation commissioned the Chartered Institute of Housing (CIH), Tribal Consulting and Cranfield University's Centre for Competition and Regulation Research (CCORR) to take a 'first-principles' look at the regulation of the non-public affordable housing sector. The report detailing the full results of this review will be available from July 2006 on [www.cih.org/policy](http://www.cih.org/policy) or [www.tribalgroupp.co.uk](http://www.tribalgroupp.co.uk).

The conclusions and recommendations in this Briefing have been prepared by the research team in order to aid consultation. They do not represent CIH or Housing Corporation policy.

This study is aimed at the principles and form of regulation. We do not make assumptions about which bodies should be undertaking the regulatory role.

## Why does the regulatory system need to change?

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The current regulatory system for affordable housing must change for several reasons:

- The *widened market* of affordable housing developers and managers, and the lessons the Housing Corporation is learning from funding and regulating a more diverse group.
- The risk that the current form of *twin track regulation* (e.g. registration for housing associations and accreditation for others) and *twin track inspection* (i.e. the Audit Commission's remit covering only associations but not the new providers) will produce uneven protection of the taxpayer and tenant.
- A wider risk of uneven regulation due to the *different regulatory systems for other non-public providers or managers* of affordable housing (e.g. arms length management organisations (ALMOs) and Private Finance Initiative (PFI) contractors).
- The gradual implementation of the World Trade Organisation's (WTO) General Agreement on Trade in Services (GATS) and similar EU initiatives which will require the *removal of national barriers to competition*.
- *International experience* of regulating similar markets, in particular Holland (which has a similar housing association sector) and Germany (which procures subsidised housing through the private commercial sector).
- Ministers' interest in developing *tenant-led regulation and greater consumer choice*.
- *Pressure from regulated bodies* to reduce the perceived burden of regulation.
- The influence of the *Hampton Review*, the new central government structures for overseeing regulation, such as the *Better Regulation Executive* and *Better Regulation Commission*, and the use of *Regulatory Impact Assessments* by the public sector.
- Other changes in *regulatory culture*, particularly the growth and influence of an academic literature and research on risk and regulation.
- The trend, in the UK and internationally, towards '*domain*' rather than '*sector*' based regulation, reflecting the desire for more 'joined up' regulation.
- Other *UK governance factors*, such as the strengthening of regional government and administration.

## The principles of 'good regulation'

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In a free and fair market, customers make their own decisions. Regulation is needed where markets don't work properly. Virtually by definition, the affordable sector and its producers exist to fill gaps that cannot be – or aren't being – met by the market. The lack of a functioning market reflects issues of price and scarcity but also others such as the imbalance of information and power between landlords and tenants.

We have assumed that there is broad agreement amongst stakeholders – tenants, taxpayers and providers – that the following principles must underpin any system:

- If the taxpayer invests in the provision or management of affordable housing:
  - its investment needs to be protected from misuse
  - its investment should contribute towards meeting prevailing government priorities
  - the state needs to ensure that it is receiving value for money for the investment
- Where residents, applicants or other consumers cannot protect their own interests, the state should ensure (directly or indirectly) that they receive services in accordance with their legal rights and prevailing good practice.

*For the purposes of this study the current formal regulatory system is taken to include both the Housing Corporation's current registration-based regime and the Audit Commission's inspection process.*

## International comparisons

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During this study, we looked at how Germany and Holland, each with large but quite different subsidised housing sectors, approach regulation. This comparison is helpful in showing how countries with essentially the same aims as the UK can develop different approaches both to providing and regulating affordable housing. Germany has a multiplicity of public and private housing providers regulated under a common system based on the state buying access to housing under certain terms and conditions. Housing associations have social aims but their not-for-profit status no longer exists.

Holland's housing association sector dominates the affordable housing market as there is no equivalent to council housing. The sector, in theory, self-regulates and no longer receives direct public subsidy. Housing association lending is backed by a guarantee fund supported by associations, and a central housing fund monitors financial viability. Where an association falters, the central housing fund carries out the 'troubleshooting' role played by the Corporation in England. However, because – as in the UK – housing is such a key political issue, government intervenes regularly to direct the priorities and practices of this nominally self-regulating system.

