

# Framework document for the Regulator of Social Housing

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## Introduction

This Framework Document has been drawn up by the Ministry of Housing, Communities and Local Government (MHCLG) in consultation with the Regulator of Social Housing (the Regulator). The document sets out how the Regulator of Social Housing and MHCLG, as its sponsor department, will work together in accordance with the principles of the *Partnerships between Departments and ALBs: Code of Good Practice (issued by the Cabinet Office)* to ensure we have an effective partnership based on trust, clarity of accountability and understanding of purpose and outcomes. This will provide the Regulator with the autonomy it needs to deliver effectively, and ensure the department has sufficient assurance that the Regulator is performing effectively and delivering against its fundamental objectives.

This Framework Document will be formally reviewed every three years, with light touch annual reviews as necessary. Changes can be made by addendum in advance of formal reviews if required. Significant operational or policy events could also trigger a review of the Framework Document.

The Framework Document is signed and dated by MHCLG and the Regulator. Copies of the document and any subsequent amendments have been made available to members of the public on the Regulator's website.

### **Signed for and on behalf of Ministry of Housing, Communities and Local Government**

Name	Melanie Dawes
Position	Permanent Secretary
Signature	
Date	

### **Signed for and on behalf of the Regulator of Social Housing**

Name	Fiona MacGregor
Position	Chief Executive
Signature	
Date	

# 1. Purpose of the Regulator of Social Housing

- 1.1 The Regulator of Social Housing became a standalone non-departmental public body on 1 October 2018 following legislation to separate it from the Homes and Communities Agency<sup>1</sup>. The purpose of the organisation is to regulate registered providers of social housing to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs.
- 1.2 Registered providers of social housing include stock owning local authorities, housing associations<sup>2</sup> and other private sector providers. Local authority providers of social housing are automatically registered. Housing associations and other private sector providers of social housing can opt to become a registered provider if they meet the eligibility requirements. Housing associations and other private sector providers of social housing are not generally<sup>3</sup> obliged to register unless they become the landlord of social housing built with the assistance of grant funding from Homes England or the Greater London Authority.
- 1.3 Private registered providers of social homes make a substantial contribution to government housing policies. They are key players in delivering new homes, building the vast majority of new affordable housing. They house people whose needs are not met by the housing market – including some of the most vulnerable - and often provide additional services to tenants such as employment support and training, and invest in the places in which they operate. It is essential that they are well governed, and a key function of the Regulator is to ensure that they are, in a way that minimises interference, and (so far as is possible) is proportionate, consistent, transparent and accountable.

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<sup>1</sup> *The Legislative Reform (Regulator of Social Housing) (England) Order 2018*

<sup>2</sup> *Non-profit organisations set up to provide affordable homes for those in need*

<sup>3</sup> *With the exception of shared ownership, where unregistered providers can receive grant*

## 2. Governance and accountability

### *The legal origins of the Regulator's fundamental powers and duties*

- 2.1 The Housing and Regeneration Act 2008, as amended, sets out the two fundamental objectives of the Regulator. The first is an **economic objective**. It requires the Regulator:
- to ensure that registered providers of social housing are financially viable and properly managed, and perform their functions efficiently and economically,
  - to support the provision of social housing sufficient to meet reasonable demands (including by encouraging and promoting private investment in social housing),
  - to ensure that value for money is obtained from public investment in social housing,
  - to ensure that an unreasonable burden is not imposed (directly or indirectly) on public funds, and
  - to guard against the misuse of public funds.
- 2.2 The Regulator may set standards for private registered providers in matters relating to their financial and other affairs<sup>4</sup>.
- 2.3 The second is a **consumer objective**. It requires the Regulator:
- to support the provision of social housing that is well-managed and of appropriate quality,
  - to ensure that actual or potential tenants of social housing have an appropriate degree of choice and protection,
  - to ensure that tenants of social housing have the opportunity to be involved in its management and to hold their landlords to account, and
  - to encourage registered providers of social housing to contribute to the environmental, social and economic well-being of the areas in which the housing is situated.
- 2.4 The Regulator may set standards related to consumer matters.<sup>5</sup> Those standards apply to all registered providers. Where there is a breach of a consumer standard, the Regulator can only exercise its powers if there is, or is a risk of, serious detriment to tenants.<sup>6</sup>
- 2.5 As is appropriate for an arm's length body these powers give a high level of independence to the Regulator, enabling it to set its own standards for the provision of social housing. The Regulator has published seven regulatory standards to underpin the delivery of its statutory objectives<sup>7</sup>: Its approach to regulation of these standards is set out in *Regulating the Standards*.<sup>8</sup>

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<sup>4</sup> Section 194, Housing and Regeneration Act 2008

