Regulator of
Social Housing

Annual Report and Accounts 2020-21

For the period 1 April 2020 to 31 March 2021

HC 812

Regulator of Social Housing[1]
Annual Report and Accounts 2020-21

For the period 1 April 2020 to 31 March 2021

Presented to Parliament pursuant to sections 100C and 100D of the Housing and Regeneration Act 2008

Ordered by the House of Commons to be printed on 18 November 2021

HC 812

[1] The Regulator of Social Housing is a non-departmental public body sponsored by the Department for Levelling Up, Housing and Communities. The objectives of the regulator are set out in the Housing and Regeneration Act 2008.

https://www.gov.uk/rsh

This publication is available at: www.gov.uk/rsh

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Level 1A, City Tower

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ISBN 978-1-5286-2916-4

E02676766 11/21

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of Her Majesty’s Stationery Office

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Chair’s foreword

For the RSH, as with so many organisations, 2020/21 was dominated by the impacts of coronavirus. We responded by changing our regulatory approach and operations to help registered providers manage in a pandemic. We launched a Coronavirus Operational Response Survey to ensure we had up-to-date information on providers’ key risks to services and safety. We were encouraged to see that overall, the sector prioritised tenant and staff wellbeing and demonstrated resilience and agility.

The results from our annual stakeholder survey show that the sector welcomed our response to the pandemic. Over 90% of respondents agreed that our changes had reduced the regulatory burden. They also agreed that we were proportionate in our approach and our work had maintained confidence in the sector – one indicator of which included the sector’s continuing access to competitive finance terms.

We commissioned an external survey to seek registered providers’ views on our In Depth Assessment (IDA) process following the completion of our four-year IDA cycle. The findings showed that providers valued IDA’s and often made changes as a result in areas such as stress testing, mitigation planning and Board reporting.

We maintained a clear focus on economic regulation. Overall, the sector has remained financially robust despite Covid and the uncertain long-term economic outlook. This is crucial in allowing providers to deliver new affordable housing as well as investing in existing homes.

We welcomed the publication of the Social Housing White Paper in November 2020 and its drive to ensure the sector prioritises the needs and views of tenants. We appointed a new Director of Consumer Regulation to develop the proactive consumer regulation framework that the Paper sets out.

We are committed to providing a supportive and inclusive environment for our staff. On behalf of the Board, I want to thank them for adjusting so quickly and professionally to new ways of working in response to the pandemic.

The Board is confident that the RSH, led by a knowledgeable and experienced Executive team, will continue to be an effective and respected regulator of social housing.

Simon Dow
Interim Chair

Chief Executive’s statement

Introduction

This is the third annual report of the Regulator of Social Housing and covers the period April 2020 to March 2021, during which we marked our second anniversary as a standalone organisation on 1 October 2020.

We entered the financial year just as Covid-19 national lockdown measures were put in place. Despite the significant operational and economic challenges the pandemic presented, social housing providers adapted their approach to the provision of support to tenants and the delivery of housing services. To support this, we too changed the way we worked, pausing some of our regulatory activity to focus our oversight on the key areas of providers keeping tenants safe and the social housing sector remaining financially viable.

Delivering effective regulation

We continued to deliver effective regulation during the pandemic by flexing our approach throughout 2020/21 to help registered providers maintain their key operations. We took steps to minimise regulatory burden, by pausing the IDA programme and delaying the deadlines for making some regulatory returns which was a proportionate response to the complex and changing external environment. This allowed registered providers to focus on putting the changes in place to effectively deliver their core services and allowed us to direct our resources to understanding the specific risks faced by the sector during the pandemic.

The Coronavirus Operational Response Survey (CORS) alongside the Quarterly Survey allowed us to understand the operational and financial challenges at an individual and sector wide level. Having given providers time to adjust their operations and put in place solutions to their most pressing challenges, we were then able to resume our annual programme of assurance that providers were identifying and managing their risks through annual Stability Checks and IDAs in the autumn of 2020. The results of our annual stakeholder survey demonstrates that stakeholder confidence was maintained throughout this uncertain period and that providers valued the steps that the regulator took to adapt to the pandemic.

Having successfully completed our first cycle of the four-year programme of IDAs on all large providers (those with 1,000 or more social housing homes), we commissioned an independent evaluation to assess the effectiveness of the IDA process. The findings of the survey reinforced the importance of IDAs to our overall approach of seeking assurance and provided some suggestions for improvements which will be considered as part of our ongoing management and development of the IDA programme and approach. As part of that ongoing development, we have moved to a more differentiated approach to engagement, enabling us to undertake more frequent engagement with those organisations facing a wider range of risks or those whose failure would have the most impact on the sector.

We continue to analyse sector risks and share this understanding with stakeholders by publishing our annual Sector Risk Profile. Business models based primarily on the long-term leasing of social housing units continue to present a range of risks requiring ongoing regulatory engagement resulting in several regulatory judgements or notices where providers are non-compliant with our regulatory standards.

Our new Rent Standard was introduced on 1 April 2020 and we have now completed our first year of regulation against it. This was the first time that one of our economic standards applied to local authority registered providers and following the successful pilot of the Local Authority Data Return (LADR) in 2019/20 we received 100% of data returns from local authorities in this first year of operation. This enabled us to produce and publish the first comparable data across both local authority and private registered providers that meets the National Statistics designation.

We also ensured we were appropriately resourced to manage our reactive engagement, responding to both economic and consumer referrals and taking robust and prompt regulatory action where required. We shared themes and learning from consumer casework in our annual Consumer Regulation Review which emphasised the importance of providers having good quality data about their tenants and their stock, to best assess and manage risks. The benefits of this were even more pronounced in 2020-21, as those providers with good records and a good understanding of their tenants and properties were better able to identify the risks arising from reduced or restricted services and implement mitigations where necessary to help ensure tenant safety.

We worked with the Housing Ombudsman to agree a revised Memorandum of Understanding that broadens the basis of referrals of cases from the Ombudsman to us. We agreed to share more information which includes receiving notification from the Ombudsman on findings of severe maladministration, where an investigation raises a potential breach of a regulatory standard, details of non-compliance with orders and on complaint handling failures.

As we neared the end of a year where people had to spend more time in their homes, the importance of a decent and well-maintained home, which is a clear expectation of our consumer standards, was starkly underlined. We recognise that most registered providers do this well, however variability in the quality of services delivered to tenants, with some examples of poor quality accommodation and repairs and maintenance issues started to come under increased public and media scrutiny as the year drew to a close.

In November 2020, Government published its Social Housing White Paper which when the necessary legislation is enacted, will enable us to take a proactive approach to consumer regulation. While the legislation required to take forward the White Paper's intended expansion of our consumer regulation remit will take time, we have begun to design a revised regulatory framework that will meet the three tests we have set: to make a meaningful difference to tenants, be deliverable by landlords, and able to be regulated effectively. We have started to engage with the sector to inform our proposed approach and continue to do so.

In advance of legislation, and with the sector under greater scrutiny than ever, we continued to encourage registered providers to take action to ensure residents are safe, are listened to, live in good quality homes and have access to redress when things go wrong.

Developing our organisation

We completed our People Strategy Programme at the end of 2020 having successfully implemented improvements across several areas to attract, develop and retain the staff we need to effectively regulate the social housing sector. One year on, the results of the recent staff survey have shown an improvement across all areas of the programme including recruitment, induction, benefits, performance appraisal and Learning & Development. Our work on supporting staff wellbeing came into its own in the pandemic, and we were able to quickly put strategies into place to support staff and line managers. We continue to develop our organisational approach, including to develop our management development programme and update a range of internal policies and procedures, including HR and information management.

We have undertaken work via our previous resource review and continue to ensure that we strengthen the skills and experience we need in key areas and recruit to new posts. We maintain a flexible approach to deploying resources, responding to needs so that we continue to meet our strategic objectives. As an example, we increased resources within the Registrations Team following significant levels of registration activity in 2020/21 to ensure we meet our 15-day service standard for assessing preliminary registration applications which is now 100% and that we effectively dealt with complex applications.

Following a consultation, we have published our equalities objectives. These objectives set out how we interact with tenants and the public; how we communicate; and the organisational culture we wish to create. Those objectives provide a strong foundation for us to develop an Equality, Diversity and Inclusion Strategy and action plan, which sets out how we will continue our work to ensure the regulator is a supportive and inclusive environment for all staff in line with our equalities objectives.

We are continuing to prepare for our expanded role as a more proactive consumer regulator and recruited our first Director of Consumer Regulation to lead this work, in addition to a small number of additional roles to support consumer regulation implementation. This additional consumer regulation resource, importantly, also allows us to maintain the focus of our economic regulation staff to ensure we continue our robust approach to economic regulation which will absolutely remain at the core of regulating the sector.

We continued to engage remotely with the sector during 2020/21 through speaking engagements and our programme of regular stakeholder meetings. In aggregate the sector remained financially strong throughout 2020/21, allowing registered providers to focus on the fundamentals of services to tenants during the pandemic. We will continue to closely monitor the sector's financial position and sector risks as expectations and requirements relating to future calls on investment become clearer, so that registered providers are well prepared for the strategic decisions they will need to make to prioritise resources. That analysis will also help ensure that our regulation remains effective and efficient in a changing environment.

Fiona MacGregor
Chief Executive

Performance report

Performance overview

This overview provides information on the Regulator of Social Housing:

- our main objectives and activities for the period from 1 April 2020 to 31 March 2021
- the key risks we face and our approach to them
- a summary of how we have performed during the period.

Who we are

We are a statutorily independent regulator, existing as a non-departmental public body, sponsored by the Department for Levelling Up, Housing and Communities (DLUHC), formerly known as the Ministry of Housing, Communities and Local Government. We were established in our current form on 1 October 2018. The Regulator of Social Housing regulates 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.

The Housing and Regeneration Act (HRA) 2008 sets out our fundamental objectives in relation to economic and consumer regulation, and our remit for each of the objectives. We have an economic objective in relation to the governance, financial viability and efficiency of registered providers. Our economic remit is proactive, and we actively assess the performance of private registered providers. We have a consumer objective in relation to the management of social housing and tenant choice and involvement. Our current consumer remit is reactive. This means that we consider information that we become aware of, including referrals made to us, but our remit does not currently involve proactive monitoring of the providers' performance. The Social Housing White Paper published in November 2020 will expand our consumer regulation role in the future once enabling legislation is passed and the new consumer regulation framework comes into effect. The economic and consumer objectives are detailed in full below.

Our economic remit extends to all registered providers (including local authority landlords) for the Rent Standard but only to private registered providers of social housing for the Governance and Financial Viability Standard and the Value for Money Standard. Our consumer remit extends to all registered providers including local authority landlords.

We must regulate in a way that minimises interference and (so far as is possible) is proportionate, consistent, transparent and accountable. We are accountable to Parliament for the discharge of our fundamental objectives.

Our objectives

Our economic objective is:

- to ensure that providers of social housing, who are registered with us, are financially viable and properly managed and perform their functions efficiently, effectively and economically
- to support 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 housing
- to avoid imposing an unreasonable burden (directly or indirectly) on public funds
- to guard against the misuse of public funds.

Our consumer objective is:

- 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 hold their landlords to account
- to encourage registered providers to contribute to the environmental, social and economic wellbeing of the areas in which the housing is situated.

Corporate priorities

In the delivery of our statutory role, we have set the following four corporate priorities:

- ensure we have appropriate understanding of sector-level risks
- deliver intelligence-led regulation
- ensure we are forward thinking and responsive to changes in the external operating environment
- ensure we are an efficient and effective organisation.

Our performance in delivering against these priorities during 2020/21 is described on pages 21 to 31.

Our values

Our values underpin everything that we do to deliver our purpose and priorities, and drive the culture that we want to work in:

- We are **professional** and **collaborative**, showing respect and courtesy to colleagues and stakeholders
- We embrace **diversity** and seek to be an **inclusive** and supportive organisation
- We are **confident** in our ability to deliver effective and efficient regulation
- We act with **integrity** to reach evidence-based decisions
- We are **agile** and react positively to change

How we regulate

Our primary focus is on promoting a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs. Our regulatory approach aligns with this by ensuring that we identify short-term viability issues, and that when we engage in depth, we have a strategic conversation with providers about their risk profile, the quality of their governance, financial strength and approach to value for money.

Mindful of our duty to minimise interference, our fundamental objective of supporting the provision of social housing, and our commitment to proportionate regulation, we take a **co-regulatory approach**.

This means that:

- we regard Board members and councillors as responsible for ensuring that providers' businesses are managed effectively and that providers comply with all regulatory requirements

- providers must support tenants to shape and scrutinise service delivery and to hold Boards and councillors to account

- we operate as an assurance-based regulator, seeking assurance from providers about their compliance with the standards. In other words, the responsibility is on providers to demonstrate their compliance to us. Where providers do not supply the requisite assurance, this will be reflected in our judgements.

In regulating registered providers of social housing, we carry out the following activities.

- We **register and de-register providers** of social housing subject to them meeting our eligibility requirements and registration criteria.

- We **maintain a regulatory framework**, including outcome focussed standards and codes of practice that keeps pace with the sector's risk profile and supports delivery of our statutory objectives and duties.

- We **gather intelligence** to inform our assessment of a registered provider's compliance with our standards by reviewing their submitted Quarterly Survey returns; carrying out annual stability checks of their business plan and annual accounts; and undertaking periodic IDAs using a risk-based approach to assess providers' financial strength, risk profile, approach to value for money and their quality of governance.

- We **grade our assessment of provider compliance** with our Governance and Financial Viability Standard and through published regulatory judgements we report how well registered providers are managing their risks.

- We **investigate cases of potential non-compliance or crystallisation of significant risks**, including where we find evidence of a breach of our consumer standards and that the breach may result in actual or potential serious detriment (which we take to mean serious harm) to tenants, and carry out enforcement to secure solutions.