The international comparison suggests that:

- a common regulatory system for all affordable housing providers is feasible;
- regulation can focus on *either* activities or organisations;
- as long as affordable housing remains a high profile issue, government will find it hard to resist regulating it – it is the profile of the activity, rather than the competence of the providers, that drives regulation.

## Domain regulation

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There are distinct advantages in having bodies that are principally doing the same job – in terms of the provision and management of affordable housing – being regulated on the same basis. To this end the options considered below would allow for the regulation of affordable housing owned and managed by private bodies. However, unless the government radically changes the financing or governance of local authorities, it is difficult to see how the regulatory system could be common for local authorities and housing associations, beyond the common inspection role carried out by the Audit Commission.

It is necessary to recognise that the boundaries of a new regulatory system may well be driven by changes to policy areas other than regulation, and most particularly subsidy arrangements. At present, local authority and ALMO funding on the one hand, and housing association funding on the other, are markedly different both for capital and revenue. However, this could change if the government were to reshape the local authority Housing Revenue Account system to be more like housing association funding (an option which was discussed in the 2002 ODPM consultation paper on local authority capital finance). Similarly, options being discussed on increasing financial freedoms for ALMOs could move those bodies towards the use of private borrowings. These changes, combined with use of the Corporation's Housing Act 2004 powers, could provide a common approach to subsidy across the public and private sectors, and would therefore strengthen the case for further unification of regulation.

## The options

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We have identified three options for the future of regulation.

**Option 1** – Continuing a **twin track** system that registers housing associations and accredits or licenses other bodies.

**Option 2** – A **modernised registration** system in which eligibility for registration is extended to all forms of corporate body (not just not-for-profit bodies) and other changes are made to the rules on activities and structures (e.g. allowing commercial bodies to have registered subsidiaries).

**Option 3** – An **accreditation or licensing**<sup>1</sup> system focussing on regulating activities rather than particular types of organisation.

We have concluded that Option 1 is impractical for the long term because of the danger of creating inconsistent outcomes for both tenants and regulated bodies. A new system needs to be unified under one of the other two options – modernised registration or accreditation/licensing.

### **NEW OPTION A: MODERNISED REGISTRATION**

Key elements of modernised registration are as follows:

- Eligibility for registration extended to all forms of corporate body.
- Changes to the HC Regulatory Code to focus on outcomes rather than inputs.
- Changes to the activities and structures rules to allow registered bodies to be subsidiaries of non-registered bodies.
- Development of empowerment models such those on 'tenant inspection' proposed to the Elton Review by the CIH.
- Exploration of a self-regulation model similar to the Dutch Central Social Housing Fund, this being a body owned by housing providers that monitors financial viability and helps to share financial resources across the sector.

This approach is concerned with regulating the whole of an organisation. As such, it may seem a more intrusive form of regulation than one involving contract (like New Option B). However, it can be argued that precisely because the regulator under this option has the ultimate power to introduce new management, it can operate – for the bulk of registered bodies – a far lighter regime, with less need to create a complex contractual structure.

This assumption would, however, need to be translated into detailed substance in any modernised registration system if both existing and prospective providers are to be attracted and retained within the market. This option also works from the assumption that, despite its criticism, registration has worked, creating a viable and growing sector; its current limitations are that it is only open to certain types of non-profit body.

In other areas of public provision we are seeing a move away from purely contractual approaches to partnership-based models because of the adversarial and inflexible nature of contracts. While contract-based arrangements are common in other sectors, these are being refined into more flexible, partnership based structures such as NHS LIFT in primary health care. It can be argued that housing association registration is a forerunner – and, indeed, a particularly effective example – of a partnership-based structure. This begs the question whether a modernised version of registration, extending its scope to commercial bodies, would both better meet the aims of public policy and prove of interest to a wider market.

The key changes needed would be to allow commercial bodies to register and to allow registered bodies to be subsidiaries of non-registered bodies. Thus commercial companies could have registered bodies with ring-fenced, publicly-subsidised assets, while being able to achieve economies of scale within a larger group. This would allow maximum structural flexibility but with the interests of tenants and taxpayers regulated within the ring-fenced body. The continuing move to risk-based regulation and implementation of the Elton Review recommendations would also play a part in making this option feasible and attractive to a wide market of providers.

