

Summary: Intervention & Options

Department /Agency: Communities and Local Government	Title: Impact Assessment of extension of Tenant Services Authority to include Local Authority Housing	
Stage: Final	Version: Final	Date: 8 January 2010
Related Publications: Consultation on H&R Act 2008 (Registration of Local Authorities) Order 2009; H&R Act 2008 (Registration of local authorities) Order 2009: Summary of responses		

Available to view or download at:

<http://www.communities.gov.uk/publications/housing/crossdomainorderres>

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What is the problem under consideration? Why is government intervention necessary?

Extension of the Tenant Services Authority's (the regulator) remit to include local authorities (LAs) that own social housing as well as the regulation of private providers. Social housing is provided at below market rents and demand is very high. Tenants' ability to switch between providers is limited and providers face few pressures to offer good service and choice. Government intervention is necessary to raise standards and improve performance by making local authority providers of social housing subject to a common regulatory environment.

What are the policy objectives and the intended effects?

The objective is to create a common framework of regulation across the social housing domain. By extending the regulator's remit to include LAs we aim to bring about a framework to provide consistent approaches to regulation across all providers of social housing. Tenants can expect the regulator to establish common expectations across the domain, encouraging greater tenant choice, influence and protection when problems are identified.

What policy options have been considered? Please justify any preferred option.

Option 1: a tailored regulatory framework for local authorities in line with the performance framework. This is preferred because it allows consistent standards to be set across registered providers and local authorities without complicating arrangements for monitoring LA performance.

Option 2: the regulator would set standards and new national performance indicators for LAs.

Option 3: the regulator would not have powers to set and monitor standards of any type for LAs.

Option 4: do nothing; regulatory activities remain the responsibility of CLG and Audit Commission.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The regulator's performance will be reviewed twice a year. The regulator's status will be reviewed every five years. The date of the next review is 2013.

Ministerial Sign-off For final proposal/implementation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

John Healey

.....Date: 8th January 2010

Summary: Analysis & Evidence

Policy Option: 1	Description: Tailored regulatory framework for LAs, in alignment with the performance framework, allowing consistent standards to be set.
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COSTS	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' Extending the regulatory remit of the TSA is expected to cost that organisation £2.1m per annum. Our upper estimate is that costs could be as high as £6.4m p.a (20% of the the TSA's existing budget). The total cost could be £18m - £55m over the period to end 2019/20.
	One-off (Transition)	Yrs	
	£ 0	10	
	Average Annual Cost (excluding one-off)		
£ 2.1m		Total Cost (PV) £ 18m	
Other key non-monetised costs by 'main affected groups' LAs are likely to incur one-off costs when familiarising themselves with new procedures. Ongoing costs might also arise if regulation entails more administrative or engagement activities in order to raise standards. Costs will vary across LAs depending on size and management arrangements.			

BENEFITS	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' Greater efficiency in management of the local authority housing stock should produce significant financial gains. We have estimated that TSA regulation could lead to savings of 0.2% - 0.4% beginning after the first four years of operation. Benefits could total £48 - £96m by end 2019/20.
	One-off	Yrs	
	£ 0	6	
	Average Annual Benefit (excluding one-off)		
£ 15m		Total Benefit (PV) £ 72m	
Other key non-monetised benefits by 'main affected groups' Better services and greater choice for tenants leading to higher levels of satisfaction, improved standards in social housing stock, more efficient regulation of LAs landlord functions.			

Key Assumptions/Sensitivities/Risks The central estimate assumes that the TSA can regulate local authority social housing at a cost of just £2.1m per annum but outturn costs could be more, reducing net benefits. Benefit estimates are sensitive to uncertainties around the scale of efficiency improvements that might result from the changes.