- We **identify and communicate emerging trends and risks** at a sector and sub-sector level and maintain confidence of stakeholders, such as lenders.

How we are structured

We organise our work through the teams set out below. This structure is kept under review to ensure that it is fit for purpose, and we have a good track record of flexibly deploying resources as necessary to ensure that we continue to meet our strategic objectives.

Team	Responsibilities
Regulatory Operations	Responsible for the effective regulation of registered providers in accordance with our fundamental objectives and is primarily responsible for undertaking the proactive regulatory activity in support of our economic objective and taking effective action where assurance of provider compliance is not forthcoming.
Investigation and Enforcement	Responsible for reactive regulation and investigation of serious cases of potential non-compliance with the economic consumer regulatory standards in line with our fundamental objectives.
Registration and New Business Models	Registers and de-registers providers of social housing subject to them meeting our eligibility requirements and registration criteria. Monitors statutory notifications. Leads on our regulatory engagement with small and non-traditional providers of social housing.
Strategy	Responsible for the development of our regulatory framework, ensuring that it keeps pace with the sector's risk profile and supports delivery of our statutory objectives and duties. Leads on policy development, economic and financial analysis, and gathering assurance that we continue to deliver our fundamental objectives effectively.
Finance and Corporate Services	Ensures the efficient and effective delivery of corporate functions and services to enable the regulator to function as an organisation and deliver its objectives.
Legal Services	Leads on legal issues relating to any aspect of the regulator's activity, including requests for information and data protection issues.

Key risks and issues

The *Overview of risk management* section (p.46) sets out how we manage risk at the regulator and how our internal controls and governance structures support effective risk management. This is critical to the effective delivery of our fundamental objectives as translated into strategic objectives, corporate priorities and, in turn, business plan targets.

The social housing sector has become more diverse in recent years, in both the size and type of registered providers that operate within it and the range of activities they undertake. There has also been an increased market focus among some providers, and in the number of for-profit providers, as well as the rise of non-traditional business models including lease-based organisations.

A key risk for us is that we fail to respond adequately or promptly to changes in the sector and the wider environment in which we operate, potentially causing us to fail to fulfil our fundamental objectives. This encompasses changes to Government policy, changes in providers' operating models and stakeholder expectations of our remit. We seek to manage this risk as far as we are able to through effective engagement and communication. This includes developing and maintaining relationships with Government and interacting with sector stakeholders – including providers, lenders and tenants – through a regular programme of meetings and speaking engagements. It also encompasses the work we do on analysing sector risks and the wider operating environment, which we share with the sector through corporate publications, reports and guidance, and responding to our findings through our regulatory engagement with the sector. Over the course of the year the likelihood and impact of this risk has remained higher than our risk appetite as the sector has continued to evolve and Government priorities for regulation have developed resulting in the publication of the Social Housing White Paper.

We are a knowledge-based organisation. Our regulation is based upon the timely and insightful analysis of intelligence and prompt and measured regulatory action. Our success is dependent on recruiting, training and retaining high-quality staff; reduced staff capacity and capability is therefore one of our most critical risks. After we became a standalone organisation, we initiated our People Strategy Programme. Its aim was to ensure we are able to attract, develop and retain the best staff, so that we can maintain the capability to effectively regulate the social housing sector. The programme closed in December 2020 with initiatives taken on as part of ongoing operations. We have continued to increase capacity in key teams to ensure that our structure remains appropriate in the context of developments in the sector's business models and the policy environment. Over the course of the year, the pandemic caused us to temporarily pause recruitment, however this risk has not increased overall during the year. Staff turnover has remained low and flexible support for staff across the period of lockdown has sustained capacity and capability.

As with the majority of other organisations, the main issue we had to respond to during the year was the Covid-19 pandemic. The country-wide Covid-19 response measures have had an impact on our organisation and the sector we regulate over the course of the year. We continued to operate effectively with staff working from home and adjusted our model of regulatory engagement where necessary to ensure our regulation remained appropriate and proportionate to circumstances as they have developed.

- We moved all our operations to homeworking in March 2020. Our business continuity arrangements, supported by recent investment in our IT infrastructure and an agile organisational culture, meant we were able to do this quickly and efficiently with minimal operational disruption.

- We maintained both executive and operational level working groups in the initial weeks of the pandemic to support the transition to homeworking for our staff and to agree changes to our regulatory approach. Internal Audit reviewed the governance arrangements for our Covid-19 response and issued an opinion of Substantial assurance.

- We kept our business plan targets under regular review through the performance monitoring cycle to scale back or defer work in line with staff capacity and flex resourcing across the organisation to continue to deliver organisational priorities. Our business planning and performance reporting arrangements also received an opinion of Substantial assurance in the Internal Audit review carried out in Q4.

- We temporarily paused the IDA programme, before moving to carrying them out online. We delivered a risk-based programme over the course of the year.

- We also delayed the timetable for submission of some data returns from registered providers reducing the regulatory burden in the early stages of the pandemic while in parallel introducing the CORS to provide focussed monthly insight into operational risks faced by the sector. After the end of the financial year we closed the CORS.

- Looking after staff wellbeing has been critical to our ability to continue to operate effectively over the last year. We put in place arrangements to support staff, developed a bank of online tools and resources, and ran sessions for managers to help them support staff through the pandemic. We also carried out two wellbeing surveys, and a further one at the start of 2021/22, to check how staff were feeling about their physical and mental health and to establish whether additional organisational measures were needed.

Additional information on our response to the Covid-19 pandemic is provided on p.22-23 in the Performance Analysis section.

Going concern

Our net liabilities reflect the inclusion of liabilities falling due in future years, primarily related to pension obligations, which will be funded from registered provider fees, charged under Section 117 of the HRA 2008, and grant-in-aid from DLUHC. Registered provider fees and grant-in-aid have been approved for the year ending 31 March 2022, taking into account the amounts required by our liabilities falling due that year.

As there are no material uncertainties related to events or conditions that may cast significant doubt over our ability to continue as a going concern, it is appropriate to adopt a going concern basis for the preparation of our Financial Statements.

Performance summary

Overall, our performance has been strong in our second full year of operation as a standalone organisation, especially given the extraordinary circumstances of the Covid-19 pandemic.

Our focus remains our ongoing delivery of effective regulation that supports continuing confidence in the social housing sector. As part of this, we have continued with our model of planned regulatory engagement, which is set out in Regulating the Standards[2]. Having completed our first four-year programme of IDAs on schedule in 2019/20 we moved to an approach of differentiated engagement to enable us to focus more of our regulatory time on the higher risk organisations and those whose failure would have the most impact on the sector. This continued into 2020/21 with some adjustments being made to respond to the Covid-19 pandemic, as discussed under *Key risks and issues* (p.16).

During the year we appointed an independent research company to review our approach to IDAs, interviewing a cross-section of providers with comment provided on an anonymous basis. The response was overwhelmingly positive with some suggestions for improvements which we will consider as part of our ongoing management of the IDA programme and approach.

Where appropriate during the year we took robust and prompt regulatory action. This included downgrading our published regulatory assessments of providers and using our wider enforcement powers such as making statutory appointments to the Boards of failing providers. We continue to work closely with providers who need to take action to ensure continued compliance with our standards or to return them to compliance.

We saw significant levels of registration activity in 2020/21 with over 100 applications from organisations interested in joining the sector. We increased resources in this team to help address the high level of activity and the complexity of some of the applications. This led to improved performance against our service standard for assessing preliminary registration applications to 100%.

[2] Regulating the Standards - GOV.UK (www.gov.uk)

We continued our recruitment programme to expand our capacity to ensure we have the resources needed to effectively deliver our role and to ensure that we remained fit for purpose. As a result we have invested in supporting front-line regulation and corporate resilience. Due to the impact of lockdown in March 2020, we were forced to reduce recruitment activity for a period, but we substantively completed our planned recruitment in 2020/21. While our size does not require it, we have voluntarily published both our Gender Pay Gap and Ethnicity Pay Gap reports[3]. The majority of our staff are female with female staff representing a minimum of 55% of all pay quartiles. However, we have a higher representation of women in the lower pay quartile of our organisation and this is reflected in a Gender Pay Gap in favour of male staff. We have made good progress on female recruitment since we became standalone and our Gender Pay Gap reduced markedly between 31 March 2020 and 31 March 2021.

This was the first year in which we published our Ethnicity Pay Gap report. While our workforce has 16% of staff from a minority background, this reduces to 2.5% in the upper levels of our organisation. As a consequence, we have an Ethnicity Pay Gap in favour of white staff. During 2020/21 we did a significant amount of work to develop an Equality, Diversity and Inclusion Strategy and action plan; this was approved in June 2021. A key focus of the plan is our approach to recruitment and how this might help us to improve the diversity of staff at senior levels. This will remain a focus in 2021/22 and the years ahead. In June 2020 we published our first set of equality objectives[4], which set out how we consider equality and diversity issues in our regulatory duties and interactions with the public, and how we continue to make the regulator a supportive and inclusive environment for all our workforce.

We continued to manage our financial resources effectively and efficiently. We remained within our financial envelope during the year. In accordance with the terms of the fees regime we will provide a rebate to the sector of excess fee income for the year to 31 March 2021.

In November 2020 the Government published the White Paper: A Charter for Social Housing Residents. We welcome publication of the White Paper which paves the way for the regulator to become a more proactive consumer regulator and we have begun working with internal and external stakeholders, including tenants, landlords and others to take forward the implementation of those elements which we will be responsible for under our expanded role. We also recruited our first Director of Consumer Regulation to lead this work.

[3] Equality information and pay gap reports - GOV.UK (www.gov.uk)

[4] Equality and diversity - Regulator of Social Housing - GOV.UK (www.gov.uk)

Performance analysis

Each year, we develop a business plan which sets out how we are planning to deliver the four corporate priorities (set out on p.12) which support the achievement of our fundamental objectives as set in legislation. Our business plan consists of both phased, timebound deliverables, and ongoing work relating to our core regulatory activities. In 2020/21 we had 47 business plan activities which we used to track and measure our performance. On 31 March 2021, 45 activities were completed for the year, with the remaining two completed by the end of Q1 2021/22.

We do not set performance indicators for most of our regulatory activity as we focus primarily on the quality of our regulation. We use mechanisms such as service standards and our stakeholder survey as proxy measures for quality. We have referenced these where appropriate in the analysis below. Where we have set performance indicators, we have provided trend information where available. We have set a tolerance of +/- 5% on performance year-on-year; if performance is within +/- 5% of last year's we consider the trend to be static.

Priority 1: Ensure we have appropriate understanding of sector-level risks

Understanding developments in the sector

In order to effectively regulate it is essential that we understand the risks providers face to ensure that we can promote a viable, efficient and well-governed social housing sector. We achieve this by regularly gathering information from private registered providers, internal work and analysis and our external contacts (including learning from provider engagement and wider stakeholder liaison).

To understand developments in the sector and to ensure it is both visible and accountable to its stakeholders, we carry out an extensive programme of stakeholder engagement. This ranges from organising a regular series of bilateral meetings with key stakeholders to formal meetings that allow the regulator to engage transparently with the sector, as well as speaking at sector events. This engagement programme has continued through virtual delivery throughout the enforced homeworking period due to the Covid-19 pandemic.

We undertake extensive regular stakeholder engagement, including two formal mechanisms – our statutory Sounding Board and our Fees and Resources Advisory Panel.

- The Sounding Board is comprised of the key representative bodies in the sector including organisations representing tenants, landlords, Government bodies and investors. We use this panel to discuss key developments in the sector and our regulatory response. This enables us to test our thinking and gain additional insight and challenge from attendees.

- The Fees and Resources Advisory Panel is comprised of bodies representing the landlord fee payers and key interested parties including lenders and tenant representative bodies and we use this to test propositions for the fee regime. This allows us to receive direct feedback on issues such as fee levels and the scope of the regime, and to receive constructive challenge and buy-in from our fee payers.

The formal mechanisms and our other engagement provide us with an invaluable, real-time insight into developments in the sector and the perceptions of our stakeholders on the effectiveness of our regulatory regime. This insight feeds directly into the strategic decision making of our senior management and Board.

It has been even more critical than usual for us to understand the risks faced by the sector during the pandemic. In April 2020 we launched CORS asking registered providers of social housing questions to help us understand how they were coping operationally with the impact of Covid-19. We ran the surveys monthly, moving to bi-monthly in Q4, when we had sufficient assurance that there were no systemic tenant safety issues arising across the sector.

Sharing our analysis and risk assessment

Alongside our engagement, we share the results of our analysis and risk assessment to the sector and to stakeholders in a suite of external publications, including

- four Quarterly Surveys[5] which include analysis on provider returns in relation to short-medium term finances

- the Global Accounts[6] which show the aggregate financial performance and strength of the private registered provider sector

- the Sector Risk Profile[7] which identifies for providers and their Boards issues of particular concern

- the Consumer Regulation Review[8] which helps the sector learn from the consumer regulation cases we have considered during the year.

Alongside the Global Accounts we publish an annex called *Value for money metrics and reporting*[9], which gives an analysis of providers' performance in relation to value for money.

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[5] Quarterly survey of private registered providers - GOV.UK (www.gov.uk)
[6] Global accounts of private registered providers - GOV.UK (www.gov.uk)
[7] Sector risk profiles - GOV.UK (www.gov.uk)
[8] Consumer regulation review - GOV.UK (www.gov.uk)
[9] Value for Money reports and guidance - GOV.UK (www.gov.uk)

During the year we continued to develop our digital presence, including social media (LinkedIn and Twitter). Our social media channels help us promote our publications, improve understanding of sector-level risks and raise awareness of our regulatory interventions.