<sup>5</sup> Section 193, Housing and Regeneration Act 2008

<sup>6</sup> Section 198A, Housing and Regeneration Act 2008 (as amended)

<sup>7</sup> <https://www.gov.uk/guidance/regulatory-standards>

<sup>8</sup> <https://www.gov.uk/government/publications/regulating-the-standards>

- 2.6 The Secretary of State's power to give a direction to the Regulator with regard to these standards is limited to where the standards relate to the quality of the tenants' accommodation, tenure, rents, tenants involvement in the management of their homes, and assisting tenants to exchange tenancies<sup>9</sup>. The 2008 Act also sets out the regulatory powers available to the Regulator to carry out its functions in relation to its fundamental objectives<sup>10</sup>. These include a range of interventions to monitor and enforce compliance with these standards.
- 2.7 However, the Secretary of State remains accountable to Parliament for the policy relating to the regulation of social housing, and the MHCLG Permanent Secretary is the Principal Accounting Officer for its public funding. This requires them to gain assurance that the Regulator is discharging its statutory duties appropriately

#### *The Regulator's governance structure.*

- 2.8 The legislation that creates the Regulator as a stand-alone body<sup>11</sup> states that the Regulator will consist of the Chair, appointed by the Secretary of State; between six to ten board members, also appointed by the Secretary of State after consultation with the Chair; and the Chief Executive, appointed by the Chair and other appointed members of the Regulator but with the approval of the Secretary of State.
- 2.9 The Chair and other members appointed by the Secretary of State (i.e. the members other than the Chief Executive) are referred to in the legislation as appointed members. In appointing a person as an appointed member, the Secretary of State is required to: (a) have regard to the desirability of appointing a person who has experience of, and has shown some capacity in, matters relevant to the exercise of the functions of the Regulator, and (b) be satisfied that the person has no financial or other interest likely to affect prejudicially the exercise of the person's functions as a member.
- 2.10 A public body's ability to employ and manage staff is an important element of its relative independence from Ministers. The appointment of staff and the organisational structure of the Regulator is therefore a matter for the Board, but must reflect any relevant guidance regarding the operation of Non-Departmental Public Bodies (NDPBs).
- 2.11 The legislation sets out the transitional arrangements for the set up of the Regulator given that the Regulator already existed as a committee of the Homes and Communities Agency. These transitional arrangements provide for the Secretary of State to appoint the persons who were the Chair and other members of the Regulation Committee as the first Chair and other appointed members of the Regulator, subject to their willingness to be appointed. The Secretary of State is also responsible for appointing the first Chief Executive of the Regulator. The Secretary of State must also determine the terms of all such appointments.

#### *Accountability to Parliament*

- 2.12 The ways in which NDPBs are accountable are set out in *Public Bodies: A Guide for Departments and Managing Public Money*. This guidance will apply to the Regulator.

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<sup>9</sup> Section 197, Housing and Regeneration Act 2008 (as amended)

<sup>10</sup> Chapters 6 and 7, Housing and Regeneration Act 2008 (as amended)

<sup>11</sup> The Legislative Reform (Regulator of Social Housing) (England) Order 2018

The guidance makes clear that whilst - as an NDPB - the Regulator is at arm's length from government, the responsible Minister is accountable to Parliament for the overall effectiveness and efficiency with which it carries out its functions. Ministers also remain accountable to Parliament for public money spent by an NDPB, even though bodies operate at arm's length with their own designated accounting officers.

- 2.13 The Permanent Secretary for MHCLG, as MHCLG's Principal Accounting Officer, is also accountable to Parliament<sup>12</sup> for all public funding provided to the Regulator, and for advising Ministers on how it is spent. The Chief Executive (as Designated Accounting Officer for the Regulator) is also responsible to Parliament for the areas set out in detail in section 4.2 below. The Chief Executive can also be summoned to give evidence before the Select Committees and the Public Accounts Committee.

### **3. Principal Accounting Officer responsibilities**

- 3.1 The Permanent Secretary for MHCLG, as MHCLG's Principal Accounting Officer (PAO), designates the Regulator's Chief Executive as its Accounting Officer. The respective responsibilities of the PAO and accounting officers for arm's length bodies are set out in Chapter 3 of *Managing Public Money*.

- 3.2 The PAO is accountable to Parliament for the issue of any grant-in-aid to the Regulator. The PAO is also responsible for advising the responsible Minister:

- on an appropriate grant in aid budget for the Regulator in the light of:
  - the level of fee income raised;
  - the resources required by the Regulator to deliver its fundamental objectives;
  - MHCLG's and the Government's overall public expenditure priorities; and
- how well the Regulator is achieving its fundamental objectives, delivering its strategic priorities and whether it is delivering value for money.

