



4 November 2019

Dear Colleague

Regulation fees in 2020/21

On 17 July we wrote to all private registered providers inviting comments by 14 August on our proposals to increase the per-unit regulation fee level by approximately 75 pence. This would enable us to raise approximately £2m through fees to ensure we can continue to regulate the sector effectively. We have now carefully considered the responses and I am writing to confirm that we intend to progress with the fees proposals that we outlined. This will mean an increase in the per-unit fee to an estimated £5.47 per unit for 2020/21. There will be no increase to the initial registration fee or the fixed fee for small providers for 2020/21.

A summary of the key themes from the responses is annexed to this letter. Nearly two-thirds of the responses we received either expressed clear support for the proposed increased regulatory resource or at least recognised the need for greater capacity at the regulator. While we received only a relatively small number of written responses, the fees proposals have also been considered through our stakeholder engagement channels, including the Fees and Resources Advisory Panel, with positive feedback. While a few providers commented on the scale of the increase, more acknowledged the need to pay what is necessary for effective regulation of the sector.

A point raised by some providers in response to our letter was that the regulation of more complex or higher risk providers might be subsidised by less complex or lower risk providers. A number of alternatives were suggested to our fees model including a risk-based approach to determining fee levels. A risk-based approach to the regulator's fees model was considered as an option when we first consulted on the introduction of fees but was rejected due to the considerable drawbacks of such an approach. These include the subjective and dynamic nature of risk levels which would create practical difficulties for any risk-based fees model.

Generally speaking, the most complex providers are also the largest in terms of units and therefore the total fee paid is higher. As stated in our letter, we will deliver an expanded programme of In-Depth Assessments and ongoing regulatory engagement for the largest and most complex providers. Although some more complex providers are not the largest, these are a small proportion of providers and all providers benefit from the sector's reputation being protected through effective regulation of such providers.

The address for service of any
legal documents on RSH is:
Level 1A, City Tower, Piccadilly Plaza,
Manchester M1 4BT



A small number of providers queried the position in relation to fees for consumer regulation, including whether it would be preferable to wait to put forward our new fee proposal until a government decision on potential changes to our consumer regulation remit has been made. At the time of writing, the Government has not yet confirmed the outcome of the social housing green paper consultation. We committed to informing providers of the indicative fees level in good time for budget planning purposes and so we are doing so now on the basis of our existing remit.

Assurance regarding the delivery of efficiency improvements and value for money was raised by a small number of providers. The regulator will continue to provide the sector with assurance on its efficiency and value for money including through the Fees and Resources Advisory Panel. A number of the regulator's efficiency improvements were set out in the letter to providers on 17 July 2019.

Finally, a small number of small providers expressed their support for not increasing the fixed fee for providers with fewer than 1,000 units. We have not increased the fixed fee for small providers because the drivers for increasing fees principally relate to the regulation of providers with 1,000 social housing units or more.

I would like to thank all those that have provided feedback in relation to our fees proposals. We are grateful for the support shown by the sector for the need to have the right level of resources as a standalone organisation to maintain effective regulation into the future. I hope this letter confirming our intentions will prove helpful for your budget planning purposes. We will reconfirm the indicative per-unit fee level in the fees statement to be published in due course, once we have taken into account the latest SDR data.

Yours faithfully

A handwritten signature in blue ink, appearing to read 'Fiona MacGregor', is positioned above the typed name.

Fiona MacGregor
Chief Executive

Annex 1: Key themes from the responses

Theme	%	Number of responses*	Description
1. Need for greater RSH capacity	65%	11	Almost two thirds of respondents were explicitly supportive or recognised the need for greater capacity at the regulator given the changing risk profile of the sector.
2. No increase for small providers	18%	3	Three respondents specifically expressed their support for not increasing the fixed fee for providers with fewer than 1,000 units.
3. Less complex/ lower risk PRPs	35%	6	Just over a third of respondents raised concerns that under the proposals the regulation of more complex or higher risk PRPs would be subsidised by less complex or lower risk PRPs. Some respondents called for a risk based approach to determining fee levels.
4. Scale of increase	24%	4	Four respondents considered that a 16% per-unit fee increase was significant.
5. Assurance of RSH efficiency	18%	3	Three respondents called for RSH to provide further assurance regarding delivery of efficiency improvements and value for money.
6. Consumer regulation	12%	2	Two respondents considered that it would be better to put forward a new fee proposal following a government decision on our consumer regulation remit.

* The total number of responses was 17.