We published our Accessible documents policy[10] in September 2020 and made improvement to our Gov.uk content in line with it. In line with our commitment to transparency and the timeliness of our publications, we ensure that our regulatory judgements and other regulatory publications are accessible and shared through appropriate media channels.

Priority 2: Deliver intelligence-led regulation

Regulating providers with more than 1,000 homes

Our regulatory engagement with larger registered providers (those with more than 1,000 homes) is structured around the Quarterly Survey, the annual Stability Check and the IDA. This approach ensures that we have up-to-date assurance against the Governance and Financial Viability and Value for Money Standards.

Building on lessons learned during our first few years of conducting IDAs, in 2019 we developed a more risk-based approach to IDA programme delivery. We identified several distinct groups among the larger providers, which would have a significant effect on the sector if they experienced difficulties. These include very large providers with 40,000 or more homes and providers with a high level of non-social housing activity, primarily market sales but also facilities management, care and other activities.

We built on the IDA approach to gather more frequent assurance on their plans and performance so we would have a clear understanding of the way their businesses were developing and could identify any emerging risks flexing our approach during 2020/21 due to the Covid-19 pandemic. We will carry out regular IDAs on these providers taking account of risk profiles and the range of sources of assurance, and will engage with their executive teams annually in the years we do not undertake an IDA.

We wrote to providers on 26 March and again on 1 July 2020 to set out the changes we were making to our regulatory approach. These were designed both to support providers in focusing on front-line operations and to identify where there may be challenges that the sector or individual providers need regulatory support to meet. At the start of the year we focussed on completing the IDAs we started before the pandemic and paused the programme, reinstating it in the summer. We continued remote delivery to the end of 2020/21.

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[10] Accessible documents policy - Regulator of Social Housing - GOV.UK (www.gov.uk)

In September 2020, we commissioned IFF Research to undertake an evaluation of the IDA approach. It was carried out through:

- An online survey, distributed to all 218 registered providers (RPs) that own 1,000 or more social housing homes, who are subject to IDAs; and

- Twelve 30 to 45-minute tele-depth interviews with Chief Executives of RPs who had had an IDA in the past 24 months (both in person and virtual).

Overall, the results of the survey were very positive with the professionalism, conduct, knowledge and approach of IDA teams consistently praised. Providers feel that IDAs are an important element of regulating the economic standards, alongside quarterly surveys and annual stability checks. All RPs made some changes as result of the IDA process, most commonly in the areas of stress testing and mitigation planning, risk management and Board reporting. There were also some suggestions for improvement including greater guidance on the level and depth of their evidence submission and written as well as verbal feedback.

Regulating providers with fewer than 1,000 homes

In addition to our regulation of larger providers we continued to carry out proportionate, effective and timely reactive engagement with providers with fewer than 1,000 homes through the analysis of regulatory returns or notifications.

Case handling

		Service standard	2020/21	2019/20	Trend
Consumer	Stage 1	5 working days	100%	99%	➔
	Stage 2	15 working days	78%	86%	⬇
	Stage 3	20 working days	92%	88%	➔
Economic		5 working days	85%	87%	➔

We maintain an effective consumer regulation function which responds when there is a breach of our standards and tenants are identified as experiencing, or being at risk of, serious detriment. More information on our approach is available in Regulating the Standards.

We have a three-stage process for handling consumer regulation referrals and took 352 cases through this process in 2020/21. We also took 96 cases through our economic service standard referrals process. Our performance has been broadly consistent with last year, with minor fluctuations in our response rates. These should be seen in the context of an increase in both consumer and economic referrals. We had 36 more consumer referrals in 2020/21 and economic referrals nearly doubled, at 96 compared to 54 in 2019/20.

Addressing developing risks

Through our analysis of developing risks in the sector we have continued to identify potential issues with business models based primarily on the long-term leasing of social housing units.

This prompted proactive engagement with a number of providers during the year, from which we have published a number of Regulatory judgements[11] identifying where providers have fallen short of our Regulatory standards[12].

The CORS enabled us to better understand the operational risks to providers' essential services arising from the pandemic. This helped us identify emerging risks and where regulatory support may be needed.

Operational impacts were most severe in the early stages of the pandemic, when there was a lack of access to tenants' properties, reduced contractor capacity, staff absences due to sickness or self-isolation and shortages of materials and equipment. Providers implemented a range of mitigating actions and we engaged with providers reporting the most difficulties, to get assurance from them that they were appropriately managing their risks. By August, providers were largely delivering essential services, without further disruption during later lockdowns, and CORS results remained reasonably constant over the second half of 2020/21.

Registering new providers

	Service standard	2020/21	2019/20	Trend
Preliminary application	15 working days	100%	90%	↑

We ensure that the register is maintained effectively in line with statute by registering new providers and restructured bodies. In 2020/21 we received 117 new registration applications, 99 of which were preliminary applications and 18 detailed applications.

Overall, across the year we assessed 100% of preliminary applications within our published 15-day target time with performance against the target consistently high throughout the year, despite a 10% increase in the overall number of preliminary applications received. The performance improvement since last year was supported by increased capacity within the team.

[11] Lists of registered social housing providers and regulatory judgements - GOV.UK (www.gov.uk)
[12] Regulatory standards - GOV.UK (www.gov.uk)

Stakeholder satisfaction

This is the third consecutive year we have carried out a stakeholder survey. We sought the views of RPs and other stakeholders on a range of issues, including our response to the coronavirus pandemic. We received 366 responses in total, slightly down from 376 last year. We use the results to inform our performance monitoring, the continuous development of our operational approach and our corporate planning.

	Target	2020/21	2019/20	Trend
% of respondents who agree that our approach is co-regulatory and that we meet our objective to be proportionate and minimise interference	80%	95%	71%	↑
% of stakeholder survey respondents who find our publications useful	80%	87%	84%	→
% of stakeholder survey respondents who agree we take action to ensure confidence in the sector is maintained	80%	94%	91%	↑
% of stakeholder survey respondents who agree that we take appropriate action in response to referrals where the regulator finds consumer standards have been breached and tenants, or potential tenants, have been at significant risk of serious detriment	80%	95%	88%	↑
% of stakeholders who agreed that changes we made to our regulation during the pandemic reduced the regulatory burden	N/A	93%	N/A	N/A

Priority 3: Ensure we are forward thinking and responsive to changes in the external operating environment

To continue delivering effective regulation we need to be forward thinking and able to adapt to changes in the operating environment. This includes the impact of Government policy, housing market changes, and changes in RPs' operating models and priorities. Our regulatory framework and regulatory standards need to account for any significant changes in the operating environment and we have maintained it to make sure it remains fit for purpose.

In addition to our regular activity to maintain awareness of and respond to changes in the operating environment, we also had to address the challenges posed by the Covid-19 pandemic. To minimise the regulatory burden, we paused the IDA programme to allow providers to focus on their core operations. We also extended the submission deadlines for the Statistical Data Return and LADR, as well as delaying the requirement for the submission for the Forecast Financial Return (FFR).

We ran virtual IDAs with a small number of providers over the summer to test the effectiveness of a remote contact approach and increased the number of IDAs we undertook over the second half of the year once we had a good level of assurance via the CORS that providers were effectively maintaining their core operations. We kept the sector informed of our approach to managing the impact of the Covid-19 pandemic and that we would be flexible and proportionate in any response based upon individual provider circumstances.

Horizon scanning

We have further improved our risk management and horizon scanning approaches, both for sector risk and risks we face. We have developed our data and analysis capacity to enable a more detailed understanding of current and future risk exposures and continued to develop our methodology to evaluate emerging trends in the operational environment. This allows us to maintain levels of assurance across key risk indicators. We have established new arrangements for monitoring, reviewing and reporting our regulatory assurance to our Board.

We continue to work with DLUHC to support our horizon scanning activities and to feed into policy formulation through expert analysis of key issues.

Regulating rents

We introduced our new Rent Standard on 1 April 2020 and completed our first year of regulation against it, albeit at a reduced capacity due to Covid-19. We launched a Local Authority Data Return after a successful pilot in 2019/20, and received 100% of data returns from local authorities through the LADR in this first year of its operation. In our first year of regulation against the Rent Standard, we issued our first regulatory Notice on a provider for a breach of the standard.

Preparations for dealing with failing providers

We continue to keep under review our regulatory preparations to deal with failing providers.

This included:

- updating our contingency plans in the event of major and/or systemic failures
- carrying out an ongoing review of our approach to resolving cases of financial stress and intervention
- supplementing capacity in our Investigation and Enforcement team.

Social Housing White Paper: A Charter for Social Housing Residents

In November 2020 the Government published the White Paper titled: A Charter for Social Housing Residents in response to the tragic fire at Grenfell Tower in June 2017. The Paper focuses on safety and transparency, including transparency in relation to landlord performance, and improved engagement between landlords and tenants as well as better complaints handling.

Although there has been work ongoing to consider how we will deliver the White Paper commitments and how that will impact the future shape of the organisation as a whole, implementing the changes in full will take time. Some of the changes will require primary legislation. In advance of the legislation, we have started working with sector stakeholders, and will continue to do so over the coming months and years, to review our approach so that we can develop and deliver a revised consumer regulation framework, at the same time as continuing our strong focus on economic regulation.

While delivering this vital work on consumer regulation we will not lose focus on our existing economic regulation role, in which stakeholders have such confidence.

Priority 4: Ensure we are an efficient and effective organisation

We have continued to build capacity and capability across the organisation to continue delivering effective regulation.

People

We have continued to increase capacity in key areas, including in preparation for the implementation of the Social Housing White Paper, with the appointment of a new Director of Consumer Regulation.

We continue to encourage applications from a diverse range of candidates and carry out blind shortlisting, as well as carrying out interview skills training for recruiting managers. We also encourage applicants to request reasonable adjustments where necessary to promote equality in access to job opportunities at the regulator.

We continued to work on implementing actions arising from the staff survey in 2019, with a particular focus on equality, diversity and inclusion (EDI) issues. We have put in place an EDI action plan and after the end of the financial year we finalised our EDI strategy. The strategy sets out how we will continue our work to ensure the regulator is a supportive and inclusive environment for all staff in line with our equalities objectives, which we published in June 2020.

Supporting staff wellbeing has been a critical area over the course of the year. We have put in place a range of measures aimed to support staff physical and mental wellbeing during the Covid-19 pandemic. We carried out two wellbeing surveys, and a further one at the start of 2021/22, to check how staff were feeling about their physical and mental health and whether additional measures were needed. Staff capacity is one of our key organisational risks and we have been able to manage this effectively with the measures we put in place.

Our second full staff survey as a standalone organisation was run in July 2021 and we will report on the actions arising from it in the next annual report.

Staff turnover for the year was better than our target and significantly lower than the previous year. Between an overall reduction in the number of people changing jobs due to the impact of the Covid-19 pandemic and opportunities for internal promotion, fewer staff left for external opportunities. There is a balance between retaining expertise and bringing in new perspectives. For an organisation of our type and size, the current turnover is still healthy and constitutes good performance. Our staff sickness rate during the year was also better than our target and in line with last year's.

	Target	2020/21	2019/20	Trend
Staff turnover	Less than 10%	4.4%	8.17%	↓
Staff sickness	Less than 2%	1.9%	1.7%	→

Systems and IT security

We have continued to demonstrate a high level of resilience, with the regulator continuing the delivery of its objectives remotely throughout the Covid-19 pandemic. Upgrades to our systems have meant we have been able to continue to support staff development and engagement events, including the organisation’s first virtual all staff conference.

We are developing our digital capacity further with a successful pilot on the telephony services switch-over from Skype for Business to MS Teams, due for implementation in Q2 2021/22, and the successful delivery of a data centre move.

We carry out regular engagement with the Cyber Security Information Sharing Partnership, which exchanges cyber threat information in real time to increase awareness of threats and reduce impact on UK infrastructure across the public and private sectors.

Finance

	Target	2020/21	2019/20	Trend
Fee collection	100%	100%	100%	➔
Invoices paid within 30 days	95% - 100%	100%	100%	➔

We are primarily funded through fees paid by private RPs. During the year we achieved our KPI to collect 100% of levied fees ensuring that all RPs contribute their fair share to regulation of the sector. We are also conscious of our responsibilities as a public sector body in relation to promptly paying suppliers and achieved our KPI of paying 95% of invoices within 30 days of receipt.

Response to enquiries

	Target	2020/21	2019/20	Trend
General enquiries	5 working days	100%	100%	→
NROSH+ data enquiries	5 working days	100%	100%	→
Requests for Information	20 working days	91%	84%	↑

We received 1,984 general enquiries and responded to all of them within our target time of five working days for an initial response. We received 1,942 enquiries about our NROSH+ data system and responded to all of them within our target time of five working days.

We also dealt with 45 requests for information. These include Freedom of Information requests and Environmental Information Regulation requests, although we did not receive any of the latter in 2020/21. 91% of these were responded to within the statutory deadline of 20 working days. In four cases we extended the deadline for a further 20 working days in line with the Freedom of Information Act 2000 to consider the public interest test. In the small number of cases where we were not able to achieve the 20-day target this was due to the complexity of the requests.

Financial performance

The regulator's financial performance for the twelve months to 31 March 2021 is set out in the Financial Statements starting on page 66. The cost of regulatory activities, which relate to all providers, was funded by annual fees. The cost of work relating to successful registration applications was funded by initial registration fees. The cost of local authority rent regulation, non-routine regulation including casework undertaken by the Investigation and Enforcement team, consumer regulation and any registration costs not covered by initial registration fees was funded by grant-in-aid from our sponsoring department DLUHC.

Operating expenditure decreased slightly to £17.6m (2019/20: £17.9m) as last year included legal costs of £0.5m associated with a Judicial Review and travel spend ceased due to Covid-19 restrictions. Excluding impact of the Judicial Review and Covid-19 related reductions in travel, spend has continued to grow as the regulator increases staff capacity to reflect the growing demands of regulating an increasingly diverse sector including a greater range of business models.