- 3.3 The PAO is also responsible for:

i. ensuring appropriate arrangements are in place to

- agree with the Regulator its three year corporate plan, the first year of which will be its annual business plan;
- receive regular assurance that the Regulator's fundamental objectives are being delivered efficiently and effectively;
- address significant structural or organisational problems in the ALB, making such interventions as are judged necessary;
- periodically carry out an assessment of the risks both to the department and the Regulator's objectives and activities; and
- bring concerns about the activities of the Regulator to the CEO and Board and seek explanations and assurances that appropriate action has been taken where

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<sup>12</sup> Managing Public Money

concerns are founded and activities are not in line with the regulator's fundamental objectives.

- ii. conducting all of the above in a timely manner and providing challenge where necessary. This will enable to the PAO to give an overview and advice to the MHCLG Board, Ministers, the Audit and Risk Assurance Committee, and Non-Executive Directors on
  - the operations of the Regulator;
  - the delivery of its strategic objectives; and
  - the Regulator's financial and risk management

3.4 The Cabinet Office Code of Practice<sup>13</sup> recommends that departments adopt a proportionate approach to assurance. In the case of the Regulator, this means that the assurance process should reflect the independence of the Regulator whilst demonstrating to the satisfaction of MHCLG that robust governance and risk management is in place to deliver its fundamental objectives.

3.5 The PAO will inform the Regulator of changes in relevant government policy in a timely manner.

## **4. Regulator of Social Housing Accounting Officer and Chief Executive responsibilities**

4.1 The Regulator's Accounting Officer is personally responsible for safeguarding the public funds for which he or she has charge; for ensuring propriety, regularity, value for money in the handling of those public funds; and for the day-to-day operations and management of the Regulator. In addition, he or she should ensure that the Regulator as a whole is run on the basis of the standards, in terms of governance, decision-making and financial management that are set out in Box 3.1 of Managing Public Money.

### *Responsibilities for accounting to Parliament*

4.2 The Regulator's Accounting Officer's responsibilities to Parliament include:

- signing the accounts and ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- preparing and signing a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the annual report and accounts;

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<sup>13</sup> Partnerships between departments and arm's-length bodies: Code of Good Practice, Cabinet Office, 2017



- ensuring that effective procedures for handling complaints about the Regulator are established in accordance with *Public Bodies: A Guide for Departments*<sup>14</sup> and that information about this is publicly and easily available;
- acting in accordance with the terms of this document, *Managing Public Money* and other instructions and guidance issued from time to time by the department, the Treasury and the Cabinet Office;
- giving evidence, normally with the PAO, when summoned before the PAC on the Regulator's stewardship of public funds; and
- ensuring that the Regulator operates its fee charging regime consistent with the principles set by the Secretary of State.

### *Responsibilities to MHCLG*

4.3 The Regulator's Accounting Officer is responsible to MHCLG for:

- establishing, in agreement with the MHCLG, the Regulator's three year Corporate Plan, the first year of which will be its annual business plan;
- providing assurance to the department that the Regulator's fundamental objectives are being delivered efficiently and effectively;
- demonstrating how the Regulator's resources are being used to achieve those objectives, and managing its budgets effectively; and
- ensuring that timely and high quality forecasts and monitoring information on performance, finance and risk are provided to the department;
- ensuring that the department is notified promptly if over or under spends are likely and that corrective action is taken; and
- ensuring that any significant problems whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the department in a timely fashion.

4.4 The Regulator will provide timely management information (see section 16.1 below) that demonstrates:

- its governance and compliance with *Managing Public Money* and *Consolidated Budgeting Guidance*;
- its capability and delivery against strategic objectives;
- its robust financial and risk management
- that it has processes in place to address any significant problems in the functioning of the organisation, that has the ability to make interventions if judged necessary;

### *Responsibilities to the Board*

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<sup>14</sup> Chapter 8: Policy – Openness and Accountability

#### 4.5 The Chief Executive is responsible for:

- advising the Board on the discharge of the Regulator's responsibilities as set out in this document, in the Housing and Regeneration Act 2008, and in any other relevant instructions and guidance that may be issued from time to time;
- advising the Board on the Regulator's performance compared with its Corporate Plan and business plan and fundamental objectives;
- ensuring that financial considerations are taken fully into account by the Board at all stages in reaching and executing its decisions, and that financial appraisal techniques are followed; and
- taking action as set out in paragraph 3.8.6 of *Managing Public Money* if the Board, or its Chair, is contemplating a course of action involving a transaction which the chief executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration, efficiency or effectiveness, is of questionable feasibility, or is unethical.