Modernised registration would build in greater flexibility than a purely contract-based system but this prospective flexibility could be seen as a negative feature by commercial providers who would not be able to price their risk. Wide consultation on the detail of any modernised registration system would therefore be essential.

<sup>1</sup> Licensing and accreditation involve the same processes; accreditation, however, is undertaken by third parties on behalf of the regulator, as with the current system for non-housing association grant recipients.

## NEW OPTION B: ACCREDITATION/LICENSING

Key elements of accreditation or licensing are as follows:

- A contract-based system for development (i.e. grant in exchange for agreed development outputs and acceptable ownership and management arrangements).
- Licensing/accreditation for long-term ownership, management and service delivery.
- The assessment of the financial capacity and long-term viability of regulated bodies would continue, but would be integrated into the development contract and management accreditation functions described above.

An accreditation/licensing system would bring the affordable housing sector into line with the more common regulatory approaches – used, for example, in the UK utilities. It may be argued that an organisation-based system (like New Option A) will always be more intrusive than a contract-based approach. A contract approach forces the regulator to be clear about what it expects and to negotiate with providers if it wishes to change its expectations. Thus, it may also be more attractive to the commercial market which is more used to pricing contract-based risk.

Such a system could usefully break the link between the ownership and management of housing traditionally assumed within the HA sector. The introduction of the new system to allow SHG to be paid to commercial bodies has already done this, and in the local authority sector the link was broken in the 1980s through compulsory competitive tendering and the right to manage, and subsequently reinforced through Best Value and the creation of ALMOs. Breaking this link also arguably makes it easier to deal with ineffective managers – if the only sanction on a landlord is to transfer ownership of their homes, this power is likely to be used sparingly and may be open to challenge. However, if ownership is untouched, and the lever is over the management of the homes, this more directly addresses tenants' interests and is more easily enforced.

The best way of combining the advantages of contract-based accreditation with the need for flexibility is for management accreditation to have the following features:

- It should be for a fixed but renewable term (say, three years) – thus, flexibility is built in for government but managers understand and can price their risk.
- Where the regulator is not willing to re-accredit a manager, a probationary period of (say) one year, under closer monitoring, would be granted to rectify the shortcomings and, if necessary, allow the landlord(s) to make other arrangements. It is possible that this type of problem will arise more frequently where a landlord wishes to manage their own stock. This is because non-landlord managers that fail to maintain standards are likely to lose customers so probably would not wish to seek re-accreditation.
- The regulator may need to have power to suspend accreditation (and thus require the landlord to find another interim manager) in defined circumstances e.g. insolvency of manager, persistent Ombudsman fines. Again, this power is more likely to be used for landlord-managers. Where stock is managed by a non-landlord, the landlord would probably be able to terminate the management agreement in the case of insolvency or serious failure.

The new system would also need to address how future changes in service requirements are dealt with. This needs to anticipate changes in standards of management, maintenance, renewals etc. There are several options:

- Changes in service standard requirements of the regulator could be given statutory force, thus requiring landlords to implement them without additional payment – this would put them on the same footing as statutory changes (e.g. fire regulations) but would represent an open ended risk to providers. However, this approach could be unattractive to commercial providers for the same reasons as modernised registration.
- Funding and other contracts could include change mechanisms which would allow the regulator to pay landlords for additional, non-statutory services but based on cost benchmarking or re-tendering (similar to the model used in other public-private partnerships).
- Alternatively, there could be a mechanism for landlords to sell on their stock to other approved landlords in the event that they do not wish to or cannot meet significant changes in service requirements.

## Evaluation of the options

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We have evaluated these options in relation to their:

- ability to protect tenants, other service users and the taxpayer
- potential to create a unified regulatory system for the affordable housing sector, thus ensuring consistent outcomes for tenants regardless of landlord or manager
- relative costs and practicability
- deliverability through all of the three regulatory strategies identified – classic regulation, consumer empowerment and self-regulation
- scope for regional and local devolution.

These options require a full legal vetting of options as they are further developed. We have identified three specific issues requiring legal advice: the status of regulated bodies under the Human Rights Act 1998, the effect of procurement law on some approaches to the tenant empowerment model and the regulation of bodies based outside the UK.

The results of the evaluation are summarised on pages 8 and 9.