The regulator's expenditure for the period was below the budget set due to Covid-19 impact on planned recruitment and travel. This has resulted in £2.3m (2019/20: £1.0m) of 2020/21 annual fees being repayable to large providers as explained in the section below on *Fees and charges*.

Net liabilities have increased to £6.6m (2019/20: £2.8m) due to an increase in pension liabilities to £9.1m (2019/20: £5.4m). This is driven by the £2.7m actuarial loss on the defined benefit pension schemes, primarily due to changes in the financial assumptions detailed in Note 13b to the Financial Statements. Pension valuations, which are performed in accordance with IAS 19 Employee Benefits, fluctuate as they are sensitive to changes in underlying assumptions.

Anti-corruption and anti-bribery measures

We are committed to the effective management and application of public funds in accordance with Managing Public Money. We are also subject to the seven Principles of Public Life – the Nolan Principles – of Selflessness, Integrity, Objectivity, Accountability, Openness, Honesty and Leadership.

The regulator supports the Government's key objectives to mitigate the risk of financial crime, including fraud, bribery and corruption, and fully supports the Government's objectives to eradicate modern slavery and human trafficking. We have adopted an Anti-Fraud Policy and Fraud Response Plan. During the period to 31 March 2021, no incidents of fraud or material error were identified.

Human rights

The regulator takes the wellbeing of its staff very seriously. We have a range of practices and policies in place to protect the human rights and welfare of our staff. These include policies on respect at work, raising grievances and whistleblowing. There were no instances of whistleblowing in 2020/21. We have a range of diversity initiatives in place to prevent discrimination, and we work constructively with our recognised trade unions.

Sustainability

We are committed to minimising our environmental impact where it is possible and reasonable to do so while delivering on our fundamental objectives as an organisation. The regulator's principal direct impact on the environment is through staff travel and procurement which we minimise through video conferencing technology, to reduce travel need, and the use of Government Buying Standards, which set sustainability criteria for public procurements, where relevant.

Covid-19 travel restrictions have reduced annual carbon emission as we flexed during the pandemic to full home working supported by video conferencing technology, which was already deployed to support collaborative working across the wide geographical spread of our workforce.

The regulator does not report emissions related to offices as these are multiple-occupancy Government sites and are reported by the controlling Government department on behalf of all occupiers.

Interested users are referred to the Department for Environment, Food and Rural Affairs' upcoming annual report of progress on Greening Government Commitments, containing a thorough sustainability report across the UK Government, which will be published on the Government's website.

Sustainability performance data

Greenhouse Gas (GHG) Emissions (scope 3)		2020/21	2019/20	2018/19
		12 months	12 months	6 months
Non-financial indicators ($tonnes CO_2e$)	Flights	-	3.3	0.4
	Car	0.1	4.3	3.2
	Rail	-	33.8	20.1
		0.1	41.4	23.7
Related energy consumption ('000s km)	Flights	-	21,066	2,684
	Car	-	27,150	17,307
	Rail	1	763,507	454,725
		1	811,723	474,716
		£'000	£'000	£'000
Financial indicators	Official business travel	5	377	176
Resources, Waste and Recycling				
		A4 reams equivalent		
Paper consumed[13]	Number	34	1,251	472
	Reams per FTE staff	0.2	8.1	3.2
		£'000	£'000	£'000
Financial indicators	Paper procurement	-	5	2

The Performance Report has been signed on 8 November 2021

Fiona MacGregor
Chief Executive and Accounting Officer

[13] Paper consumption is an estimate derived from an allocation of paper usage in offices shared with other organisations. It may not therefore fully reflect the different working patterns of the individual organisations.

Accountability report

Overview

The Accountability report is included to meet key accountability requirements to Parliament. It is structured as follows:

- Corporate Governance report – explains the composition and organisation of the regulator's governance structures and how they support the achievement of its objectives.

- Remuneration and staff report – provide detail on remuneration and staff that Parliament and other users see as key to accountability.

- Parliamentary Accountability and Audit report – brings together the key Parliamentary accountability documents.

Corporate governance report

This report explains the composition and organisation of the Regulator of Social Housing's governance and how this supports the achievement of the organisation's objectives. The report comprises individual sections including the Directors' report, the Statement of Accounting Officer's Responsibilities and the Governance Statement.

Directors' report

Board membership during the year was:

- Simon Dow (interim Chair)
- Jo Boaden
- Elizabeth Butler
- Deborah Gregory
- Richard Hughes
- Fiona MacGregor (Chief Executive and Accounting Officer)
- Ceri Richards
- Paul Smee

With the exception of the Chief Executive, the Chair and the other Board members are collectively referred to in the legislation as appointed members. The appointed members hold and vacate office in accordance with the HRA 2008 and their terms of appointment. Appointed members are appointed for a fixed term, normally for three years in the first instance.

Register of members' interests

The register of members' interests is open for public inspection and can be found on the regulator's website[14].

Personal data-related incidents

No incidents were reported by the regulator to the Information Commissioner (ICO) during the period.

Auditors

The Comptroller and Auditor General is the statutorily appointed Auditor under the provisions of the HRA 2008.

The cost of work performed by the auditors for 2020/21 was £65,000 (2019/20: £60,000).

[14] RSH Board members' register of interests - GOV.UK (www.gov.uk)

Statement of Accounting Officer's Responsibilities

Under the HRA 2008, the Secretary of State has directed the Regulator of Social Housing to prepare for each financial period a statement of accounts in the form and on the basis set out in the accounts direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Regulator of Social Housing and of its income and expenditure; Statement of Financial Position; and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual* and in particular to:

- observe the accounts direction issued by the Secretary of State, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the Financial Statements
- prepare the accounts on a going concern basis, and
- confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Chief Executive as Accounting Officer of the Regulator of Social Housing is appointed by the sponsoring department. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the Regulator of Social Housing's assets, are set out in *Managing Public Money* published by HM Treasury.

Discharge of Accounting Officer's responsibilities

As the Accounting Officer, I have taken all the necessary steps to make myself aware of any relevant audit information and to establish that the Regulator of Social Housing's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I confirm that this Annual Report and Accounts as a whole is fair, balanced and understandable. I take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

Governance Statement

Role and responsibilities of the Accounting Officer

The regulator's Accounting Officer is personally responsible for safeguarding the public funds for which she has charge; for ensuring propriety, regularity, and value for money in the handling of those public funds; and for the day-to-day operations and management of the regulator. In addition, the Accounting Officer 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*.

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 a Governance Statement covering corporate governance, risk management and oversight of any local responsibilities, for inclusion in the Annual Report and Accounts (and this Governance Statement is provided in satisfaction of this responsibility)

- ensuring that effective procedures for handling complaints about the regulator are established in accordance with *Public Bodies: A Guide for Departments* and that information about this is publicly and easily available

- acting in accordance with the terms of the regulator's Framework 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 Principal Accounting Officer, when summoned before the Public Accounts Committee 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.

The regulator's Accounting Officer is responsible to DLUHC for:

- establishing, in agreement with DLUHC, 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

- 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

- 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.

This Governance Statement sets out the governance, management and internal control arrangements that were in place for 2020/21 and up-to-date approval of the Annual Report and Accounts to support the Accounting Officer in discharging these responsibilities.

Governance structure

Corporate Governance in Central Government Departments: Code of Good Practice 2017

In so far as the Code applies, the regulator has applied the principles of the Code which requires that bodies operate according to the principles of good governance in business, leadership, effectiveness, accountability and sustainability.

Board

The Board of the regulator is established by section 80B of the HRA 2008 and transitional provisions within the Legislative Reform Order. It comprises:

- the Chair appointed by the Secretary of State
- between six and ten other members appointed by the Secretary of State, after consultation with the Chair; and
- the Chief Executive appointed by the Board (with the approval of the Secretary of State).

The Chair and the other members referred to above are collectively referred to in the legislation as appointed members. The Chief Executive does not fall into the category of appointed members. The appointed members hold and vacate office in accordance with the HRA and their terms of appointment.

A full list of Board members is detailed in our Directors’ report on page 35.

Roles and responsibilities of the Board

The role of the Board is to act within the legislative framework applicable to the regulator, including the regulator's fundamental objectives and powers, and in doing so to:

- provide strategic leadership
- help ensure that the regulator acts in a way that is efficient, effective and economic
- act as an advisory body to support and challenge the Chief Executive as Accounting Officer, in particular by providing governance oversight, and supporting the Accounting Officer in discharging the obligations in *Managing Public Money*
- support the senior executive team in directing the business of the regulator with a view to delivering the fundamental objectives of the regulator over the short and long term
- provide a governance function at the level of strategy and oversight, as distinct from an executive management function.

The Board has its own Terms of Reference and Standing Orders[15], which are available for the public to review.

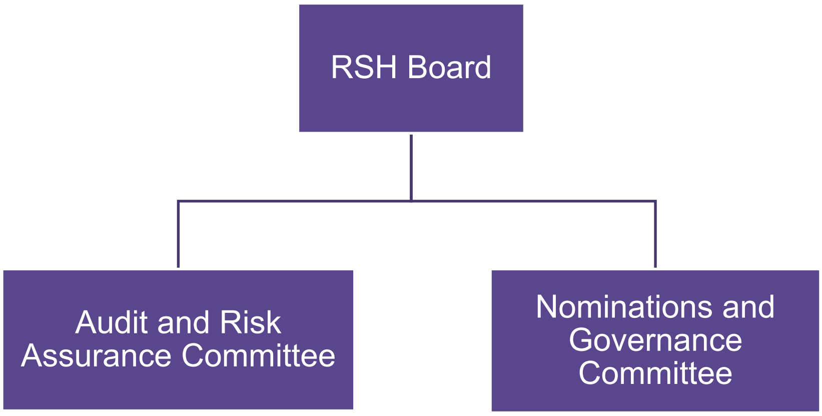
Board work and performance

The Board receives regular reports on policy development, performance, risk management, governance, financial information and internal controls, assuring itself of the effectiveness of the regulator's internal control and risk management systems and providing assurance to DLUHC on these systems.

The Board has established and taken 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 the income raised through fees. Since being established the Board has ensured that the regulator has drawn up and delivers on its corporate and business plans. The Board has had oversight of the regulator's annual budget for approval by DLUHC in relation to grant-in-aid.

[15] Terms of reference - Regulator of Social Housing - GOV.UK (www.gov.uk)

The Board, in accordance with good practice of governance, had established sub-committees to which it delegates appropriate responsibilities. This is reflected in the following structure chart.



Board effectiveness

The Board formally assesses its effectiveness on an annual basis. In June 2021 the Board assessed its effectiveness for the period April 2020 to March 2021. This was done by way of survey of Board members and officers. As part of the review, the Board specifically considered its effectiveness in ensuring the regulator's main risk areas are being reviewed, monitored and mitigated, its effectiveness in overseeing the regulator's overall performance, and the clarity, effectiveness and appropriateness of advice from officers. Board members considered that the routine and ad-hoc reports they receive are appropriate in terms of coverage and content. The survey responses were broadly positive.

Board concluded that the ethnic diversity of the Board needed to be widened and that this should be treated as a priority issue for the regulator. The regulator has discussed the matter with DLUHC which has responsibility for Board recruitment on behalf of the Secretary of State.

Members were keen to maintain an in-depth knowledge of issues facing housing associations and on consumer regulation implications in light of the publication of the White Paper. Both these areas were covered in regular update papers and in Board workshop sessions during 2020/21.

Audit and Risk Assurance Committee

The role of the Audit and Risk Assurance Committee (ARAC) is to provide independent support and advice to the regulator's Board and Accounting Officer in relation to financial stewardship, financial and narrative reporting and audit, internal controls, and management of key financial and other risks and opportunities. The Committee receives reports on the regulator's strategic risk register, assurance on the management of specific risks, the Financial Statements, internal audit and external audit.

Members of the Committee as at 31 March 2021 were:

- Elizabeth Butler (Chair)
- Ceri Richards
- Richard Hughes

The Committee meets at least three times annually to formally consider risk and twice to review draft and final versions of the Annual Report and Accounts. Meetings are also attended by representatives of the National Audit Office (NAO), DLUHC and internal audit.

The Committee has its own Terms of Reference and Standing Orders which are available for the public to review[16].

In June 2021 the Committee formally assessed its effectiveness by way of a survey of members, officers, internal and external auditors and DLUHC. Responses were generally positive and no major changes to the operation of the Committee were considered necessary.

Nominations and Governance Committee

The role of the Nominations and Governance Committee (NGC) is to provide independent support to the regulator's Board and Accounting Officer. It provides scrutiny, oversight and advice in relation to plans for orderly succession of appointments to the Board and of senior management, incentives and rewards for executive Board members and senior officials, and the regulator's governance arrangements.

Members of the Committee as at 31 March 2021 are:

- Simon Dow (Chair)
- Jo Boaden (appointed 8 April 2020)
- Paul Smee

[16] Terms of reference - Regulator of Social Housing - GOV.UK (www.gov.uk)

The Committee meets on an ad-hoc basis and has its own Terms of Reference and Standing Orders which are available for the public to review[17]. Matters considered by the Committee in the year included the application of the 2020 pay remit.

Board and Committee attendance

The table below sets out the attendance at Board, ARAC and NGC for the period, followed by the number of times met during that member's tenure. There was an extra meeting of both Board and ARAC in October to sign off the accounts.