## 5. Regulator of Social Housing Board responsibilities

5.1 The Board should ensure that effective arrangements are in place to provide assurance on risk management, governance and internal control. The Board will establish an Audit Committee chaired by a non-executive member of the Board to provide independent oversight and advice. The Board is expected to assure itself of the effectiveness of the internal control and risk management systems and provide assurance to the department on these systems.

#### 5.2 The Board is specifically responsible for:

- appointing the Chief Executive with the Secretary of State's approval (excluding the appointment of the first Chief Executive who will be appointed by the Secretary of State in line with the transition arrangements set out in legislation). In consultation with the department, the Board will set performance objectives and remuneration terms linked to these objectives for the Chief Executive which give due weight to the proper management and use and utilisation of public resources;
- establishing and taking forward the strategic aims and objectives of the Regulator consistent with its fundamental objectives and in line with the resources framework determined by the Secretary of State and income raised through fees;
- ensuring that the Regulator delivers its corporate and business plans, and monitoring that delivery;
- ensuring that the responsible Minister is kept informed of any changes which are likely to impact on the achievement of the Regulator's fundamental objectives, and determining the steps needed to deal with such changes;
- ensuring that any statutory or administrative requirements for the use of public funds are complied with; that the Board operates within the limits of its statutory authority and any delegated authority agreed with MHCLG, and in accordance with any other

conditions relating to the use of public funds; and that, in reaching decisions, the Board takes into account relevant guidance issued by MHCLG;

- ensuring that the Board receives and reviews regular financial information concerning the management of the Regulator;
- demonstrating high standards of corporate governance at all times, including by using an audit and other appropriate committees to help the Board to address key financial and other risks.

5.3 The Chair is responsible to the Secretary of State. The Chair is responsible for communications between the Board and the Secretary of State, or the Minister for Housing on his or her behalf. The Chair is responsible for ensuring that policies and actions support the Regulator's fundamental objectives and ensuring that its affairs are conducted with probity.

5.4 In addition, the Chair has the following leadership responsibilities:

- leading on the formulation of the Board's strategy;
- ensuring that the Board, in reaching decisions, takes proper account of directions issued, or guidance provided, by the responsible minister or the department;
- ensuring that risks are escalated to the department as appropriate;
- promoting the efficient and effective use of staff and other resources;
- ensuring high standards of regularity and propriety; and
- representing the views of the Board to the public and stakeholders.

5.5 The Chair also has an obligation to ensure that:

- the work of the Board and its Members is reviewed annually and that the Board works effectively;
- in recommending board appointments to the Secretary of State the Board has a balance of skills appropriate to directing the Regulator's business, as set out in the *Government Code of Good Practice for Corporate Governance* and legislation<sup>15</sup>;
- Board Members are fully briefed on terms of appointment, duties, rights and responsibilities;
- he or she, together with the other Board Members, receives appropriate training on financial management and reporting requirements and on any differences that may exist between private and public sector practice;
- he or she assesses the performance of individual Board Members annually and when being considered for re-appointment;
- he or she sets performance objectives for the Chief Executive and (supported by another Board member) reviews performance against these on an annual basis;

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<sup>15</sup> The Housing and Regeneration Act 2008 (as amended)

- there is a Board Operating Framework or equivalent in place setting out the role and responsibilities of the Board in a way that is consistent with the *Government Code of Good Practice for Corporate Governance*;
- there is a code of practice for Board Members in place, consistent with the Cabinet Office *Code of Conduct for Board Members of Public Bodies*.

### *Individual Board Members' responsibilities*

#### 5.6 Individual Board Members and the Chair should:

- comply at all times with the *Code of Conduct for Board Members of Public Bodies* and with all relevant rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, nor seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations and treat personal or commercially sensitive information appropriately;
- comply with the Board's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in line with Nolan Principles and in the best interests of the Regulator.

## **6. Contact and engagement with sponsor department**

6.1 The MHCLG is the responsible department for the Regulator.

6.2 Ways of working between the MHCLG and the Regulator should be based on an open, honest and constructive partnership and reflect the principles set out in the *Partnerships between Departments and ALBs: Code of Good Practice*. As such, both parties will ensure that they clearly understand each other's strategic aims and objectives.

6.3 The Director of Social Housing is the Senior Sponsor for the Regulator and has overall responsibility for the MHCLG's relationship with the Regulator. He or she is also responsible for undertaking the Chair's annual appraisal.

6.4 The Affordable Housing Regulation and Investment Policy Team and Finance Directorate are the primary contacts for the Regulator. They are the main source of advice to the Secretary of State on the discharge of his or her responsibilities in respect of the Regulator. They also support the PAO on his or her responsibilities toward the Regulator.