Price Base Year 2009	Time Period Years 10	Net Benefit Range (NPV) £ -7m to £78m	NET BENEFIT (NPV Best estimate) £ 54m
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What is the geographic coverage of the policy/option?	England				
On what date will the policy be implemented?	April 2010				
Which organisation(s) will enforce the policy?	N/A				
What is the total annual cost of enforcement for these organisations?	£ N/A				
Does enforcement comply with Hampton principles?	Yes				
Will implementation go beyond minimum EU requirements?	No				
What is the value of the proposed offsetting measure per year?	£ N/A				
What is the value of changes in greenhouse gas emissions?	£ N/A				
Will the proposal have a significant impact on competition?	No				
Annual cost (£-£) per organisation (excluding one-off)	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">Micro</td> <td style="width: 25%; text-align: center;">Small</td> <td style="width: 25%; text-align: center;">Medium</td> <td style="width: 25%; text-align: center;">Large</td> </tr> </table>	Micro	Small	Medium	Large
Micro	Small	Medium	Large		
Are any of these organisations exempt?	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">No</td> <td style="width: 25%; text-align: center;">N/A</td> <td style="width: 25%; text-align: center;">N/A</td> </tr> </table>	No	No	N/A	N/A
No	No	N/A	N/A		

Impact on Admin Burdens Baseline (2005 Prices)		(Increase - Decrease)
Increase of £	Decrease of £	Net Impact £

Key: Annual costs and benefits: Constant Prices (Net) Present Value

[Use this space (with a recommended maximum of 30 pages) to set out the evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Ensure that the information is organised in such a way as to explain clearly the summary information on the preceding pages of this form.]

Problem under consideration

1. The Housing and Regeneration Act 2008 (H&R Act) established the Tenant Services Authority (“the regulator”). This took over the regulatory role for Registered Social Landlords (to be known in future as ‘Private Registered Providers’) previously administered by the Housing Corporation on December 1st 2008. The H&R Act gained Royal Assent in July 2008. The regulator is currently on schedule to begin regulation under its new powers in 2010.
2. In October 2007, in response to the review by Professor Martin Cave ‘Every Tenant Matters’, the Government stated its intention that cross-domain regulation should be in place within two years of the new regulator becoming the regulator of registered providers. We are aiming to ensure local authorities (LAs) are covered by the regulator’s remit by April 2010.
3. The Government accepted and supported Cave’s recommendation on the basis that, from the perspective of the tenant, it matters less who the landlord is and more that they are receiving a high quality service that meets their needs. A single regulator across the domain would help ensure that common expectations can be set. However, while the experience of the tenant remains central, Government also recognises that housing is one of a diverse range of services delivered by local authorities. The Government has introduced major reforms to the local performance framework, intended to help deliver local priorities more effectively and to improve quality of life.
4. The new Local Performance Framework came fully into effect from April 2009. National priorities, focusing on cross cutting outcomes, have been identified. They will be tracked by a single national set of 188 indicators, covering those functions which local authorities are responsible for securing - either on their own or in partnership with others. This significantly reduces burdens on reporting (the 188 replace around 1200 measures that were previously used). New Local Area Agreements (LAAs) form the heart of the new performance framework. Each LAA includes a set of local improvement targets. Up to 35 of these have been selected from the 188 indicators. Local partners are free to include other targets in an LA beyond the 35 priorities agreed with central government. Local authorities understand the Government’s need for assurance that robust performance management processes are in place with the objective of ensuring that public money is spent effectively and efficiently and that outcomes for local people are improving. There needs to be an independent assessment of progress which will be led by new Comprehensive Area Assessments (CAA).
5. The Government and the TSA are both clear that any new regulatory system for housing must be consistent with the principles of the local performance framework. There were a number of complex issues to be addressed on how this could work in practice and it was essential that we called on the expertise and experience of stakeholders in seeking to resolve them. To this end the Government appointed Professor Ian Cole to chair an advisory panel tasked with producing recommendations on how best to proceed. The panel published its final report –

including its recommendations – on 11th September 2008 (<http://www.communities.gov.uk/documents/housing/pdf/thecolereport>).

6. In relation to providing the TSA with the powers necessary to allow it to register and thus regulate the local authority landlord sector, the Government included an 'enabling' power in the Housing & Regeneration Act 2008 to introduce these measures through secondary legislation.

