Devonshires

Simply Affordable Homes

Affordable Housing Regulation for Investors

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Overview

1. Who Regulates and Why it Matters
2. Regulatory Standards
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Who Regulates and Why it Matters

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What is social housing?

Low cost rental accommodation	• Let at rent below market rate • Available to those in need not served adequately by the commercial housing market • Rent chargeable determined through the Rent Standard
Low cost home ownership accommodation	• Shared ownership / equity % arrangement • Properties occupied - specified shared ownership or equity % arrangements or shared ownership trusts • Available to those in need – not served adequately by the commercial housing market

Regulator of Social Housing

- Registration voluntary
- Regulates all registered providers
- Co-regulation approach
  - Clear standards
  - Self-assessments
  - Reporting
  - Proportionate proactivity
- Functions – minimise interference and proportionate, consistent, transparent and accountable

Regulator of Social Housing

Why Registration Matters

- Local authorities nominate tenants only to registered providers.
- Grant access and grant-transfer rules favour registered providers.
- Large-scale disposals to non-registered entities trigger governance concerns.
- Being an RP provides credibility, oversight and access to stock.

Key Takeaway

- In practice, operating in the sector requires investors to own, or partner with a registered provider.

Regulator - Objectives

Economic regulation objectives

- Ensure RPs are financially viable and properly managed
- Support the provision of social housing sufficient to meet demands
- Ensure that value for money is obtained from public investment
- Guard against the misuse of public funds

Consumer regulation objectives

- Support social housing being well-managed, safe, energy efficient and of appropriate quality
- Ensure tenants' choice and protection
- Ensure tenant opportunities for involvement and landlord accountability
- Ensure transparency in relation to tenants
- Encourage RPs to contribute to environmental, social and economic well-being

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Regulatory Standards

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Regulatory Standards – from 1 April 2024

Economic standards

- Governance and Financial Viability (GFV)
- Value for Money (VfM)
- Rent

Consumer standards

- Safety and Quality
- Tenancy
- Neighbourhood and Community
- Transparency, Influence and Accountability – incl. Tenant Satisfaction Measures
- Competency & Conduct (October 2026)

Regulatory Standards

Economic Standards	
GFV Standard	This is currently a key focus for regulation by the RSH and sets out the regulatory requirements for ensuring that an RP is well governed and financially viable. The GFV Standard is accompanied by a code of practice which, whilst not binding, amplifies the requirements of the GFV Standard.
VfM Standard	Ensuring RPs deliver value for money – predominantly via a set of metrics which are reported on. The VfM Standard is also accompanied by a code of practice, together with technical guidance note.
Rent Standard	Rules around the level of rents that can be charged by RPs.

Regulatory Standards

Consumer Standards	
Safety and Quality Standard	Outcomes about the safety and quality of tenants' homes.
Tenancy Standard	Outcomes about how RPs allocate and let homes and manage tenancies. General expectation that assured tenancies used.
Neighbourhood and Community Standard	Outcomes about how RPs work with other organisations to help ensure tenants live in safe neighbourhoods.
Transparency, Influence and Accountability Standard	Outcomes about how RPs provide information, listen to tenants, and act on their views.

GVF Standard

- Adherence to all relevant law
- Compliance with governing documentation and all regulatory and legal requirements
- Accountability to tenants, the RSH and relevant stakeholders
- Safeguarding of taxpayers' interests and the reputation of the sector
- Effective risk management and internal controls framework
- Protection of social housing assets

GVF Standard - Financial Viability

- Sufficient liquidity at all times
- Detailed and robust stress testing against identified risks
- Financial forecasts based on appropriate and reasonable assumptions
- Thorough, accurate and up to date asset and liability register
- Strategic planning, risk and control framework
- Non-regulated activities cannot jeopardise the RP’s status/compliance
- Ensure the security of assets and the proper use of public funds.