6.5 In addition to routine contact between MHCLG and the Regulator, there will be regular formal meetings (initially quarterly) between the PAO, or designated senior officer on his or her behalf, and the Regulator's Accounting Officer to underpin and support the discharge of their responsibilities described above.

## 7. Annual report and accounts

- 7.1 The Regulator must publish an annual report of its activities together with its audited accounts after the end of each financial year.
- 7.2 The specific timetable for preparing the Regulator's annual report and accounts will be agreed between MHCLG and the Regulator each year within the following parameters:
- the final annual report (including the Governance Statement) should be delivered to the department no later than one month before the date on which the Regulator's Annual Report and Accounts are laid before Parliament; and
  - the draft accounts data should be delivered to the department for consolidation into the departmental Group accounts no later than seven weeks ahead of the Regulator laying date, with the final accounts data submitted no later than one month ahead.
- 7.3 The annual report must:
- Comply with the requirements of legislation for the Regulator;
  - Comply with HM Treasury's Financial Reporting Manual (FReM);
  - Comply with Managing Public Money; and
  - Comply with the HM Treasury's Fees and Charges Guide
- 7.4 Information on performance against key strategic objectives is within the scope of the Regulator's audit and should be included in the notes to the accounts. The report and accounts will be laid in parliament and made available on the Regulator's website, in accordance with the guidance in the FReM. A draft of the report should be submitted to the department eight weeks before the proposed publication date. The accounts should be prepared in accordance with the relevant statutes and specific accounts direction issued by the department, including group accounting policies, as well as the FReM.

## 8. Internal audit

- 8.1 The Regulator will:
- establish and maintain arrangements for internal audit in accordance with the *Treasury's Public Sector Internal Audit Standards (PSIAS)*<sup>16</sup>
  - ensure MHCLG is satisfied with the competence and qualifications of Internal Audit and the requirements for approving appointments in accordance with PSIAS;
  - establish an Audit Committee of its Board in accordance with the *Code of Good Practice for Corporate Governance* and the *Audit and Risk Assurance Committee Handbook*, (as set out section 5.1)

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<sup>16</sup> <https://www.gov.uk/government/publications/public-sector-internal-auditstandards>

- forward the audit strategy, periodic audit plans and annual audit report, including the 's internal audit opinion on risk management, control and governance within one week of issue; and
- keep records of, and prepare and forward to the department an annual report on fraud and theft suffered by the Regulator and notify MHCLG of any unusual or major incidents as soon as possible.

8.2 The Regulator will ensure that the internal audit service has a right of access to all documents, including where the service is contracted out.

## 9. External audit

9.1 The Regulator passes the audited accounts to the Secretary of State who will lay the accounts together with the Comptroller and Auditor General's (C&AG) report before Parliament. The Regulator is responsible for ensuring the practical arrangements for laying the accounts are in place.

9.2 The Regulator will publish the audited accounts on its website within two weeks of them being laid before Parliament.

9.3 The C&AG:

- will consult the department and the Regulator on whom – the National Audit Office or a commercial auditor – will undertake the audit(s) on his behalf, although the final decision rests with the C&AG;
- has a statutory right of access to relevant documents, including by virtue of section 25(8) of the Government Resources and Accounts Act 2000, held by another party in receipt of payments or grants from the Regulator;
- will share with MHCLG information identified during the audit process and the audit report (together with any other outputs) at the end of the audit
- will, where asked, provide departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

9.4 The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Regulator has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the Regulator will provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and will use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

*Right of access*

9.5 The department has the right of access to all the Regulator's records and personnel for any purpose including, for example, sponsorship audits and operational investigations, consistent with the operational independence of the Regulator.

## 10. Management and financial responsibilities

*'Managing Public Money' and other government-wide corporate guidance and instructions*

- 10.1 Unless agreed by the department and, as necessary, HM Treasury, the Regulator will follow the principles, rules, guidance and advice in *Managing Public Money*, referring any difficulties or potential bids for exceptions to the Regulator's Finance Business Partners in MHCLG in the first instance. A list of guidance and instructions with which the Regulator should comply is in Appendix 2.
- 10.2 Subject to any restrictions imposed by statute, once the grant in aid has been approved by MHCLG, the Regulator will have authority to incur expenditure approved in the budget without further reference to MHCLG, on the following conditions:
- the Regulator will comply with the delegations issued annually by MHCLG (See Appendix A). These delegations will not be altered without the prior agreement of MHCLG;
  - the Regulator will comply with *Managing Public Money* regarding novel, contentious or repercussive proposals;
  - inclusion of any planned and approved expenditure will not remove the need to seek formal departmental approval where any proposed expenditure is outside the delegated limits;
  - the Regulator will provide MHCLG with such information about its operations and expenditure as MHCLG may reasonably require.