Why Government intervention is necessary

7. The Cave Review made a number of recommendations as to why it would be desirable to introduce cross-domain regulation. Central to this is the recommendation that tenants should receive an equally good service across all parts of the domain (i.e. no matter who their landlord happens to be). This is more difficult to secure if providers are regulated by different bodies. More specifically Professor Cave put forward the following arguments in its favour:
 - Issues, such as access to housing and mobility between providers, need to be dealt with on a domain wide basis to ensure efficient outcomes.
 - Performance needs to be compared across all providers so that good practice can be spread and standards raised across the whole domain. A single regulator will have better access to the information required for this task.
 - There are a number of common failures across providers. These could be dealt with more effectively – and at lower cost – by a single regulator.
8. There is a strong trend to regulate on a domain wide basis, for example OFCOM for the communications industry and OFGEM for energy. Both of these regulators have seen real benefits delivered for the consumer as well as the energy and communications industries.

Policy objectives and intended effects

9. The number of homes owned by local authorities and housing associations is now broadly even (around two million units each). There are now around 180 authorities (out of 326) who have retained ownership of all or part of their social housing stock.
10. By delivering cross-domain regulation the intention is to achieve a coherent and consistent system of regulation across all providers. The Regulator will be empowered to set common standards across all providers, working with those landlords who struggle to achieve them to raise performance and reducing regulatory burdens for those who do. The regulator will work in line with its objectives to promote tenant choice and involvement - the needs and aspirations of tenants form a core part of its approach and activities.

What policy options have been considered?

11. A number of options for extending the remit of the regulator have been considered. These give alternatives for implementing a system of cross domain regulation that allows the TSA to regulate effectively whilst upholding the principles of the Local Performance Framework. The option chosen by Ministers was:
 - **Option 1** - a tailored regulatory framework for local authorities in alignment with the Local Performance Framework allowing consistent standards to be set across

all registered providers (housing associations and local authorities) that support the Local Performance Framework. The regulator (the TSA) will have the power to set standards for local authorities but any new performance indicators would be set by Government.

12. The other options were:

- **Option 2** - The regulator would set both standards and new performance indicators for local authorities outside of the National Indicator Set.

13. This option was not chosen as it would allow the regulator to threaten the commitments Government has made under the Local Performance Framework to avoid setting performance indicators outside of the National Indicator set. It would risk being too burdensome.

- **Option 3** – The TSA would undertake regulatory activities but would not have powers to set and monitor standards of any type for local authorities.

14. This option was not chosen as both the Government and stakeholders (the Cole Panel) were keen to ensure the regulator was provided with a power to set standards in order to allow it to set consistent expectations across the domain.

- **Option 4** – do nothing. Regulatory activities continue to be carried out by Communities and Local Government and the Audit Commission.

15. There are a number of reasons why not proceeding with this legislation is not a realistic option;

- The Government has accepted the rationale for cross –domain regulation having considered the arguments put forward in its favour both through the Cave report and subsequently by the vast majority of stakeholders, including tenants and local government.
- The current regulatory regime for local authority social housing and landlord services forms part of the CAA and is judged alongside a LAs overall performance against its numerous statutory responsibilities. A broadly similar regulatory system under a single regulator for all social housing tenants was one of Prof. Cave’s key recommendations.
- Abandoning or unduly delaying implementation of cross-domain regulation would create the risk of there becoming a two-tier system of regulation between retained local authority social housing and housing associations which would further restrict movement and choice for tenants.
- While there will be a short interval between formation of the regulator and it taking on a cross –domain role we would not want this period to be unduly protracted. A number of stakeholders hold concerns that too long a gap could mean the regulator focuses its culture on registered providers making the transition process more problematic.
- Moving forward now has allowed the TSA to conduct a series of informal and formal consultations e.g. the ‘national conversation’ (an extensive and wide ranging dialogue and consultative process with tenants, providers and interested parties) on how regulation would operate across the domain.

16. All three options would allow for the regulator to charge fees for its services as well as collect an annual levy. The TSA must produce guidance and hold a formal consultation on their fees and levy structure. In terms of LAs this will be the subject of a New Burdens Assessment in line with Government policy and any additional costs to local authorities will be met by extra subsidy from CLG via the Housing Revenue Account.

Will the policy be reviewed to establish the actual costs and benefits and achievement of desired effects?