Consumer Standards

Safe, good-quality homes	Effective repairs and maintenance	Fair and respectful treatment of tenants
Transparent, accessible information	Meaningful engagement and responsiveness	Protection of tenants' rights and safety

The Grading System

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Co-Regulation

Co-regulation approach:

- RP Board must ensure the RP is effectively managed and meets Regulatory Standards
- RPs submit accounts, statistical data returns etc
- Required to self-report on compliance issues
- Inspections for RPs with over 1,000 social housing units against the Regulatory Standards
- Assess and certify compliance annually

Regulatory Inspections

What are Inspections?

Assessment of an RP's **governance, financial viability and consumer compliance**.

Every 4 years for providers with **over 1,000 homes**, or sooner if concerns arise.

Involves a review of:

- Board effectiveness and decision-making
- Risk management and internal controls
- Financial forecasts, stress-testing and liquidity
- Repairs, safety, tenant services and engagement

Outcome:

G, V and C gradings.

Regulatory Approach

- The RSH acts **proportionately**: providers are usually given space to deliver an improvement plan where required.
- Statutory powers remain available where needed, including fines and other interventions.

G Gradings

- G1 - landlord meets our governance requirements.
- G2 - landlord meets our governance requirements but needs to improve some aspects of its governance arrangements to support continued compliance.
- G3 - landlord does not meet our governance requirements. There are issues of serious regulatory concern and in agreement with us the landlord is working to improve its position.
- G4 - landlord does not meet our governance requirements. There are issues of serious regulatory concern, and the landlord is subject to regulatory intervention or enforcement action

V Gradings

- V1 - meets our viability requirements and has the financial capacity to deal with a wide range of adverse scenarios.
- V2 - meets our viability requirements. It has the financial capacity to deal with a reasonable range of adverse scenarios but needs to manage material risks to ensure continued compliance.
- V3 - does not meet our viability requirements. There are issues of serious regulatory concern and in agreement with us the landlord is working to improve its position.
- V4 - does not meet our viability requirements. There are issues of serious regulatory concern, and the landlord is subject to regulatory intervention or enforcement action

C Gradings

- C1 - delivering the outcomes of the consumer standards.
- C2 - there are some weaknesses in the landlord delivering the outcomes of the consumer standards and improvement is needed.
- C3 - there are serious failings in the landlord delivering the outcomes of the consumer standards and significant improvement is needed.
- C4 - there are very serious failings in the landlord delivering the outcomes of the consumer standards. The landlord must make fundamental changes so that improved outcomes are delivered.

Enforcement Powers - Examples

RSH Powers	
Collect information and documents (any person)	Power to require provision of documents or information related to affairs of RP.
Performance Improvement Plan	To require an RP to submit a plan for addressing identified failure (or risk of failure) to meet a Standard.
Arrange an inspection	Power to arrange an inspection on RP's performance.
Direct an inquiry	An independent inquiry where the RSH suspects an RP's affairs have been mismanaged.
Enforcement notices	Power for the RSH to direct an RP to take specified action to address specified failure.
Emergency Remedial Action	Authorise an authorised person to enter social housing premises to undertake emergency remedial action.
Appoint a manager	Where there is mismanagement of social housing functions the RSH can transfer management functions.
Direct a transfer of land	Require an RP to transfer specified land (only in relation to social housing and associated land) – if finding of mismanagement
Issue a penalty fine	Issue fines where there is a failure to meet the Standards or a finding of mismanagement.
Award compensation	Award compensation to a resident where there has been a failing.
Moratorium powers	Where there is an insolvency or lender enforcement event in an RP.
Settle the affairs of insolvent providers	Where there is an insolvency situation and provides a better alternate to normal administration (if available).

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Regulatory Updates

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Regulatory Updates

£39bn Social and Affordable Homes Programme	10-Year Rent Settlement	Social Rent Convergence	Awaab’s Law
Renters’ Rights Act	New Competency Standard	STAIRs (Social Tenant’s Access to Information Requirements)	Decent Homes Standard

What Regulation means for Investors

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GVF Standard

Barriers to Entry

Access to Stock

Financial Benefits

Enhanced Governance

Stability

Any questions?

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