*Key Performance Indicators*

10.3 In providing assurance to MHCLG that it is delivering against its corporate and financial responsibilities and fundamental objectives, the Regulator will report against a set of key performance indicators set out in in the Accounting Officer Delegation Letter and business plan. The Regulator will also provide a quarterly narrative report on strategic and operational issues.

## 11. Risk management

11.1 The Regulator will ensure that the risks that it faces are, as far as possible, managed and mitigated, in accordance with relevant aspects of best practice in corporate governance, and develop a risk management strategy and maintain a risk register, in accordance with the Treasury guidance *Management of Risk: Principles and Concepts* ([http://www.hm-treasury.gov.uk/orange\\_book.htm](http://www.hm-treasury.gov.uk/orange_book.htm) ). The Regulator will share its risk

management strategy and key risk register with MHCLG as part of the assurance process described in 3.3 above.

- 11.2 It should adopt and implement policies and practices to safeguard itself against fraud and theft, in line with the Treasury's guidance on tackling fraud<sup>17</sup>.
- 11.3 The Regulator should also take all reasonable steps to appraise the financial standing of any firm or other body with which it intends to enter into a contract or to give grant or grant-in-aid.
- 11.4 The Regulator should work within the current MHCLG risk management framework, and adapt to any further changes this may undergo. MHCLG will inform the Regulator of any changes.

## 12. Corporate and business plans

- 12.1 By 28 February each year, the Regulator will submit a draft of its Corporate Plan to MHCLG for the Senior Sponsor's approval. The Plan will cover the three financial years ahead and will demonstrate how the Regulator intends to deliver its fundamental objectives. The Senior Sponsor will determine whether the approval of the Secretary of State, or the Minister of Housing on his or her behalf, is required. The Regulator will consult the department on the issues to be addressed in the Plan and the timetable for its preparation. MHCLG will provide approval of the Plan no later than 1 April. The first Corporate Plan will cover the period April 2019 to March 2022.
- 12.2 The first year of the Corporate Plan, amplified as necessary, will form the annual business plan. The business plan will be updated to include objectives for the year immediately ahead and will be linked to budgeting information for both fees and grant in aid so that resources allocated to achieve overarching objectives can readily be identified by the department. Subject to any commercial considerations the Corporate Plan will be published by the Regulator on its website and separately be made available to staff.
- 12.3 The following key matters should be included in the plans:
  - key objectives and associated performance measures for the forward years, and the strategy for achieving those objectives;
  - key non-financial performance targets;
  - a review of performance in the preceding financial year, together with comparable outturns for the previous two years (once established), and an estimate of performance in the current year;
  - alternative scenarios and an assessment of the risk factors that may significantly affect the execution of the plan but that cannot be accurately forecast;
  - a location strategy, that reflects the needs of the organisation, and current government policy with regards to the location of public sector bodies;

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<sup>17</sup>[http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hmtreasury.gov.uk/d/managing\\_the\\_risk\\_fraud\\_guide\\_for\\_managers.pdf.pdf](http://webarchive.nationalarchives.gov.uk/20130129110402/http://www.hmtreasury.gov.uk/d/managing_the_risk_fraud_guide_for_managers.pdf.pdf).



- other matters as agreed between the department and the Regulator.

### *Interim Business Plan*

- 12.4 The Regulator will be constituted on 1 October 2018. For the period between 1 October 2018 and 31 March 2019 before the first Corporate and Business Plan has been published, the Regulator will produce an interim Business Plan. This will consist of:
- A revised version of the Regulator's fees statement which sets out its priorities for this 6 month period;
  - financial and budget information;
  - strategic objectives and agreed external key performance indicators;
  - measures the Regulator is undertaking to ensure it has the capacity and capabilities to deliver its fundamental objectives.

## **13. Budgeting procedures**

- 13.1 No later than 1 April each year, MHCLG will send to the Regulator:
- a formal statement of the annual budgetary provision allocated by the department in the light of competing priorities across the department and of any forecast income approved by the department; and
  - a statement of any planned change in policies affecting the Regulator.
- 13.2 The approved annual business plan will take account both of approved funding provision and any forecast receipts (including fees), and will include a budget of estimated payments and receipts together with a monthly profile of expected expenditure and of draw-down of any departmental funding and/or other income over the year. These elements form part of the approved business plan for the year in question.