## Four key issues

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There are four key issues which would need to be at the forefront of thinking whatever changes to a new system where being proposed:

### **Consumer empowerment**

When he was Communities Minister, David Miliband expounded a vision of tenants (and other citizens) exercising more power by holding their landlords to account. In essence, he posed a regulatory model based on making the market work by helping consumers to be on an equal footing with providers.

Such an approach could involve service related and/or collective rights including:

- a requirement on housing associations to facilitate empowerment (building on existing voluntary initiatives like the Community Gateway Model);
- any inspection regime to be responsible to a tenant-led body rather than being part of the state;
- a higher level of tenant inspection;
- the individual right to seek services (such as repairs) from other providers in the event of service failure (as mooted in CIH's *Right First Time*);
- scope for tenants to trigger changes in manager;
- more funding (from associations and the state) for tenant involvement and the creation of tenant management and ownership bodies;
- more scope for housing associations to become neighbourhood management vehicles, for example, by encouraging and making it easier for local authorities and other public bodies to pass over responsibilities to community-led organisations.

A consumer-led regulatory system would be challenging to develop and we are not aware of any such system being comprehensively used to regulate a major sector. However, if such a system were feasible, it would be a major conceptual change for the sector; much of the current regulatory system involves one set of professionals judging the performance of another. In some cases, (e.g. after Audit Commission inspection reports) there are few direct actions that can be taken.

EVALUATION OF OPTIONS					
Regulatory strategy	Ability to maximise protection to tenants, other service users and the taxpayer	Ability to create a unified regulatory system	Relative costs and practicability	Ability to deliver through all of the three regulatory strategies	Scope for regional and local devolution
<p><b>New Option A 'Modernised registration' – System based solely on registration, but extending eligibility for registration to all forms of corporate body.</b></p>	<ul style="list-style-type: none"> <li>• Radical change to the Regulatory Code and activities and structures rules needed to make participation by the commercial market feasible, and to focus on outcomes rather than inputs.</li> <li>• The quid pro quo of allowing registered bodies more self-certification would be to give the regulator more powers to intervene if outcomes are poor.</li> </ul>	<ul style="list-style-type: none"> <li>• Provides scope for ALMOs to come within a common regulatory system as they could be registered and regulated against a common Regulatory Code with associations.</li> <li>• Commercial providers may not like the unpredictability of regulation as defined in the current Regulatory Code (e.g. including governance and management) so may not participate in the market.</li> <li>• Danger of non-participation of commercial providers may be mitigated by (for example) allowing registered bodies to be subsidiaries of non-registered bodies, thus allowing ring fencing of regulation to affordable housing activities whilst allowing economies of scale. Could also provide scope for the system to encompass commercial non-SHG developer/managers.</li> </ul>	<ul style="list-style-type: none"> <li>• If lenders continue to draw comfort from registration, the benefits of this (lower cost finance) would be extended to a wider group of organisations.</li> <li>• A unified system, and a simplified Regulatory Code, provides scope for savings; however, if self-regulation and consumer empowerment models are developed in parallel, could increase costs at least in the short term.</li> </ul>	<ul style="list-style-type: none"> <li>• More scope under a common regulatory system for both consumer empowerment and self-regulation.</li> </ul>	<ul style="list-style-type: none"> <li>• As above, but probably more scope for tailored regional or local devolution under a single system overseen by a national regulator or regulators.</li> </ul>

EVALUATION OF OPTIONS					
Regulatory strategy	Ability to maximise protection to tenants, other service users and the taxpayer	Ability to create a unified regulatory system	Relative costs and practicability	Ability to deliver through all of the three regulatory strategies	Scope for regional and local devolution
<p><b>New Option B – ‘Accreditation or licensing’ - System based on regulating activities rather than particular types of organisation.</b></p>	<ul style="list-style-type: none"> <li>• It is the option that provides the potential for most long term competition in the development and management of housing, so provides scope for savings on production costs.</li> <li>• If tenant capacity is not built quickly and evenly, tenants could lose protection whilst a new statutory framework is bedding in.</li> </ul>	<ul style="list-style-type: none"> <li>• Maximises scope for common systems and would most easily encompass PFI/PPP contracts and commercial management of social housing.</li> </ul>	<ul style="list-style-type: none"> <li>• Most radical change so likely to be most costly in short term; however, once established, should be cheaper to administer as no registration, and inspection requirement is lower. Creating common system across all affordable housing provides scope for efficiencies.</li> <li>• Would require a residual registration system for non-developing associations as a cheaper option to transferring all 2,000 associations onto a contract-based system.</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer empowerment may be difficult to build into and enforce through accreditation/licensing. However, existing Community Gateway Model is a contract-based empowerment system so may provide a model.</li> <li>• Self-regulation more problematic under a contract-based system.</li> </ul>	<ul style="list-style-type: none"> <li>• Could allow a highly devolved funding and regulatory system as in Germany, but with the risk of wide variations in standards.</li> </ul>