Member	Board	ARAC	NGC
Simon Dow	11 / 11		2 / 2
Jo Boaden	11 / 11		2 / 2
Elizabeth Butler	11 / 11	5 / 5	
Deborah Gregory	11 / 11		
Richard Hughes	11 / 11	5 / 5	
Fiona MacGregor[18]	11 / 11	5 / 5	2 by invitation
Ceri Richards	11 / 11	5 / 5	
Paul Smee	11 / 11		2 / 2

[17] https://www.gov.uk/government/publications/nominations-and-governance-committee

[18] Fiona MacGregor attended ARAC and NGC in her capacity as Chief Executive and Accounting Officer

Regulation Executive Group

The Regulation Executive Group (REG) acts as the principal executive group for the regulator below Board level for coordinating and implementing strategies, operational policies and procedures.

REG is not a formal Committee of the Board and has no formal decision-making power. Individual members of REG hold formal delegations from the Board of the regulator, but there can be no formal delegations to REG as an entity. The purpose of REG is to:

- support the Chief Executive as the regulator's Accounting Officer
- support the exercise of formal decision-making powers by individual executive officers
- provide a leadership forum in which the regulator's senior executive officers can discuss and plan the strategic direction and management of the regulator within the parameters set by the Board and the legislative framework.

REG comprised the following executive officers as at 31 March 2021:

- Fiona MacGregor — Chief Executive and Accounting Officer
- Jonathan Walters — Deputy Chief Executive
- Harold Brown — Senior Assistant Director of Investigation and Enforcement
- Maxine Loftus — Director of Regulatory Operations
- Richard Peden — Director of Finance and Corporate Services
- Will Perry — Director of Strategy
- Emma Tarran — Senior Assistant Director of Legal and Company Secretary

Other officers may be invited to attend all or part of any meeting as and when appropriate.

On an annual basis members of REG compile formal Management Assurance Statements considering the application of controls and delegated decision making across the organisation.

Delegations

A comprehensive scheme of internal delegations is in place that enables the day-to-day management of the regulator to be shared with the Chief Executive, REG members and their staff. The scheme of delegations is kept under review by the Accounting Officer, REG and the Board.

Overview of risk management

The regulator has a Risk and Assurance Strategy which aims to ensure that risks to the regulator are identified and managed effectively. Effective risk management is fundamental to providing assurance to the Accounting Officer and the Board that the regulatory framework and approach, along with how the organisation is run as a corporate entity, meets our strategic objectives and corporate priorities.

The regulator considers strategic risks to be uncertain events that, should they occur, will adversely impact on our ability to deliver our strategic objectives and thereby our ability to meet our fundamental objectives set out in statute. Our strategic risks fall into one or more of the following categories:

- Policy: arising from the role the regulator must undertake
- Reputational: maintaining the legitimacy and authority of the regulator
- Organisational capacity: having the right people, skills, resources, systems, tools and resilience
- Corporate and compliance: arising from corporate and compliance responsibilities and obligations.

We have a Risk Review Group, comprising officers and representatives of REG, which regularly reviews our strategic risks. REG itself discusses the risk register quarterly. ARAC considers the risk register three times each year and Board receives a quarterly summary and the risk register in full twice per year.

Each strategic risk has controls in place which support the management of the risk by detecting and preventing it from crystallising or mitigating it should it occur. We have adopted a ‘three lines of defence’ model to provide assurance on the operation of controls. Assurance sources are mapped to each control at three levels:

1. First line (business management)
2. Second line (corporate oversight)
3. Third line (internal audit/ external assurance).

At year end our strategic risk register was up-to-date. We are reviewing our Risk and Assurance Strategy and plan to complete the work in 2021/22.

Key risks during 2020/21

The key risks that the organisation faced related to the impact of the Covid-19 pandemic on the organisation itself, the sector and how we carry out our regulation. These risks are discussed in more detail in the Performance Report on page 10.

Conclusion

I have reviewed evidence from a number of sources and, based on the information I have received, I am satisfied that overall the regulator continued to maintain a sound system of internal control during this reporting period. Key sources of assurance on which I base my conclusion include:

Internal and external audit

An annual programme of internal audit is carried out to provide independent assurance as to the adequacy and effectiveness of the framework of governance, risk management and control as it is operated at the regulator. The 2020/21 programme comprised five reviews: a review of the organisation's decision making in response to the impact of Covid 19; a review of the approach to business planning; a review of policies and procedures in relation to procurement and contracting; a review of how the organisation considerers and responds to risk in the regulated sector; and a review of governance arrangements. Four of the five reviews, including the review of governance arrangements concluded Substantial assurance and one concluded Moderate assurance. No high priority actions were raised and moderate and low priority findings have been actioned or are currently due to be completed in accordance with schedules agreed with internal auditors. The overall internal audit conclusion for the year was one of Substantial assurance on the adequacy and effectiveness of the framework of governance, risk management and control as it operated in the regulator. The NAO has undertaken its annual audit and the audit completion report and management letter support my conclusion

Management Assurance Statements are annual assurance statements to be prepared by members of REG in relation to the operation of controls and delegated decision making. Statements for the reporting year support a conclusion that overall systems of internal control are sound, and that appropriate action is in progress to address any identified development areas. I have also taken account of the regular assurance review and lessons learned work that the regulator undertakes, which takes account of the Corporate Risk Register and the assurance map.

Board and ARAC work and effectiveness

The Board and ARAC have maintained oversight over relevant areas of the regulator's activities including regular in-depth reviews at ARAC of specific topics and the controls and assurance related to individual work areas. Board and ARAC effectiveness reviews have been positive.

Fiona MacGregor
Chief Executive and Accounting Officer

Remuneration and staff report

The remuneration and staff report provides detail on the remuneration and pension interests of the regulator's Board and senior staff and in addition to staff establishment information.

Remuneration policy

The Regulator of Social Housing determines remuneration levels with reference to independently assessed pay grades for roles dependent on their level of responsibility and the skills and experience they require.

The remuneration policy includes an element of performance-related pay for all members of staff, including the Chief Executive and key managers, which is linked to the achievement of agreed annual performance objectives. Aggregate performance-related payments are capped at 0.5% of payroll costs, with the maximum payment no greater than £450 for the year. Board members are not eligible to receive performance-related pay.

The regulator implements the annual pay remit which is approved by the Secretary of State. The NGC provides independent support to the regulator's Board and Accounting Officer by providing scrutiny, oversight and advice in relation to incentives and rewards for executive Board members and senior officials.

Remuneration information

Remuneration and pension interests of Board members and senior staff for the period to 31 March 2021:

Board Members' remuneration (subject to audit)

	Salary, £'000	
	2020/21	2019/20
Jo Boaden[19]	11	6
Elizabeth Butler	11	11
Simon Dow - Interim Chair	65	65
Deborah Gregory[19]	11	6
Richard Hughes	11	11
Richard Moriarty[20]	-	6
Ceri Richards	11	11
Paul Smee	11	11

[19] Jo Boaden and Deborah Gregory joined the Board on 1 September 2019. Their full year equivalent salary for 2019/20 was £11,000.

[20] Richard Moriarty left the Board on 30 September 2019. His full year equivalent salary for 2019/20 was £11,000.

Remuneration of senior staff (subject to audit)

	Salary, £'000		Bonus, £'000		Pension, £'000		Total, £'000	
	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20
Harold Brown	100-105	105-110	0-5	0-5	53	26	155-160	130-135
Maxine Loftus[21]	110-115	65-70	0-5	0-5	149	69	260-265	135-140
Fiona MacGregor	150-155	150-155	0-5	0-5	56	39	210-215	190-195
Richard Peden	110-115	110-115	0-5	0-5	27	25	140-145	135-140
Will Perry[22]	110-115	70-75	0-5	0-5	50	32	160-165	105-110
Emma Tarran[23]	100-105	-	0-5	-	46	-	150-155	-
Jonathan Walters	130-135	125-130	0-5	0-5	45	34	175-180	160-165
Mick Warner[24]	70-75	105-110	0-5	0-5	23	28	95-100	135-140

There were no benefits-in-kind paid in 2020/21 (2019/20: £nil).

[21] Maxine Loftus became a member of the Executive on 1 August 2019; prior to this date she was employed in a role not subject to disclosure. Her full year equivalent salary for 2019/20 was £100,000-£105,000.

[22] Will Perry became a member of the Executive on 1 August 2019; prior to this date he was employed in a role not subject to disclosure. His full year equivalent salary for 2019/20 was £105,000-£110,000.

[23] Emma Tarran became a member of the Executive on 1 April 2020; prior to this date she was employed in a role not subject to disclosure.

[24] Mick Warner left the regulator on 30 November 2020. His full year equivalent salary for 2020/21 was £105,000 - £110,000.

Pension benefits (subject to audit)

	Annual accrued pension at 31 March 2021 £'000	Real increase in accrued annual pension £'000	Accrued lump sum at 31 March 2021 £'000	Real increase in accrued lump sum £'000	CETV at 31 March 2021 £'000	CETV at 31 March 2020 £'000	Real increase in CETV £'000
Harold Brown	40-45	2.5-5	55-60	0-2.5	740	676	61
Maxine Loftus	45-50	7.5-10	65-70	10-12.5	811	685	122
Fiona MacGregor	55-60	2.5-5	60-65	0-2.5	1,051	968	78
Richard Peden	0-5	0-2.5	10-15	2.5-5	162	93	69
Will Perry	10-15	0-2.5	30-35	5-7.5	363	214	148
Emma Tarran	5-10	0-2.5	20-25	5-7.5	270	153	116
Jonathan Walters	40-45	2.5-5	35-40	0-2.5	601	551	47
Mick Warner[25]	45-50	2.5-5	55-60	(2.5)-0[26]	818	793	21

The Executive are eligible to participate in either the Homes and Communities Agency Pension Scheme or the City of Westminster Pension Fund depending on when they joined the regulator or predecessor organisations.

Accrued pension at 31 March 2021

The accrued pension entitlement is the pension which would be paid annually on retirement, based upon pensionable service to 31 March 2021.

Cash Equivalent Transfer Value at 31 March 2021

The Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of pension scheme benefits. It is an amount payable by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The figures shown relate to benefits that the individual has accrued as a consequence of their total membership of the pension scheme and not just the service in a senior capacity to which disclosure applies.

Termination payments to key managers (subject to audit)

Termination payments to key managers during the period 1 April 2020 to 31 March 2021 were £nil (2019/20: £nil).

[25] Mick Warner's closing pension benefits are shown as at 30 November 2020 when he left the regulator

[26] The inflation adjusted increase in lump sum pension is negative for Mick Warner

Staff costs (subject to audit)

	2020/21			2019/20		
	Permanent	Others	Total	Permanent	Others	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	9,765	212	9,977	8,599	142	8,741
Social security costs	1,172	18	1,190	1,015	16	1,031
Pension costs	3,762	37	3,799	4,327	35	4,362
Redundancy costs	-	-	-	452	-	452
Sub total	**14,699**	**267**	**14,966**	**14,393**	**193**	**14,586**
Secondment income	-	-	-	(8)	-	(8)
Total net costs	**14,699**	**267**	**14,966**	**14,385**	**193**	**14,578**

Wages and salaries include £31k (2019/20: £33k) of non-consolidated performance-related pay.

Other staff relate to staff employed on a fixed-term contract including apprentices.

Staff composition (subject to audit)

The average number of staff employed by the regulator (full-time equivalents) over the course of the period is as follows:

	2020/21	2019/20
Permanent UK staff	165	150
Fixed-term UK staff	4	4
Total	**169**	**154**

The number of staff (full-time equivalents) by salary pay band, using an average for the period, is as follows:

	2020/21	2019/20
£0 - £25,000	3	3
£25,001 - £50,000	81	83
£50,001 - £75,000	62	47
£75,001 - £100,000	14	15
£100,001 - £125,000	7	4
£125,001 - £150,000	1	1
£150,001 - £175,000	1	1
Total	**169**	**154**

Gender

The gender of key managers and employees as at 31 March 2021 can be analysed as follows:

	2020/21	2019/20
Key managers - Male	4	5
Key managers - Female	3	2
Other employees - Male	63	55
Other employees - Female	111	99
Total	**181**	**161**

Fair pay disclosure (subject to audit)

The regulator is required to disclose the relationship between the mid-point of the banded remuneration of its highest paid director and the median remuneration of the workforce for the period, using a position as at the end of March 2021.

The annualised remuneration of the highest paid director was £150,000 – £155,000 (2019/20: £150,000 – £155,000). The mid-point of this band was 3.0 times (2019/20: 3.1 times) the median annualised remuneration of the workforce, which was £50,336 (2019/20: £49,817). Remuneration ranged from £16,119 to £150,000 – £155,000 (2019/20: £15,744 to £150,000 - £155,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions or the CETV of pensions.

The 2019/20 comparatives have been restated to remove home working allowance which is deemed a reimbursement of expenses and not part of an employee's remuneration.

Exit packages (subject to audit)

We offer compensation when staff agree to leave the organisation in circumstances where the departure provides an opportunity to refresh our skill base and contributes to a reduction in our costs. There were no such exits agreed in 2020/21.

Exit costs are accounted for in full when the departure has been approved and terms agreed. Voluntary exit costs in the period:

	2020/21	2019/20
£0 - £10,000	-	-
£10,001 - £25,000	-	-
£25,001 - £50,000	-	-
£50,001 - £100,000	-	5
£100,001 - £150,000	-	-
£150,001 - £200,000	-	-
Total number of exit packages	-	5
Total cost of exit packages £'000	-	452

Expenditure on consultancy

The regulator incurred expenditure of £54,000 (2019/20: £nil) on consultancy during the period 1 April 2020 to 31 March 2021. The spend related to provision of advice on the development of the regulator's IT systems and advice on tenant engagement related to the implementation of the Social Housing White Paper.

Apprenticeship levy

During the period 1 April 2020 to 31 March 2021 the regulator incurred expenditure of £34,000 (2019/20: £28,000) on contributions to the apprenticeship levy to support apprenticeship training and assessment for apprentices.