17. No formal review of this specific policy has been scheduled. However the TSA's overall performance against the achievement of its objectives will be reviewed twice a year in addition to a formal annual report and submission of accounts as is required by a public body.
18. The regulator's status will be formally reviewed every five years. The date of the next formal review is 2013.

Costs and Benefits

Additional ongoing administrative costs

19. The TSA Interim Corporate plan for 2009/10 had a baseline of £32m to cover the cost of its existing regulatory duties. The TSA expects that it will not require any additional funding above this amount in 2010/11 if its regulatory regime is extended to include local authority social housing. In the impact assessment that accompanies the TSA's formal consultation on the proposed new regulatory framework they state that "*We do not envisage the resources required by the TSA to deliver our regulatory activities in 2010-11 being any greater than the level of resources provided by CLG to the TSA in 2009-10*".
20. There will however, be some additional costs from extending the regulatory remit of the TSA. These will be met from within the TSA's existing resources. The regulator estimates that the regulation of local authorities will cost £3m, of which £2.1m result from new activities and the remainder is the cost of the inspection function which will continue under the TSA but is not as a result of the proposed new regulatory regime. There are two elements to this additional cost:
- Risk and assurance, £1.5m; and
 - Tenant services, £0.6m
21. The regulator will continue to develop the standards framework as the new regulatory system is established. The aim is to bring about improvement for all tenants of social housing and the regulator's role and activities will evolve to reflect this. Consequently there is a possibility that further costs and burdens will arise as the system becomes established. The TSA will review any changes and consult fully on any proposals to refine the approach to regulation and the costs at April 2010 will form the baseline for any future review.
22. Until the standards framework is established and operational it is difficult to estimate costs with certainty. To illustrate the impact that higher regulatory costs could have we consider the possibility that these could turn out to be greater than the central estimate of £2.1m per annum from 2010/11 onwards. Our upper estimate is that costs might be £6.4m a year: equivalent to 20% of the TSA's budget of £32m for

2009/10. Over the period to end 2019/20 this gives a range of between £18m - £55m present value cost.

23. It is possible that not all of the costs of regulation detailed in this section will be additional since transferring the function of regulating social housing could lead to offsetting reductions in costs at CLG, which currently holds this responsibility. We have not been able to quantify the extent of these reductions. This means that net new costs could be lower than implied by the estimates presented in this document.

One-off transitional costs

24. As described above, the TSA does not expect to incur one-off costs from expanding its regulatory remit. It is considered likely that activities involved in moving to regulate local authorities can be carried out using existing staff and systems, but there is a risk that unforeseen changes are required.

Fees

25. s.117 of the Housing and Regeneration Act 2008 gives the regulator the power to charge fees on registration, an on-going levy and for inspections and/ or interventions. The legislation states that fees must be set in accordance with the TSA's principles which are designed to ensure that, so far as is reasonably practicable, fee income matches expenditure on the performance of functions, each fee is reasonable and proportionate to the costs to which it relates, and actual or potential registered providers can see the relationship between the amount of a fee and the costs to which it relates. No fees will be charged by the TSA in 2009/10.
26. In the case of local authority registered providers initial and continued registration are not conditional on payment of fees. If the cost of regulating local authority landlords ranges from £2.1 - £6.4m per year and this is disbursed amongst 180 LAs, then each might face a cost of around £12k - £36k each year after 2010/11. Between 2011/12 and end 2019/20 the total might range from approximately £100k to £310k per LA in present value terms. It is important to note that these costs are the same as those described under the 'ongoing administrative costs' section, not additional.
27. New requirements, and changes to existing requirements, on LAs and the Housing Revenue Account (HRA) will be subject to the new burdens rules. A New Burdens Assessment will be completed following formal consultation on any fees and levy structure proposed by the TSA. This assessment will determine whether the application of the new regulatory regime places additional costs on LAs above and beyond what is already reasonably expected of them through the current regulatory framework e.g. current costs of inspection etc. All net additional costs will need to be fully and properly funded by central government so there is no upwards pressure on council tax.