The Corporation's strongest powers to effect change within an association are indirect or assume a significant reputational influence (e.g. Housing Corporation Assessments; denying future Social Housing Grant funding) Some powers (e.g. to appoint board members) are indirect responses to service failures; others (e.g. seeking to take over RSL assets or exercising the rentcharge) are likely only ever to be used in the most extreme circumstances. A consumer-based regulatory system – for example, enabling tenants to change their service provider – would provide incentives and sanctions, and also creates a direct connection between the problem (poor service) and the regulatory action (change of manager).

A system based on encouraging and incentivising associations to adopt their own models of tenant inspection and audit may well be the answer here. This would involve combining resident involvement in target-setting and monitoring with regular independent assessment. The Elton Review has recommended that “the Corporation, the Audit Commission and the NHF should work with the CIH to progress proposals for resident-led inspection as a potentially valuable model for self assessment which would promote accountability and service improvement and, specifically, offer the prospect of reduced regulation and inspection.”

### ***The scope for self-regulation***

Holland's experience of self-regulation may provide some useful models as well as insights into their limitations. Through a central social housing fund, the Dutch housing association sector takes responsibility for monitoring the viability of its members, deals with financial failures, initiates mergers and pools resources to allow less wealthy associations in areas of housing need to develop. The Dutch model of a loan guarantee fund probably has less, if anything, to offer to associations in England where there is a long established private finance market. However, the Dutch Government has identified that its model of self-regulation has focussed too greatly on financial issues and too little on quality. Further, the Dutch Government still exercises strong statutory control and exerts considerable influence on the policies of associations because the work of associations is so critical to the achievement of its policy aims. The position is similar to the UK; thus, it would be unrealistic to remove all conventional statutory regulation.

### ***Governance***

The extent to which governance should be regulated is a key issue in the current debate on the future of regulation. Thus, under any option, this issue will need to be addressed. The debate is complicated by different parties using the term 'governance' to mean different things. The Housing Corporation's Regulatory Code takes governance to mean:

- Compliance with the law and demonstrable probity.
- Board and senior management competence, and effective risk management.
- Effective resident involvement and engagement with other key stakeholders.
- Independence of decision-making and clarity of trading relationships.
- Proper use of public funds.
- Commitment to diversity and equality.
- Co-operation with the regulator.

Arguably, a new approach to governance needs to:

- avoid second guessing the management of competent and experienced housing associations and to treat them the same as commercial grant recipients;
- incorporate key governance requirements (e.g. avoidance of conflicts of interest) into Codes of Governance, with the regulator being given the power to issue codes with statutory force – this approach could be administered through 'classic regulation' (i.e. the regulator taking action if the code is breached) or through 'co-regulation' (i.e. self-regulation by the sector but with statutory force);

- in relation to funders, there are two choices:
  - the Corporation's 'step in and brokering' role is unique, and yet lenders lend in sectors where no such protection exists – thus the regulator could withdraw from this role, and let the market (i.e. loan rates) rise;
  - the regulator could withdraw from detailed governance regulation but retain the step-in and brokering role, using both contractual powers (e.g. enforcement of the Rent charge), the new accreditation powers described above and (if RSL status continues at least for some bodies) continuation of the Corporation's current rights and powers in the case of RSL insolvency.

### **Existing associations under a new system**

If the option of modernised registration is adopted, the change for existing associations would be seen in the mechanics of the process which would, for all associations, become lighter touch. The position is more complex if accreditation or licensing is introduced as the concept of a registered body, at least for the future, would disappear.