Off-payroll arrangements

The regulator incurred £nil (2019/20: £nil) in respect of off-payroll engagements during the period 1 April 2020 to 31 March 2021.

In delivering our People Strategy we consulted on our first set of Equality objectives[27] during 2019/20.

The regulator has a Positive Working Group (PWG) made up of staff from all levels and areas of the organisation, which has a purpose to inspire and support a culture at the regulator that respects diversity, inclusivity and staff wellbeing and promotes supportive behaviours. PWG members were instrumental in the development of the regulator's Wellbeing Statement and in the establishment of a First Contact Officer scheme. The scheme provides a confidential first point of contact for colleagues, outside of line management arrangements, to discuss any matters which staff feel are impacting on their working life and which they feel unable to discuss with their line manager.

Staff policy regarding disabled persons

The Regulator of Social Housing is committed to ensuring equality of opportunity for all disabled people who work or apply to work for us. As we make clear in our job application process, we offer disabled people who apply for a post a guaranteed interview, provided they meet the minimum criteria for the post.

In the event that any employee becomes disabled while employed by the regulator, the Human Resources and Corporate Services teams, supported by the regulator's Occupational Health provider, will make all reasonable and appropriate changes and adjustments to the workplace and working arrangements.

[27] Equality and diversity - Regulator of Social Housing - GOV.UK (www.gov.uk)

Staff sickness absence and turnover

The regulator’s sickness absence has been favourable when compared with public and private sector benchmarks, with an average number of 4.6 working days lost per employee (2019/20: 3.7). We also calculate our sickness absence as a proportion of working time lost, which was 1.9% (2019/20: 1.7%) against a target of 2%.

Annual staff turnover reduced to 4.4% (2019/20: 8.1%) due to the impact of Covid-19.

Health and safety

The regulator has established a Health and Safety Committee which meets quarterly and is chaired by the Director Finance and Corporate Services. No incidents occurred during the period 1 April 2020 to 31 March 2021 which required being reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013.

Employee engagement and consultation

During 2020/21, in recognition of the impact of the pandemic and the shift to home working, the regulator undertook two staff surveys to better understand what support could be provided to staff while restrictions were in place. This led to the introduction of a number of initiatives to support wellbeing and productivity across the year.

Trade union relationships

The regulator formally recognises three trade unions – Unite, PCS and Unison – with whom it consults over pay, policies and procedures, working conditions, etc. Regular meetings take place between management and elected union representatives, called Joint Negotiation and Consultation Committee meetings, on a cycle of approximately six weeks.

As a public sector body with more than 49 full-time equivalent employees, the regulator is required to make the following disclosures regarding Trade Union Facility Time:

Relevant union officials

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
6	5

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	6
51-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	£18,594
Total pay bill	£14,966k
% of total pay bill spent on facility time	0.12%

Paid trade union activities

Time spent on trade union activities as a percentage of the total paid facility time hours	5%

Parliamentary accountability and audit report

The parliamentary accountability and audit report provides the parliamentary accountability disclosures, covering regularity of expenditure, fees and charges and remote contingent liabilities, and includes the Certificate and Report of the Comptroller and Auditor General.

Regularity of expenditure (subject to audit)

The regulator incurred £nil (2019/20: £nil) losses, special payments or gifts during the period 1 April 2020 to 31 March 2021.

Fees and charges (subject to audit)

The regulator introduced fees[28] from 1 October 2017 following a statutory consultation in 2016. The regulator has a Fees and Resources Advisory Panel[29] alongside existing stakeholder engagement arrangements, as an advisory body to the regulator.

There are five fees principles which, following consultation, were approved by the Secretary of State for Housing, Communities and Local Government:

I. A one-off fixed fee should apply to all successful applications for initial registration.

II. The annual fee payable by a registered provider should be set by reference to the number of social housing units owned by that provider.

III. A fixed annual fee should apply to all providers owning fewer than 1,000 units.

IV. For groups owning 1,000 social housing units or more where the parent is registered, the annual fee should be set at group level rather than for each individual entity on the register.

V. Providers should pay the full cost of the annual fee for the year that they are on the register when they register or de-register.

[28] https://www.gov.uk/government/publications/fees-for-social-housing-regulation

[29] https://www.gov.uk/government/publications/fees-and-resources-advisory-panel-terms-of-reference

The annual fee level and initial registration fees charged for 2020/21 are set out below.

Fees	Fee level 2020/21
Initial registration fee charged to those who successfully register	£2,500
Annual registration fee for (small) RPs with less than 1,000 units	£300 flat fee
Annual registration fee for (large) RPs with 1,000 units or more	£5.42 per unit

Annual fees fund those costs related to regulating all providers. Initial registration fees cover the costs of work undertaken on assessing registration applications where the application results in a successful registration. The cost of local authority regulation, non-routine regulation including casework undertaking by the Investigation and Enforcement team, consumer regulation and any registration costs not covered by initial registration fees are covered by grant-in-aid.

Should there be any underspend on annual fee-funded costs there is a proportionate refund of the per-unit annual fee to larger providers (those with over 1,000 social housing units). Fees repayable to larger providers for 2020/21 are £2.3m:

Annual fees	2020/21 £'000	2019/20 £'000
Total invoices	14,738	12,732
Fee-funded costs for the period	12,404	11,752
Fee rebate to larger providers	2,334	980

Annual fees increased between 2019/20 and 2020/21 to enable the regulator to supplement capacity reflecting the growing demands of regulating an increasingly diverse sector with a greater range of business models. Covid-19 impacted on the regulator's recruitment plans, in addition to reducing travel costs, resulting in an increase to the fee rebate.

The maximum annual registration fees for 2021/22 have been set following consultation at £14,743k.

Remote contingent liabilities (subject to audit)

The regulator is required to disclose each of its material remote contingent liabilities, and where practical, estimate the financial effect.

Within the normal course of business, the regulator has made statutory appointments to some Boards of RPs under section 269 of the HRA 2008; the regulator sometimes provides indemnities to appointees. It is not possible to quantify this remote contingent liability due to its nature and absence of any claim under past indemnities issued.

The regulator is subject to legal challenge within its normal course of business. If the regulator were to lose a legal case it may lead to the obligation to pay another party's legal costs and / or damages. It is not practicable to quantify such contingent liabilities at the reporting date.

The regulator does not have any other material remote contingent liabilities.

The Accountability report has been signed on 8 November 2021

Fiona MacGregor
Chief Executive and Accounting Officer

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

Opinion on financial statements

I certify that I have audited the financial statements of the Regulator of Social Housing for the year ended 31 March 2021 under the Housing and Regeneration Act 2008. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and the International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion, the financial statements:

- give a true and fair view of the state of the Regulator of Social Housing's affairs as at 31 March 2021 and of the Regulator of Social Housing net expenditure for the year then ended;
- have been properly prepared in accordance with the Housing and Regeneration Act 2008 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the Regulator of Social Housing in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Regulator of Social Housing's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Regulator of Social Housing's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Regulator of Social Housing is adopted in consideration of the requirements set out in the FReM, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the annual report, but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Housing and Regeneration Act 2008; and
- the information given in the Performance and Accountability Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Regulator of Social Housing and its environment obtained in the course of the audit, I have not identified material misstatements in the performance and Accountability report. I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual are not made; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the Financial Statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer, is responsible for:

- the preparation of the financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- internal controls as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error.
- assessing the Regulator of Social Housing's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Regulator of Social Housing will not continue to be provided in the future.

Auditor's responsibilities for the audit of the Financial Statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Housing and Regeneration Act 2008.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud.

My procedures included the following:

- Inquiring of management, the Regulator of Social Housing's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Regulator of Social Housing's policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;

  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Regulator of Social Housing's controls relating to Manging Public Money and the Housing and Regeneration Act 2008.

- discussing among the engagement team and involving relevant specialists, including regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition and posting of unusual journals.
- obtaining an understanding of the Regulator of Social Housing's framework of authority as well as other legal and regulatory frameworks that the Regulator of Social Housing operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the Regulator of Social Housing. The key laws and regulations I considered in this context included the HRA 2008, Managing Public Money, Employment Law and tax legislation.
- risk-based sampling of manual journals to identify and test those presenting higher risk of fraud, plus regularity testing of income and expenditure items.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies 11 November 2021
Comptroller and Auditor General

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

Financial Statements

Statement of Comprehensive Net Expenditure

Year ended 31 March 2021

	Note	2020/21 £'000	2019/20 £'000
Operating income:			
Registered provider fee income	4.1	(12,436)	(11,767)
Other income	4.2	(45)	(379)
		(12,481)	**(12,146)**
Operating expenditure:			
Staff costs	2	14,966	14,586
Purchase of goods and services	3	2,488	3,135
Depreciation, loss on disposal and amortisation charges	3	194	170
		17,648	**17,891**
Net operating expenditure		**5,167**	**5,745**
Interest income		-	(13)
Pension net finance costs	13(d)	92	104
Net expenditure for the period		**5,259**	**5,836**
Other comprehensive net expenditure:			
Actuarial (gain)/loss from pension fund	13(e)	2,701	(2,133)
Total comprehensive expenditure for the period		**7,960**	**3,703**

Statement of Financial Position

As at 31 March

	Note	2021 £'000	2020 £'000
Non-current assets:			
Property, plant and equipment	5	252	324
Intangible assets	6	37	111
		289	**435**
Current assets:			
Trade and other receivables	8	85	411
Cash and cash equivalents	7	12,495	10,726
		12,580	**11,137**
Total assets		**12,869**	**11,572**
Current liabilities:			
Registered provider fee rebate	9	(2,334)	(980)
Registered provider deferred fees	9	(6,783)	(6,062)
Trade and other payables	9	(1,240)	(1,797)
		(10,357)	**(8,839)**
Total assets less current liabilities		**2,512**	**2,733**
Non-current liabilities:			
Pension liabilities	13(a)	(9,114)	(5,483)
Assets less liabilities		**(6,602)**	**(2,750)**
Reserves:			
Income and expenditure reserve		(8,595)	(4,743)
Regulation reserve		1,993	1,993
Taxpayers' equity		**(6,602)**	**(2,750)**

The notes on pages 70 to 92 form part of these accounts.

Fiona MacGregor
Chief Executive and Accounting Officer

8 November 2021

Statement of Cash Flows

Year ended 31 March

	Note	2020/21 £'000	2019/20 £'000
Net cash (outflow) / inflow from operating activities		**(1,997)**	**(3,611)**
Cash flows from investing activities:			
Purchase of property, plant and equipment[30]		(342)	(52)
Interest received		-	13
Net cash (outflow) from investing activities		**(342)**	**(39)**
Cash flows from financing activities:			
Grant-in-aid from sponsor department	SoCTE	4,108	4,169
Net cash inflow from financing activities		**4,108**	**4,169**
Increase in cash and cash equivalents in the period		**1,769**	**519**
Cash and cash equivalents at 1 April		10,726	10,207
Cash and cash equivalents at 31 March	7	**12,495**	**10,726**

Reconciliation of net operating expenditure to net cash flow from operating activities:

	Note	2020/21 £'000	2019/20 £'000
Net operating expenditure	SoCNE	(5,167)	(5,745)
Amortisation	3	74	92
Depreciation and loss on disposal	3	120	78
Pension costs	13(d)	3,733	4,515
Employer contributions to pension	13(f)	(2,895)	(2,473)
(Increase)/Decrease in Trade and Other Receivables		325	(313)
Increase in trade and other current liabilities		1,813	235
Net cash (outflow) / inflow from operating activities		**(1,997)**	**(3,611)**

[30] £295,000 of PPE additions recognised in 2019/20 but paid in 2020/21 are included within cash flows from PPE

Statement of Changes in Taxpayers' Equity

Year ended 31 March 2021

	Note	General reserve £'000	Regulation reserve £'000	Total £'000
Balance at 31 March 2019		**(5,197)**	**1,981**	**(3,216)**
Grant-in-aid from sponsor department		4,169	-	4,169
Net expenditure		(5,848)	12	(5,836)
Actuarial gain from pension fund		2,133	-	2,133
Balance at 31 March 2020		**(4,743)**	**1,993**	**(2,750)**
Grant-in-aid from sponsor department		4,108	-	4,108
Net income/(expenditure)	SoCNE	(5,259)	-	(5,259)
Actuarial (loss) from pension fund	13(e)	(2,701)	-	(2,701)
Balance at 31 March 2021		**(8,595)**	**1,993**	**(6,602)**

Notes to the Financial Statements

1. Accounting policies

These Financial Statements have been prepared under direction issued by the Secretary of State in accordance with Section 100C of the HRA 2008 and in accordance with the Government's Financial Reporting Manual issued by HM Treasury.

The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy we have selected the policy we judge to be most appropriate to our particular circumstances for the purposes of giving a true and fair view. The particular policies adopted by the regulator are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.01 Accounting convention

Financial Statements have been prepared under the historical cost convention, modified to account for the revaluation of intangible assets (where material). Where there is an indication that individual assets may be impaired, an impairment review is conducted and assets are written down to the lower of their carrying amount and recoverable amount, in accordance with IAS 36 and FReM.

1.02 Property, plant and equipment

Property, plant and equipment (PPE) are stated at historical cost less accumulated depreciation and any impairment in value, as a proxy for fair value. PPE consists wholly of IT equipment, predominately staff laptops.

All assets held by the regulator have a short useful life or low individual value. Assets are capitalised where the cost of a single asset, or a group of assets, exceeds £5,000. Depreciation is charged to net expenditure based on cost, less the estimated residual value of each asset, evenly over its three-year expected useful life.

1.03 Intangible assets

Intangible assets relate to the NROSH+ system development costs. NROSH+ is used by RPs to submit information to the regulator electronically. The FReM requires that intangibles should be valued on a depreciated replacement cost basis. However, depreciated replacement cost as at March 2021 was not materially different to the depreciated historical cost, so depreciated historical cost has been used for simplicity.

