

**Centre for Business Research, Cambridge
Conference on Risk Toleration in
Regulatory Practice**

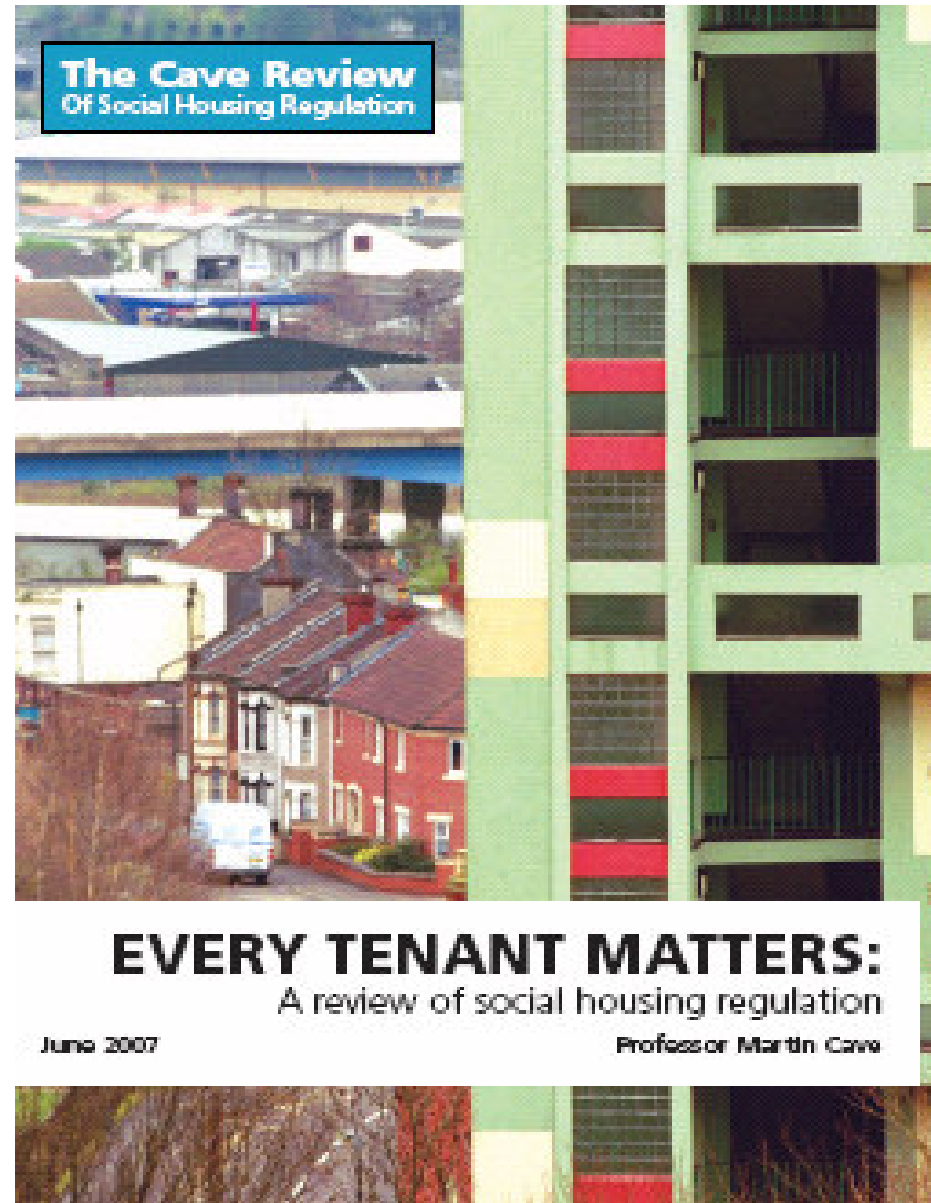
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**The review of the regulation of social
housing: Every Tenant Matters**

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The Cave Review

Of Social Housing Regulation



What is the Cave review?

- Independent review of the regulation of social housing:
 - announced by the Secretary of State for Communities and Local Government on 14th December 2006
 - led by Martin Cave, of Warwick Business School
 - supported by a review team with secondees from the CLG, Audit Commission, Housing Corporation and an RSL, and an independent consultant in social housing
 - launched 19 June 2007
 - most recommendations accepted at launch; others consulted on until 10 September 2007.

Purpose of and background to the Review

- The review team was asked to:
 - establish a clear set of objectives for the regulation of social housing
 - present options for reform of the regulatory system and a clear recommendation for a preferred option
 - allocate regulatory roles and make recommendations about institutional arrangements.

- Elton review of regulatory burdens on RSLs (April 2006)
- John Hills' review of role of social housing – published 20 February
- Taking forward the recommendations of the Local Government White Paper with its focus on the strategic role of LAs
- The creation of Communities England
- CSR 07 and the need to secure further efficiencies.
- The growing importance of housing under the Brown ministry

The Dramatis Personae

The SoS and Housing Minister

The Department

Housing Associations

LA housing providers

LAs and the LGA

Mortgage Lenders

Would-be regulators

Tenants

Why Regulate?

- Market place puts tenants in a very poor bargaining position (not a standard market failure)
- Housing can have a major impact on a neighbourhood- an external effect (not necessarily best dealt with by regulation)
- Taxpayers have an interest in ensuring a continuing contribution from their expenditure.

Tenants need:

Choice over where they live, what services they get (at what prices), how to progress to ownership

Protection by a clear tenancy agreement and through access to the ombudsman

Empowerment by giving them more say – in extreme cases over who manages

Further development of representative bodies and creation of a national advocacy organisation

The (cut and paste) solution

Establish a regulator with specified duties and powers

Empower Secretary of State to issue directions on specific matters

Require providers to engage constructively with local authorities

Give the regulator powers to collect information and impose graduated remedies

Same basic regime for all providers

Proposed regulatory duties

- To ensure continued provision of high quality social housing
- To empower and protect tenants
- To expand the availability of choice of provider at all levels in the provision of social housing

Government directions

- The Government should have explicit powers of direction over:
 - standards of social housing:
 - physical standard
 - services ancillary to housing
 - the overall level of rents

Detailed implementation would rest with the regulator

Links with local authorities

- Local authorities as strategic place makers are entitled to constructive engagement and co-operation from key local stakeholders, including (major) social housing providers
- This does not grant a power of direction
- Local authorities will also have their documented complaints given priority treatment by the regulator.

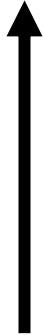

Information requirements on social housing providers

Annual submission to the regulator of reports on

- tenant satisfaction, involvement and choice
- standard of housing and services provided
- operating costs
- financial projections (RSLs only)

This by-passes inspection in many cases

The hierarchy of intervention

Disqualification	Transfer of ownership	Winding up and moratoria
Appointment of board member	Appointment of manager	Tendering of management
Penalties	Enforcement notice	Compensation
	Improvement notice	
	Targeted inspection	
	Further inquiry	
Complaints	Annual data	Other information

- puts tenants first
- covers all sectors
- accommodates government policy
- recognises new role of local authorities
- light touch for good performers,
- focuses intervention on poor performers
- encourages efficiency and good performance

- generating tenant interest may be too difficult
- Mechanisms to tackle inefficiencies may be inadequate
- renewed focus on expansion may distract attention from existing tenants
- inadequate regulation of LA providers