If a new contract-based system is introduced, it would be necessary to decide how to deal with the existing registration system and existing associations. The options would be to:

- through statute, convert all associations to a new contract-based system; this process could be streamlined by automatically granting licensed manager status to all, or at least to all with maximum 'green lights', and probationer status to the others;
- leave registration in place, and implement the new arrangements just for new developments;
- allow housing associations to choose to transfer the whole of their operations to the new system;
- as a sub-option of New Option B, allow existing HAs to convert to private company or public limited company status subject to tenant consultation and with appropriate treatment of historic grant (e.g. repayment, conversion into equity or debt).

Special consideration would be needed for associations formed to take large scale voluntary transfers (LSVTs). Many will have received little or no grant. However, they have had public assets transferred to them at existing user value, which represents a substantial public investment. If LSVTs were to transfer over to the new system, the value of that investment would need to be quantified and translated into a 'grant equivalent', subject to a rentcharge or equivalent. Arguably, given the promises made to tenants at the time of ballot, continuing controls over future disposals of housing stock would also need to be retained.

## **A new agency and co-location of regulation and investment**

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During the course of this study, the government announced a review of the delivery structures for housing and regeneration. Merger of the Housing Corporation and English Partnerships, and the transfer of some Department for Communities and Local Government functions to the merged body, have been mooted. This raises the question whether any new agency would have responsibility for both investment and regulation, or whether regulation would be carried out in a free-standing body, or merged with another (e.g. the Audit Commission).

Location of the regulatory role will be important if a new agency is created. The Corporation's success has been based on its close involvement with associations. Generally speaking, its statutory powers (such as the ability to make statutory appointments or conduct inquiries) are appropriate for dealing with serious mismanagement or misconduct. It has fewer direct powers to address less serious management problems or to ensure the implementation of government policy. These issues are usually addressed through negotiation and persuasion, generation of peer group pressure and the use of incentives and sanctions, most particularly grant funding. It also achieves its aims through consent because the ethos of the housing association sector is generally compatible with the requirements of government.

Any separation of the funding and regulatory roles would therefore need to ensure that the regulatory body had effective powers to regulate the relationship between government and the sector in a coherent way. In order to avoid double scrutiny or confusion, it would also be necessary to clearly define how the development agency related to a separate regulator in terms of ensuring the viability of associations and other bodies. A regulator separated from investment decisions would be responsible for ensuring long-term compliance with a grant contract not of its own making, and possibly for the recovery of grant given by another agency. This could lead to overlap and omission unless there were very clear protocols and agreements defining the relationship between the regulator and the investment agency.

Whatever the institutional arrangements, there are risks. The clearest danger with the split of roles is that, without any responsibility for development, the regulator would be risk averse. Conversely, if funding and regulation are linked, and regulation is effectively “tagged on” to a wider body focusing on delivering new homes, regulation could be given low priority.

This study is not directly concerned with the institutional arrangements for regulation. However, there are issues about the way regulation of the sector is structured which have a bearing on its effectiveness. Overall we believe there are strong arguments for any new system to ensure that the investment and regulation roles are clearly linked within whatever new configuration of bodies should emerge, so that regulation is seen as the (reasonable) conditions on which investment (future and historic) is made. Linking regulation and investment in this way would also make the integration of other regimes (e.g. Urban Regeneration Companies, ALMOs, Housing PFI) into a common framework easier, providing more consistent outcomes for tenants and the taxpayer.

## Conclusion

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The affordable housing sector is likely to change substantially over the next few years, influenced by the actions of its stakeholders and external (including international) factors. Thus, a ‘first principles’ review of regulation is timely.

The report aims to provide a resource to those engaged in the debate on the future of regulation by:

- Articulating the principles behind ‘good regulation’.
- Identifying the influential issues, both those commonly known to the sector and others yet to be regarded as significant.
- Posing questions about what the stakeholders – government, tenants, providers and funders – want to achieve from the system.
- Providing options for a new system.

The various valuable initiatives on regulation currently progressing within the sector will be well served if those with an interest in the provision of good quality affordable housing and housing services can think broadly and creatively about the future. This report aims to assist them in that process, and comments and feedback will help this review to make its contribution.

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