Assets are capitalised where the cost of an asset exceeds £5,000. The expected useful economic life for individual NROSH+ system developments is four years and has remaining amortisation periods between 0 to 1.5 years.

1.04 Registered providers' fees

Income derived from RPs is accounted for over the period to which it relates. Any amounts received which relate to future periods is deferred and then released as required under IFRS 15 'Revenue from Contracts with Customers' as interpreted for the public sector within FReM. Income is designated to fund costs relating to the regulation of all RPs and is proportionate to those costs.

Please see Note 4.1 for disclosures related to revenue from contacts with customers.

1.05 Funding

The regulator's activities are part funded by grant-in-aid provided by DLUHC for specified types of expenditure.

Grant-in-aid received to finance activities and expenditure, which support the statutory and other objectives of the regulator, is treated as financing and credited to the income and expenditure reserve in full, because it is a contribution from a controlling party. The net expenditure for the period is transferred to this reserve.

1.06 Pension costs

The regulator accounts for pension costs in accordance with IAS 19 'Employee Benefits'. The regulator's employees are members of the following contributory pension schemes:

- The Homes and Communities Agency Pension scheme
- The City of Westminster Pension Fund

Both schemes are multi-employer defined benefit schemes as described in paragraph 8 of IAS 19 'Employee Benefits'. Plan assets are measured at fair value, and liabilities are measured on an actuarial basis and discounted to present value.

The net obligation for each scheme is recognised within pension liabilities in the Statement of Financial Position. The operating and financing costs of the schemes are recognised separately in the Statement of Comprehensive Net Expenditure. Service costs are spread over the working lives of employees and financing costs are recognised in the period in which they arise. Actuarial gains and losses are recognised in full in taxpayers' equity.

1.07 Holiday accrual

The holiday balance for employees is accrued at the end of the financial period based upon each employee's leave balance in accordance with paragraph 16 of IAS 19 'Employee Benefits'.

1.08 Value added tax

The regulator's activities are outside the scope of value added tax (VAT). Output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of assets.

1.09 Receivables

Receivables are recognised at fair value less provision for impairment. A provision for impairment of receivables is established when evidence supports the view that we will not be able to collect all amounts due in accordance with the original terms of the receivables.

1.10 Regulation reserve

The regulator holds surplus property transferred to it under section 167 of the HRA 2008 (and under previous legislation) within the regulation reserve.

The regulator may transfer such property to other non-profit RPs in accordance with criteria determined by the regulator. In general, surplus property will be used to facilitate strategies for the resolution of serious problem cases, and in some cases may take the form of direct financial assistance.

1.11 Accounting estimates

The value of the regulator's defined benefit pension assets and liabilities are assessed by qualified independent actuaries. In making these assessments, it is necessary for actuarial assumptions to be used which include future rates of inflation, salary growth, discount rates and mortality rates. Differences between those estimates used and the actual outcomes will be reflected in taxpayers' equity in future years.

1.12 Segmental reporting

IRFS 8 requires operating segments to be identified based on internal reports that are regularly reviewed by the Chief Executive. The regulator has one reportable operating segment under IFRS 8 and therefore does not prepare detailed segmental analysis.

1.12 Changes in accounting policy

The regulator has considered, in accordance with IAS 8, whether there have been any changes to accounting policies arising from IFRS and the FReM which have an impact on the accounts or may have an effect on future periods:

IFRS 16 Leases – Date of adoption: 1 April 2022

IFRS 16 requires a lessee to recognise assets and liabilities for leases with a term of more than 12 months. A lessee is required to recognise a right-of-use asset and a lease liability representing its obligation to make lease payments. As a consequence, a lessee also recognises depreciation of the right-of-use asset and interest on the lease liability and classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

The regulator expects the office licenses to contain clauses allowing the landlord the substantive right to substitute the office space thereby not meeting the requirements of an identified asset. As such, IFRS 16 Leases is not expected to impact on the regulator.

IFRS 17 Insurance Contacts – Date of adoption: 1 January 2023

IFRS 17 replaces IFRS 4. The new standard will apply more standardised and rigorous requirements on accounting for insurance contracts, setting out clearer expectations on the recognition, classification and measurement of assets and liabilities in relation to insurance contracts. The implementation is not planned until 2023 and it may require further adaptation for the public sector. As at the reporting date, it is not expected that RSH will be significantly affected by the application of IFRS 17 Insurance Contracts.

1.15 Domicile status and nature

The regulator’s registered office is Manchester, England. The regulator operates solely within England.

The Regulator of Social Housing regulates RPs of social housing to promote a viable, efficient and well-governed social housing sector able to deliver homes that meet a range of needs. We are a statutorily independent regulator, existing as a non-departmental public body, sponsored by DLUHC.

2. Staff costs

	2020/21	2019/20
	£'000	£'000
Total staff costs charged to net expenditure comprise:		
Wages and salaries	9,977	8,741
Social security costs	1,190	1,031
Pension costs	3,799	4,362
Redundancy costs	-	452
Total staff costs	**14,966**	**14,586**

Wages and salaries include £31,000 (2019/20: £33,000) of non-consolidated performance-related pay paid in December 2020.

IAS 19 pension accounting introduces volatility within pension costs. In 2020/21 pension costs were £838,000 higher than the employer pension contributions (2019/20: £2,042,000). Further information on pensions is included within Note 13.

The regulator employed no agency or temporary staff during the reporting period.

The Accountability report includes further details including the average number of staff employed, staff numbers by pay band and exit payments.

3. Other expenditure

		2020/21	2019/20
		£'000	£'000
Purchase of goods and services:			
Corporate services: IT[31]		820	875
Corporate services: office rent under operating leases[32]		767	667
Corporate services: other[33]		257	267
Professional fees		172	99
Data collection system[34]		150	70
Learning and development		142	122
External audit fees		65	60
Legal costs[35]		36	524
Travel and subsistence		5	377
Other		74	74
Total goods and services		**2,488**	**3,135**
Non-cash items:			
Depreciation	5	120	40
Amortisation	6	74	92
Loss on disposal	5	-	38
Total non-cash items		**194**	**170**
Total		**2,682**	**3,305**

[31] IT services are provided by Homes England under a shared service contract.

[32] The regulator has no contingent rents or sublease payments.

[33] Corporate services: other includes human resources, facilities management, finance and internal audit provided by Homes England under a shared service contract.

[34] Data collection system (NROSH+) costs include £42,000 of consultancy related to a technical review of the system and future options (2019/20: £Nil).

[35] 2019/20 legal costs included £467,000 of spend related to a Judicial Review of a regulatory decision about a registered provider. The High Court found in favour of the regulator and made an award of costs recognised within 2019/20 other income.

4. Income

4.1 Revenue from Contracts with Customers

In line with its accounting policy, the regulator has applied the requirements of IFRS 15 'Revenue from Contracts with Customers' to income earned from registration fees charged to private RPs of social housing.

Identification of a contract

There is deemed to be a contract with private RPs in accordance with FReM adaptations of IFRS 15 where the definition of contract is expanded to include the regulator's fee-charging powers set out in Section 117 of the HRA 2008.

Identification of performance obligations

The regulator has determined its performance obligations for each contract type:

- Initial registration fee – initial registration of the provider on the Register of Social Housing
- Annual registration fee – continued registration of the provider on the Register of Social Housing and expenditure on regulation of the social housing sector.

Determination of when performance obligations are satisfied

The initial registration fee performance obligation is satisfied at the point in time that the provider is accepted onto the Register of Social Housing at which point the initial registration fee is payable, within 30 days, and is recognised as an asset by the regulator.

The regulator has determined that the performance obligations for annual registration fees are satisfied over time as the annual registration fee is spent on social housing sector regulation. Annual registration fees for the period 1 April to 31 March are invoiced in advance, at the beginning of March, with payment terms of 30 days, due the first week of April.

Registration fees are set annually with the sector for the period 1 April to 31 March. The fees are dependent upon the number of each private registered provider's owned social housing units. Fees for the reporting period were as follows:

Fee	Fee level 2020/21
Initial registration fee	£2,500
Annual registration fee for small providers (less than 1,000 units)	£300 flat fee
Annual registration fee for large providers (1,000 units or more)	£5.42 per unit

Where annual registration fees received exceed the relevant costs incurred in the period, the unspent fees are rebated to large providers proportionately to the fee paid. A rebate is not provided to either small providers (with fewer than 1,000 units) or in relation to the initial registration fee as costs are proportionate to the fee charged. The rebate due to RPs for unspent 2020/21 annual registration fees is shown as a liability within the Statement of Financial Position.

Contracts do not have a financing component.

Allocation of transaction price to performance obligations

The initial registration fee income is recognised at the point in time that a provider is registered on the Register of Social Housing.

Annual registration fees are recognised as costs are incurred, with any unspent annual fees rebated to large providers once the regulator's accounts for that period have been laid before Parliament. This provides a faithful depiction of the transfer of services as there is a direct relationship between incurred expenditure and regulation of the social housing sector.

Contract income

The regulator recognised the following registered provider fee income:

	2020/21	**2019/20**
	£'000	£'000
Initial registration fee	32	15
Annual registration fee	12,404	11,752
	12,436	**11,767**

Contract balances

There are £3,000 (2019/20: £8,000) of initial registration fees due but not received as at 31 March 2021. Contract balances related to registered provider annual fees are disclosed below:

	Receivables asset £'000	Registered provider fee rebate £'000	Registered provider deferred fees £'000
As at 1 April 2019	**1**	**(2,170)**	**(5,428)**
2018/19 fee rebate	-	2,170	-
2019/20 fees	2	-	(7,304)
Income recognised	-	-	11,752
Transfer to 2019/20 rebate	-	(980)	980
Prepayment of 2020/21 fees	-	-	(6,062)
As at 1 April 2020	**3**	**(980)**[36]	**(6,062)**[37]
2019/20 fee rebate	-	980	-
Payment of historic fees[38]	(2)	-	-
2020/21 fees	1	-	(8,676)
Income recognised	-	-	12,404
Transfer to 2020/21 rebate	-	(2,334)	2,334
Prepayment of 2021/22 fees	-	-	(6,783)
As at 31 March 2021	**2**	**(2,334)**[39]	**(6,783)**

An impairment gain of £1,000 (2019/20: £1,000 loss) has been recognised related to historical fees which have been settled. The regulator provides in full for any annual registration fee more than three months overdue.

[36] Unspent 2019/20 annual registration fees were rebated in December 2020

[37] Cash received for 2020/21 annul registration fees in 2019/20

[38] Collection of outstanding annual registration fees from periods prior to 2020/21

[39] Unspent 2019/20 annual registration fees will be rebated to registered providers during 2021/22

4.2 Other income

	2020/21	2019/20
	£'000	£'000
Recovery of legal fees	-	337
The Housing Finance Corporation Ltd director fee	17	17
Affordable Housing Finance Plc director fee	16	17
Digital Apprenticeship Service	12	-
Secondment recharge	-	8
	45	**379**

Recovery of legal fees in 2019/20 related to a Judicial Review of a regulatory decision about a registered provider which found in favour of the regulator and made an award of costs.

Director fees relate to the employee nominated by the regulator as director of the Housing Finance Corporation Ltd and Affordable Housing Finance Plc.

Income received from the Digital Apprenticeship Service account has been recognised as income at the same point in time that associated expense for apprentice training services has been recognised, as per IAS 20.

5. Property, plant and equipment

PPE relates to IT equipment, predominately staff laptops.

	2021	2020
	£'000	£'000
Cost:		
At 1 April	350	65
Additions	48	347
Disposals	(1)	(62)
As at 31 March	**397**	**350**
Depreciation:		
At 1 April	26	10
Charged in period	120	40
Disposals	(1)	(24)
As at 31 March	**145**	**26**
Carrying value as at 31 March	**252**	**324**

6. Intangible assets

Intangible assets relate to the NROSH+ system development costs. NROSH+ is used by RPs to submit information to the regulator electronically.

	2021 £'000	2020 £'000
Cost:		
At 1 April	249	249
Additions	-	-
As at 31 March	**249**	**249**
Amortisation:		
At 1 April	138	46
Charged in period	74	92
As at 31 March	**212**	**138**
Carrying value as at 31 March	**37**	**111**

7. Cash and cash equivalents

	2021 £'000	2020 £'000
Opening balance	10,726	10,207
Net change in cash balances	1,769	519
Cash balances as at 31 March	**12,495**	**10,726**
The following cash balances at 31 March were held:		
General bank account	10,502	8,733
Section 167 bank account	1,993	1,993
Cash at bank	**12,495**	**10,726**

The regulator's cash balances are held within the Government Banking service. The section 167 bank account holds regulation reserve cash detailed in Note 1.10.

8. Trade and other receivables

Amounts falling due within one year	2021 £’000	2020 £’000
Prepayments	79	55
Accrued Income	-	337
Employee loans	1	8
Registered provider initial fees	3	8
Registered provider annual fees	2	3
	85	**411**

2020 accrued income primarily related to court awarded costs detailed in Note 4.2.

9. Trade payables and other current liabilities

Amounts falling due within one year	Note	2021 £’000	2020 £’000
Employee holiday balance		703	382
Accruals		535	849
Trade payables		2	566
		1,240	**1,797**
Registered provider deferred fees	4.1	6,783	6,062
Registered provider fee rebate	4.1	2,334	980
		10,357	**8,839**

10. Commitments under leases

When the regulator became standalone on 1 October 2018 it occupied office space under arrangements with Homes England which held the primary relationship with the landlord. As discussed in Note 11, the regulator has a shared service contract with Homes England until 30 September 2022, and the office element of the shared service contract is considered an operating lease and the related commitments are disclosed.