Extra administrative costs to LAs

28. The TSA intend to work within the Local Performance Framework and support its core principle to reduce the administrative burden on Local Authorities. We expect that the TSA's new regulatory role will be carried out by working with existing arrangements in terms of information and data collection when monitoring against cross-domain standards. So the change is likely to have a neutral or slight positive effect on LAs current administrative costs.
29. In the consultation stage Impact Assessment we surmised that although the new regulatory role will be either cost neutral or positive in the long term, initially at least,

LAs might need to reassign staff and familiarise themselves with procedures to respond to the new regulatory regime. We estimated this as an average cost of £5,000 per LA per year with the caveat that, in reality, extra administrative costs would of course vary from LA to LA.

30. At that stage we committed to reassessing this estimate once we had sought views on its validity. The actual cost to LAs will only become apparent once the new regulatory framework is in place and this figure was intended to be purely indicative.
31. Less than half of respondents to the consultation answered the three specific questions on the estimates of costs in the impact assessment (between 55% and 70% of respondents made no comment on those questions). Of those that did, the majority questioned the validity of this figure citing the lack of any robust evidence to support it and the differing size, complexity and nature of management of LA housing stock and landlord services.
32. No such evidence is available to make an informed estimate so this final version of the impact assessment makes no attempt to quantify the additional costs over and above that which is already committed by LAs on complying with regulation.
33. The TSA has recently been running a series of *Local Standards Pilots* to assess the impact - in terms of resources - on local authorities of complying with the proposed new regulatory regime. Although no formal data is yet available the early informal feedback shows, for example, that there is an extra cost in liaising with tenants effectively outside already established groups (i.e. tenants associations). However liaising with a wider range of tenants in new ways is also providing valuable information on services, including elements of services which could be reduced or stopped completely, therefore reducing costs. Further, many LAs already undertake numerous kinds of engagement activity with tenants, so might not incur additional costs from this type of liaison.
34. As the results and detailed analysis of the TSA's *Local Standards Pilots* becomes available then a more robust estimate can be made of any additional overall costs to local authorities.
35. The size of stock of individual LA and the management arrangements will create variations in costs across authorities. For example a smaller LA such as Ellesmere in Cheshire has just over 5,000 properties whereas Birmingham has nearly 65,000. Staffing cost will also vary from LA to LA e.g. staffing costs in London are considerably higher.
36. Setting locally agreed standards to support the national standards framework is key to the new regulatory system achieving real benefits for tenants and helping drive improvements in landlord services. The costs associated with setting and agreeing these standards will vary from LA to LA in terms of the size of stock but also in terms of how each LA interprets the local standards. For example a LA may set standards for all its social housing across the borough or district whereas they may set standards ward by ward or even bespoke to certain estates or streets. A lot will depend on what way works best for each individual LA and their tenants (some may choose a mixture of both).

Benefits

37. The benefits of the policy – at least in the short term – are largely non-financial. The core principle of social housing is that it is made available at affordable rents which are below market prices. This has created a system in which tenants' ability to switch

between providers is limited and the providers themselves face limited pressures to offer good service and choice.

38. This supports the case for regulation for all tenants by raising standards and therefore providing a driver for good performance that is missing due to the lack of market forces. One of the key recommendations of the Cave Review was that all tenants of social housing should expect the same level of service from their landlord.
39. The extension of the regulator's remit to cover local authority housing will enable it to raise the general standard of landlord services received by tenants across the whole domain regardless of who owns or manages the housing stock and give more power to tenants in influencing how their homes are managed.
40. The regulator published its statutory consultation on proposals for how the new regulatory framework would operate in November 2009 and this made clear that improving standards of service delivery for tenants is the key aim. The proposal is for the regulator to set standards for those landlord services on which tenants place the greatest importance e.g. repairs and maintenance, customer service and neighbourhood management.
41. Central to the new regulatory framework will be the promotion of effective tenant involvement and empowerment. The new standards will place tenant involvement and empowerment at their core with local standards, improved accountability, public reporting and tenant scrutiny. The regulator has made clear that providers that involve their tenants to deliver good services and have sound governance will not be subject to any unnecessary regulatory interference, giving them greater flexibility to innovate and benefit from this de-regulatory approach.
42. The majority of the respondents to the consultation did not answer the three specific questions on the impact assessment. The specific question on the potential benefits was only commented on by 41% of respondents and a third of those responses disagreed with our estimate of benefits – largely because it was unclear how these would be achieved.
43. Taking this on board we have re-assessed the potential financial benefits. It is more reasonable to assume that any benefits could be realised after 4 years of the TSA taking over the regulatory role for LAs as this would give the TSA time to;
 - set standards (year 1)
 - monitor against standards and instigate improvement action (year 2)
 - assess if that improvement action has been effective (year 3)
44. The current cost to local authorities of managing, maintaining and undertaking major repairs is approximately £5bn per year. We expect that the impact of the new regulatory regime will be to produce an efficiency saving from year 5 onwards.
45. This IA assumes an efficiency saving of between 0.2% and 0.4% per year will be realised. As mentioned above, the TSA are currently undertaking a series of Local Standards Pilots to assess the impact - in terms of resources - on local authorities of complying with the proposed new regulatory regime. No formal data from the pilots is yet available however the anecdotal evidence suggests that complying with the new standards could bring about real benefits in terms of reduced admin costs.