## **14. Grant-in-aid and any ring-fenced grants**

- 14.1 Any grant-in-aid provided by MHCLG for the year in question will be voted in the department's Supply Estimate and be subject to Parliamentary control.
- 14.2 The grant-in-aid will normally be paid in monthly instalments on the basis of written applications showing evidence of need. The Regulator will comply with the general principle, that there is no payment in advance of need. Cash balances accumulated during the course of the year from grant-in-aid or other Exchequer funds will be kept to a minimum level consistent with the efficient operation of the Regulator. Grant-in-aid not drawn down by the end of the financial year will lapse. Subject to approval by parliament of the relevant Estimates provision, where grant-in-aid is delayed to avoid excess cash

balances at the year-end, the department will make available in the next financial year any such grant-in-aid that is required to meet any liabilities at the year end, such as creditors.

- 14.3 In the event that the department provides the Regulator separate grants for specific (ring-fenced) purposes, it would issue the grant as and when the Regulator needed it on the basis of a written request. The Regulator would provide evidence that the grant was used for the purposes authorised by the department. The Regulator will not have uncommitted grant funds in hand, nor carry grant funds over to another financial year.
- 14.4 GIA payments made to the Regulator in respect of managing a major financial failure or a Housing Administration are subject to separate arrangements as set out in the protocol between the MHCLG and the Regulator for dealing with providers in financial distress.

## **15. Fees**

- 15.1 The Regulator's fee-charging powers are set out in Section 117 of the Housing and Regeneration Act 2008. Fees must be set in accordance with principles approved by the Secretary of State. The principles need to ensure that so far as is reasonably practicable, the Regulator's fee income matches expenditure on the performance of the Regulator's functions; each fee is reasonable and proportionate to the costs to which it relates; actual and potential registered providers can see the relationship between the amount of a fee and the costs to which it relates. Fees and charges for any services supplied by the Regulator must also be determined in accordance with *Managing Public Money and HMT fees and charges guidance*.
- 15.2 The Regulator's fee setting regime is published in the Regulator's Fees Statement which is available on the Regulator's website, [here](#). The Corporate Plan should set out the Regulator's proposed approach to fees over the period covered by the plan.

## **16. Reporting performance to sponsor department**

- 16.1 The Regulator will operate management, information and accounting systems that enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets and key performance indicators set out in the Delegation Letter corporate and business plans. The Regulator will inform MHCLG of any substantive changes that make achievement of objectives more or less difficult. It will report financial and non-financial performance, including performance in delivery of its fundamental objectives, in complying with directions and meeting objectives. The organisation's performance will be reviewed by MHCLG through a formal programme of Accounting Officer meetings (see paragraph 6.5 above). The Secretary of State, or the Minister for Housing on his or her behalf, will meet the Chair as appropriate.

### *Providing monitoring information to the department*

- 16.2 As a minimum, the Regulator will provide the department with information monthly (on working day 5) that will enable the department satisfactorily to monitor:

- the Regulator's cash management;
- its draw-down of grant-in-aid;
- forecast outturn by resource headings;
- other data required for the Online System for Central Accounting and Reporting (OSCAR).

*The Regulator/Department working level liaison arrangements*

16.3 The Business Partners in MHCLG will liaise regularly with the Regulator's officials to review financial performance against plans, achievement against targets and expenditure against its Departmental Expenditure Limits and Annually Managed Expenditure allocations.

## **17. Delegated authorities**

17.1 The Regulator's delegated authorities are set out in appendix 1. The Regulator will obtain MHCLG's prior written approval before:

- entering into any undertaking to incur any expenditure that falls outside the delegations or which is not provided for in the ALB's annual budget as approved by MHCLG;
- incurring expenditure for any purpose that is or might be considered novel or contentious, or which has or could have significant future cost implications;
- making any change of policy or practice which has significant wider financial implications that might prove repercussive or which might significantly affect the future level of resources required; or
- carrying out policies that go against the principles, rules, guidance and advice in *Managing Public Money*.

## **18. Staffing**

*Broad responsibilities for staff*

18.1 Within the arrangements approved by the Secretary of State, or the Minister for Housing on his or her behalf, the Regulator will have responsibility for the recruitment, retention and motivation of its staff. The broad responsibilities toward its staff are to ensure that:

- the rules for recruitment and management of staff create an inclusive culture in which diversity is fully valued; appointment and advancement is based on merit: there is no discrimination on grounds of any protected characteristic under the Equality Act 2010;

- the level and structure of its staffing, including grading and staff numbers, are appropriate to its functions and the requirements of economy, efficiency and effectiveness;
- the performance of its staff at all levels is satisfactorily appraised and the Regulator performance measurement systems are reviewed from time to time;
- its staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Regulator's objectives;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle-blowing procedures consistent with the Public Interest Disclosure Act are in place; and
- a code of conduct for staff is in place based on the *Civil Service Code* .