Homes England recharge to the regulator office costs based upon relative desk allocations for each office providing the regulator with open book accounting. The recharged office costs reflect Homes England's payments with their landlords. The shared service contract contains a 12-month break clause with no automatic renewal beyond 30 September 2022.

The regulator has changed to paying for three office locations directly with the relevant landlords and not via the Homes England shared service contract. The regulator is in the process of entering into contracts for these offices with Government bodies.

There are currently no lease commitments for the three office locations not paid under the Homes England shared service contract nor the two office locations paid under the Homes England shared service contract post 30 September 2022.

The aggregate minimum lease payments are as follows:

Land and buildings	**2021**	**2020**
	£'000	£'000
Payable within 1 year	134	139
Payable later than 1 year and not later than 5 years	68	214

11. Other financial commitments

The regulator entered a shared service contract with Homes England for the provision of corporate services covering facilities, IT, HR, finance and internal audit for the period 1 October 2018 to 30 September 2022. The contract contains a 12-month break clause.

The contract is covered by *Managing Public Money* principles published by HM Treasury which prevents Homes England from profiting from or subsidising the cost of services provided to the regulator. Costs of the Homes England shared service contract are reviewed annually under the terms of the contract

The expected costs, excluding the office rent charges disclosed in Note 10, under the Service Level Agreement are set out below:

	2021	**2020**
	£'000	£'000
Payable within 1 year	1,166	1,091
Payable later than 1 year and not later than 5 years	595	1,681

12. Related party transactions

The regulator is a non-departmental public body sponsored by DLUHC which is regarded as a related party. During the year, the regulator has had material transactions with DLUHC, principally grant-in-aid payments, and with Homes England, which provides the regulator with corporate services, for which DLUHC is regarded as the parent department.

In addition, the regulator has had various material transactions with other Government departments and other central Government bodies. Most of these transactions have been with National Institute for Health and Care Excellence and the Government Property Agency and relate to office rent and service charges.

No Board member, key manager or other related parties has undertaken any material transactions with the regulator during the period.

13. Pensions

The regulator's employees are able to participate in one of the following contributory pension schemes depending on their employment start date:

- The Homes and Communities Agency Pension Scheme (HCAPS)
- The City of Westminster Pension Fund

Both schemes are multi-employer defined benefit schemes as described in paragraph 7 of IAS 19 Employee Benefits. HCAPS operates both a final salary and a career average tier. The City of Westminster Pension Fund is a Local Government Pension Scheme (LGPS) which changed from a final salary to career average basis for benefits accruing from 1 April 2014. New employees can only participate in the HCAPS career average scheme. Further information on the funding arrangements for the schemes is contained within Note (k) below.

Homes England, as the principal employer of HCAPS, leads on monitoring of HCAPS and the trustee relationship. HCAPS trustees review the scheme's investment portfolio on a regular basis including liability hedging to match the scheme's liabilities.

The City of Westminster is the administering authority for the City of Westminster Pension Fund and it administers the LGPS on behalf of all participating employers including the regulator. The City of Westminster has delegated decisions in relation to the scheme to a Pension Fund Committee which has responsibility for all aspects of investment activity. The Pension Fund Committee agrees the investment strategy and strategic asset allocation considering the liabilities and risks of the scheme.

Valuations of the regulator's assets and liabilities in each scheme as at 31 March 2021 have been prepared in accordance with IAS 19 and the results are disclosed in Note (a) below. Note (b) below details the key assumptions used by each of the scheme actuaries in preparing the valuations.

An allowance has been made for the Court of Appeal judgement in relation to the McCloud & Sargeant cases which relate to age discrimination within the Judicial & Fire Pension schemes respectively. This was incorporated into the accounting results as at 31 March 2020 within past service costs. On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The actuary does not believe there are any material differences between the approach underlying our estimated allowance and the proposed remedy. The judgement does not impact HCAPS.

a. Pension (liabilities) / assets

	HCAPS £'000	LGPS £'000	Total £'000
31 March 2020:			
Fair value of employer assets	9,662	29,054	38,716
Present value of funded liabilities	(10,008)	(34,191)	(44,199)
Net surplus / (deficit)	**(346)**	**(5,137)**	**(5,483)**
31 March 2021:			
Fair value of employer assets	18,416	40,029	58,445
Present value of funded liabilities	(19,502)	(48,057)	(67,559)
Net (deficit)	**(1,086)**	**(8,028)**	**(9,114)**

b. Actuarial assumptions

Financial assumptions:

	31 March 2021		31 March 2020	
	HCAPS	**LGPS**	**HCAPS**	**LGPS**
Inflation (CPI)	2.80%	2.80%	2.00%	1.85%
Pension increases	2.90%[40]	2.80%	2.10%	1.85%
Salary increases	3.30%	3.80%	3.50%	2.85%
Discount rate	2.10%	2.00%	2.30%	2.35%

Mortality assumptions at 65:

	31 March 2021		31 March 2020	
	HCAPS	**LGPS**	**HCAPS**	**LGPS**
Male – retiring today	22.8	21.6	23.0	21.8
Male – retiring in 20 years	24.1	22.9	24.4	23.2
Female – retiring today	24.2	24.1	24.8	24.4
Female – retiring in 20 years	25.7	25.3	26.6	25.8

[40] Post 88 Guaranteed Minimum Pension benefits are assumed to increase by 2.20% as part of the inflation increase is paid along with the State Pension.

c. Fair value of employer assets

			31 March 2021	31 March 2020
	HCAPS	LGPS	Total	Total
	£'000	£'000	£'000	£'000
Equities - quoted	5,176	28,270	33,446	21,025
Multi asset credit - unquoted	-	2,199	2,199	1,742
Bonds - quoted	7,906	5,501	13,407	10,148
Investment funds - quoted	3,632	-	3,632	1,939
Property & infrastructure - unquoted	1,074	2,620	3,694	3,318
Cash & cash equivalents	628	1,439	2,067	544
	18,416	**40,029**	**58,445**	**38,716**

The classification of assets has been reanalysed. Multi asset credit investments, previously classified within quoted equities, have been reclassified into their own classification based upon the advice of the scheme actuary.

d. Charge to net expenditure

			2020/21	2019/20
	HCAPS	LGPS	Total	Total
	£'000	£'000	£'000	£'000
Amounts charged to net operating expenditure:				
Current service costs	2,383	1,259	3,642	3,450
Past service costs	-	-	-	1,007
Expenses	60	31	91	58
	2,443	**1,290**	**3,733**	**4,515**
Amounts charged to finance costs:				
Interest charged to liabilities	226	805	1,031	1,047
Expected return on assets	(241)	(698)	(939)	(943)
	(15)	**107**	**92**	**104**
Recognised in Statement of Comprehensive Net Expenditure	**2,428**	**1,397**	**3,825**	**4,619**

e. Amounts recognised in income and expenditure reserve

			2020/21	2019/20
	HCAPS	LGPS	Total	Total
	£'000	£'000	£'000	£'000
Actuarial losses / (gains)	**38**	**2,663**	**2,701**	**(2,133)**

f. Reconciliation of fair value of employer assets

	HCAPS	LGPS	2020/21 Total	2019/20 Total
	£'000	£'000	£'000	£'000
Fair value of employer assets at 1 April	**9,662**	**29,054**	**38,716**	**37,219**
Expected return on assets	241	698	939	943
Contributions by member	348	342	690	706
Contributions by employer	1,726	1,169	2,895	2,473
Actuarial gains	6,844	8,981	15,825	(2,334)
Expenses	(60)	(31)	(91)	(58)
Insurance premiums for risk benefits	(8)	-	(8)	(7)
Benefits paid	(337)	(184)	(521)	(226)
Fair value of employer assets at 31 March	**18,416**	**40,029**	**58,445**	**38,716**

g. Reconciliation of defined benefit obligation

	HCAPS	LGPS	2020/21 Total	2019/20 Total
	£'000	£'000	£'000	£'000
Defined benefit obligation at 1 April	**10,008**	**34,191**	**44,199**	**42,689**
Current service cost	2,383	1,259	3,642	3,450
Past service costs	-	-	-	1,007
Interest costs	226	805	1,031	1,047
Contributions by members	348	342	690	706
Insurance premiums for risk benefits	(8)	-	(8)	(7)
Actuarial losses/(gains) – demographic	(644)	(639)	(1,283)	(1,326)
Actuarial losses/(gains) – financial	2,793	12,479	15,272	(4,582)
Actuarial losses/(gains) – effect of experience	4,733	(196)	4,537	1,441
Benefits paid	(337)	(184)	(521)	(226)
Defined benefit obligations at 31 March	**19,502**	**48,057**	**67,559**	**44,199**

h. Sensitivity analysis as at 31 March 2021

The primary assumptions used in calculating the defined benefit obligation are discount rate; inflation increases; salary increases; and mortality expectations. The assumptions used are detailed in Note (b) above.

The assumptions are determined by independent professional actuaries whose work is compliant with Technical Accounting Standard 100: Principles for Technical Actuarial Work as issued by the Financial Reporting Council. IAS 19 sets out the principles underlying the setting of assumptions, that they should be based on the best estimate of future experience. Assumptions should also reflect market conditions at the reporting date, including demographic assumptions and the mix of membership.

The defined benefit obligation has the following sensitivities to the assumptions used:

Adjustment to discount rate	**+0.25%**	**Current**	**-0.25%**
	£'000	£'000	£'000
Present value of total obligation	63,796	67,559	71,580
Movement	(3,763)		4,021

Adjustment to inflation	**+0.25%**	**Current**	**-0.25%**
	£'000	£'000	£'000
Present value of total obligation	70,845	67,559	64,493
Movement	3,286		(3,066)

Adjustment to salary increase	**+0.25%**	**Current**	**-0.25%**
	£'000	£'000	£'000
Present value of total obligation	68,422	67,559	66,717
Movement	863		(842)

Adjustment to life expectancy	**+1 year**	**Current**	**-1 year**
	£'000	£'000	£'000
Present value of total obligation	68,714	67,559	66,479
Movement	1,155		(1,080)

i. Expected future cash flows

The expected employer pension contribution for the year to 31 March 2022 is:

	HCAPS £'000	LGPS £'000	Total £'000
Expected employer contribution	1,776	1,169	2,945

j. Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is approximately 20 years for HCAPS as a whole scheme and 24 years for the regulator's section of the LGPS.

k. Funding arrangements

Contribution rates for each scheme are reviewed at least every three years following a full actuarial valuation. The funding strategy in each case is set to target a fully funded position, subject to an acceptable degree of risk as decided by the schemes' trustees.

HCAPS is a multi-employer scheme that does not operate on a segregated basis. Therefore, the assets and liabilities are not separately identified for individual participating employers. Benefit obligations are estimated using the Projected Unit Credit Method. There are no formal arrangements in place for the allocation of a deficit or surplus on the wind-up of the plan or the regulator's withdrawal from the plan. Under both scenarios, exit debts could become payable under Section 75 of the Pensions Act 1995.

Assets and liabilities for all employers in LGPS funds are identifiable on an individual employer basis. However, it should be noted that the allocation of assets to the regulator's section of the fund is notional as the assets themselves are held in respect of the City of Westminster Pension Fund. There are no minimum funding requirements or winding up provisions in the LGPS. Any deficit or surplus on withdrawal is required to be settled between the fund and the withdrawing employer.

HCAPS use asset-liability matching strategies to hedge interest and inflation risk through liability driven investments and derivatives. LGPS does not use any explicit asset-liability matching strategy.

As both schemes are multi-employer, there is an orphan liability risk where employers leave either scheme but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers if this is not funded by the exiting employer.

14. Financial instruments and related risks

In accordance with FReM and IFRS 7, the regulator's accounts must disclose material financial instrument risk.

Credit risk

The regulator is exposed to credit risk from its Trade and Other Receivables, whereby there is a risk that counterparties will not settle outstanding amounts as they fall due. Balances are detailed within Note 8. The credit risk arising from these balances is not considered significant.

Market risk

The regulator's deposits are held within the Government Banking service. The regulator is exposed to market risk through its pension schemes detailed within Note 13.

Liquidity risk

The regulator receives regulation fee funding at the start of the financial year which is spent throughout the financial year. In addition to this, the regulator receives monthly grant-in-aid funding from DLUHC. The regulator maintains surplus funds within instant access accounts which totalled £12,495,000 as at 31 March 2021 (31 March 2020: £10,726,000). Liquidity risk is not considered significant.

16. Events after the reporting period

There have been no significant events after the reporting period date requiring disclosure.

The Accounting Officer authorises these Financial Statements for issue on the date certified by the Comptroller and Auditor General.

Accounts Direction

REGULATOR OF SOCIAL HOUSING

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE WITH THE CONSENT OF THE TREASURY, IN ACCORDANCE WITH SECTION 100C OF THE HOUSING AND REGENERATION ACT 2008.

1. The annual Financial Statements of the Regulator of Social Housing (hereafter in this accounts direction referred to as "the Regulator") shall give a true and fair view of the income and expenditure, cash flows for the year and the state of affairs at the year end. Subject to this requirement, the Financial Statements for 2018/19 and for subsequent years shall be prepared in accordance with:

    (a) the accounting and disclosure requirements given in Managing Public Money and in the *Government Financial Reporting Manual* issued by the Treasury ("the FReM") as amended or augmented from time to time;

    (b) any other relevant guidance that the Treasury may issue from time to time;

    (c) any other specific disclosure requirements of the Secretary of State;

    insofar as these requirements are appropriate to the Regulator and are in force for the year for which the Financial Statements are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the Financial Statements.

2. This direction shall be reproduced as an appendix to the Financial Statements.

3. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State for the Ministry for Housing, Communities and Local Government

Robert Jenrick.

An officer in the Ministry for Housing, Communities and Local Government

Date: 25 September 2019

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978-1-5286-2916-4