46. For example, a local authority could provide housing advice to every new applicant for social housing helping applicants make more informed choices and reducing the administration involved in maintaining waiting lists.
47. On the basis of current expenditure, the overall discounted cost to LAs of providing social housing over the 10 years from 2010/11 to 2019/20 is likely to be £42bn. If we realise the efficiency savings of between 0.2% and 0.4% from 2014/15 onwards, then savings would be between £48m to £96m (average £72m). Although the improved regulatory environment is expected to drive better value for money outcomes, these estimates are uncertain given the lack of information about the exact sources of efficiency gains.

Summary of costs and benefits

48. The table below highlights the interaction between the two key assumptions regarding costs and benefits: the cost to the TSA of regulating LA providers of social housing, and the scale of efficiency savings that can be realised as a result of the new regulatory environment. The central estimate, a net monetised benefit of £54m, is highlighted.

Efficiency savings (% of spend on social housing)		Additional cost to TSA	
		Central estimate: £2.1m p.a.	Upper estimate: £6.4m p.a.
Lower estimate: 0.2% efficiencies		£30,000,000	£-7,000,000
Central estimate: 0.3% efficiencies		£54,000,000	£17,000,000
Upper estimate: 0.4% efficiencies		£78,000,000	£41,000,000

49. These show that net benefits could be negative if outturn efficiency savings are at the lower end of the estimated range at the same time as the costs of regulating local authority landlords exceed £6.4m per year. However in the majority circumstances considered here, positive net benefits of between £17m and £78m can be expected. This does not take account of potential administrative costs to LAs, which have not been monetised and are therefore excluded from these estimates.

Specific impact Tests

Competition Assessment

The extension of the TSA's remit to include Local Authorities should have a small positive impact on competition by improving the provision of information about performance and allowing better comparison between providers of social housing at the local level. The Cave review advocated diversity of provision under a single regulator. This could be beneficial for tenants in relation to the management of social housing in that it would help facilitate contracting of management to other providers or to management bodies. For example, tenants living in relative isolation from their provider's main holdings could benefit from having their housing managed by a body with a larger local presence.

Small Firms' Impact Analysis

No extra cost or benefit envisaged.

Legal Aid

No extra cost or benefit envisaged.

Sustainable Development

Social: Regulatory reform should encourage Local Authorities to manage their landlord services better, engage and empower tenants to have more say in how their homes are managed, and to continue and build on their current level of voluntary involvement in neighbourhood. The option chosen should therefore involve major social benefits for many of the 2 million households in the sector.

There are no specific environmental costs or benefits envisaged. The economic costs and benefits are set out above.

Carbon Assessment

No extra cost or benefit envisaged.

Other Environment

No extra cost or benefit envisaged.

Health Impact Assessment

There is evidence that suggests the quality of housing can have an impact on the health of residents. Improved regulation helps ensure good management and maintenance of homes.

Race Equality Assessment

The Government recognises that people from many BME groups are more likely than average to live in social rented homes (The Survey of English Housing in 2008 showed that of all people who held the tenure in Local Authority homes, 13.4% were from BME groups). *The H&R Act 2008 (Registration of Local Authorities) Order 2009* will not have any impact on the ratio of BME people in or accessing social housing.