#### *Staff costs*

18.2 Subject to its delegated authorities, the Regulator will ensure that the creation of any additional posts does not incur forward commitments that will exceed its ability to pay for them.

#### *Pay and conditions of service*

18.3 The Regulator's staff are subject to levels of remuneration consistent with the overall public sector pay settlement.

18.4 The travel expenses of the Regulator's Board Members will be tied to the rates allowed to senior staff of the Regulator. Reasonable actual costs will be reimbursed.

#### *Pensions, redundancy and compensation*

18.5 The Regulator's staff will normally be eligible for a pension provided by the HCA pension scheme (some existing staff may be Members of the Local Government Pension Scheme). Staff may opt out of the occupational pension scheme provided by the Regulator, but that employers' contribution to any personal pension arrangement, including stakeholder pension will normally be limited to the national insurance rebate level.

18.6 Any proposal by the Regulator to move from the existing pension arrangements, or to pay any redundancy or compensation for loss of office, requires the prior approval of the department. Proposals on severance must comply with the rules in of *Managing Public Money*.

#### *Location of staff*

18.7 Staff will be located in accordance with the location strategy (see para 12.3 above).

## 19. Review of the Regulator of Social Housing (and winding-up arrangements)

### *Reviews*

- 19.1 In line with Cabinet Office's *Partnerships between Department and Arm's Length Bodies: Code of Good Practice*, the Regulator will be reviewed at least once in the lifetime of a Parliament.

### *Arrangements in the event that the Regulator of Social Housing is wound up*

- 19.2 MHCLG will put in place arrangements to ensure the orderly winding up of the Regulator, should this occur. In particular it should ensure that the assets and liabilities of the Regulator would be passed to any successor organisation and accounted for properly. In the event that there is no successor organisation, the assets and liabilities should revert to MHCLG. To this end, the department will, in the event of a winding up of the Regulator:
- ensure that procedures are in place in the Regulator to gain independent assurance on key transactions, financial commitments, cash flows and other information needed to handle the wind-up effectively and to maintain the momentum of work inherited by any residuary body;
  - specify the basis for the valuation and accounting treatment of the Regulator's assets and liabilities;
  - ensure that arrangements are in place to prepare closing accounts and pass to the C&AG for external audit, and that, funds are in place to pay for such audits. It will be for the C&AG to lay the final accounts in Parliament, together with his report on the accounts; and
  - arrange for the most appropriate person to sign the closing accounts. In the event that another ALB takes on the role, responsibilities, assets and liabilities, the succeeding ALB AO should sign the closing accounts. In the event that the department inherits the role, responsibilities, assets and liabilities, MHCLG's AO should sign.

## APPENDIX 1 - RSH Delegations

Area	Delegation
Write off of income and abandoned claims on third parties	Write offs up to £2,500
Losses and special payments	Losses and special payments up to £2,500
Capital	New expenditure up to £250,000

- All delegations are inclusive of VAT, where applicable.
- Delegations and spending controls set out in Managing Public Money and Cabinet Office Spending Controls must also be adhered to

## APPENDIX 2 - Compliance with government-wide corporate guidance and instructions

The Body will comply with the following general guidance documents and instructions:

- this document;
- Appropriate adaptations of sections of [Corporate Governance in Central Government Departments: Code of Good Practice](#)
- *Partnerships between Departments and Arm's Length Bodies: Code of Good Practice*
- *Code of Practice for Ministerial Appointments to Public Bodies*
- <http://publicappointmentscommissioner.independent.gov.uk/wpcontent/uploads/2012/02/Code-of-Practice-2012.pdf>
- [Code of Conduct for Board Members of Public Bodies](#)
- Governance Code on Public Appointments
- [Managing Public Money](#) (MPM)
- [Public Sector Internal Audit Standards](#),
- [Management of Risk: Principles and Concepts](#)
- [HM Treasury Guidance on Tackling Fraud](#),
- [Government Financial Reporting Manual](#) (FReM),
- Fees and Charges Guide, Chapter 6 of [Managing Public Money](#);
- Departmental Banking: A Manual for Government Departments, annex 5.6 of [Managing Public Money](#);
- relevant [Dear Accounting Officer letters](#)
- [Regularity, Propriety and Value for Money](#),
- The Parliamentary and Health Service Ombudsman's [Principles of Good Administration](#)
- Relevant Freedom of Information Act guidance and instructions (Ministry of Justice);
- Other relevant guidance and instructions issued by the Treasury in respect of Whole of Government Accounts;
- Other relevant instructions and guidance issued by the central Departments;
- Specific instructions and guidance issued by MHCLG;
- Recommendations made by the Public Accounts Committee, or by other Parliamentary authority, that have been accepted by the Government and relevant to the RSHB.