Disability Equality

The Survey of English Housing for 2006/07 showed that 49% of LA tenants considered that at least one person in their household had a disability or serious illness. 2001 Census data show that 18% of people said that they have a long-term illness, health problem or disability which limits their daily activities or the work they could do. This suggests that disabled people are more likely to be tenants of Local Authority social housing.

Gender Equality

The Survey of English Housing for 2006 showed 56% of those people who held tenure in Local Authority homes were female. This suggests that women will not be disproportionately affected by our proposed changes to the regulatory regime.

Human rights

We believe the provisions to be compatible with ECHR.

Rural proofing

The extension of the TSA's remit will not have any negative effects on rural communities.

Monitoring & Review

The TSA's overall performance against the achievement of its objectives will be reviewed twice a year in addition to a formal annual report and submission of accounts as is required by a public body. The regulator's status will be formally reviewed every five years. The date of the next formal review is 2013.

Implementation and Delivery Plan

A detailed implementation plan will be produced by the regulator as part of the transition process.

Summary & Recommendation

We recommend that the extension of the TSA's remit to cover Local Authority social housing goes ahead as this fulfils the recommendation made in *The Cave Review* that all social housing providers should come under the domain of a single regulator. A cross-domain model of regulation has gained widespread support among housing stakeholders, tenants and other interest parties.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No

Annexes

Background

1. Social housing is defined as accommodation that is offered at rents which are below market value. There are around 3.7m social renting households in England. We estimate 8.1 million people live in those households in England. There are four main categories of provider:
 - Local authorities as owners and managers of social housing
 - Arms Length Management Organisations (ALMOs), companies which are established by Local Authorities to manage their housing stock.
 - Housing associations (not for profit private landlords)
 - For profit providers (who do not currently own many homes but undertake some management)
2. The Housing Corporation was the previous statutory regulator of housing associations. On registering with the Housing Corporation, associations became Registered Social Landlords. This regulatory function was taken over by the Tenant Services Authority in December 2008.

The Cave Review

3. In December 2006, the Government invited Professor Martin Cave to head an independent review of social housing regulation – in particular to establish objectives for social housing regulation and propose a system of regulation, and an institutional framework, capable of achieving those objectives. The findings of the review were reported in June 2007 in the publication “Every Tenant Matters: a review of social housing regulation”
4. The review recommended that a new system of regulation be based on the continued provision of high quality social housing, empowerment of tenants and increased choice at all levels. It also recommended that the two guiding principles were that a new regulator would achieve this with a minimum degree of intervention and to apply the same approach across all providers of social housing.

The Tenant Services Authority

5. The Government accepted the majority of the recommendations in *The Cave Review* and the Tenant Services Authority (referred to initially as *The Office for Social Landlords and Tenants*) has been established via

Part II of the Housing and Regeneration Act 2008. Initially the new body will only regulate Registered Social Landlords.

6. The Government offered support for the principle of cross-domain regulation but signalled that they would have to examine how this would work in more detail, especially in terms of how it would fit with the Local Government Performance Framework and other existing regulation. To this end it was announced in October 2007 that the new regulator would initially only regulate Registered Providers and that an advisory panel – Chaired by Prof. Ian Cole would – was being appointed to look at the extension to cover Local Authorities.

The Advisory Panel on Cross Domain regulation

7. The panel was made up of a wide range of stakeholders from all sides of the social housing sector. They met four times between January and June 2008 and published their recommendations to Government in September 2008. The recommendations made by the panel have formed the basis of this consultation.

The Housing and Regeneration Act 2008 and the enabling power

8. The Housing and Regeneration Act received Royal Assent in July 2008. During the passage of the Bill the Government accepted the argument that it should include an enabling power in the Act that would allow the Secretary of State to repeal or amend parts of the Act to allow the TSA to regulate Local Authorities through secondary legislation.
9. This enabling power was included as s.114 of the H&R Act, which provides for an order to be made (and approved through the 'affirmative' Statutory Instrument route requiring debate in both houses) to amend the Act and to make other necessary provisions to allow the regulation of LA landlords.