Regulator of Social Housing

Annual Report and Accounts 2021-22

For the period 1 April 2021 to 31 March 2022

HC 769

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[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.

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Chair's foreword

I am pleased to welcome you to RSH's Annual Report and Accounts for 2021-22 as its recently appointed new Chair. This is a good opportunity to look back over what has been an eventful year for the sector, and for us to be able to reflect on our continued delivery as a regulator ensuring a stable environment for providers to deliver quality homes and services for tenants. I would also like to take this opportunity to extend my thanks on behalf of the whole Board to my predecessor Simon Dow for his prudent and skilful steering of the organisation over the last 5 years.

This period saw the sector, and the regulator, slowly being able to return to some normality, albeit continuing to deal with the longer-term impacts of the pandemic. Our focus throughout the year has been to deliver effective regulation that supports continuing confidence in the social housing sector. Following the easing of Covid-19 restrictions we were able to resume our programme of In Depth Assessments (IDAs) with larger private registered providers. During 2021/22, our IDAs focused on Boards' assurance that their organisations are managing landlord health and safety and building safety risks, and on the quality of stock condition information.

In addition to our planned programme of economic regulation, we have continued to respond to new issues of concern relating to the economic standards, particularly in relation to the Rent Standard. In the year we saw an increase in the number of rent related cases, which reflects the positive trend we are seeing for providers to review their rents and rent setting processes and self-refer potential breaches of the Rent Standard to the regulator.

We have also continued to actively engage with providers where material concerns about a breach of our consumer standards were identified during the year, particularly with local authorities, who made up over half of our non-compliant cases. We were heartened that all five local authorities where we found a breach of the consumer standards, self-referred the matters to us. This demonstrates they understand their responsibilities and want to work with us in a co-regulatory way to resolve the issues.

We are making good progress with our work to develop a proactive consumer regulation regime, in readiness for the enactment of the Social Housing (Regulation) Bill. We have recently launched the Tenant Satisfaction Measures (TSMs), which we consulted the sector on during this period, and were extremely pleased with the level of responses we received, particularly from social housing tenants. Registered providers will need to collect and report on their TSM data from April 2023. We are also moving forward with our review of the consumer standards, which we will be consulting on next year. In this work, we are building on the best aspects of the existing consumer standards, as well as incorporating the new expectations set out in the Bill and the Social Housing White Paper.

As an organisation on the cusp of significant change, we have made great strides already over the last year to begin putting in place the necessary structural and cultural changes, to ensure we deliver effective, joined-up, proactive consumer and economic regulation. Bringing in new colleagues with new skills and developing a new regulatory focus, informed by extensive engagement with stakeholders and social housing tenants in particular. We have further to go on this journey, but I am proud of the progress that we have already made.

Over the coming year, I look forward to working together as an organisation and with our key stakeholders to deliver both continued financial stability in the sector and improved outcomes for tenants as we gear up for proactive consumer regulation.

Bernadette Conroy
Chair

Chief Executive's statement

Introduction

This is the fourth Annual Report of the Regulator of Social Housing and covers the period April 2021 to March 2022.

This period began with the sector beginning to recover from what had been a highly challenging and unprecedented year, due to the covid-19 pandemic and associated periods of restrictions. Providers demonstrated their ability to adapt during this time by redesigning their services and moving to new ways of communicating with their tenants. In turn, we tailored our regulatory activity and engagement accordingly to minimise the regulatory burden on providers at such a difficult time, while also undertaking additional monitoring of the risks to tenant safety and essential service delivery.

The end of this period saw the early signs of rising inflation and increasing costs. These have translated into an extremely uncertain economic environment, which has meant providers facing continually increasing costs, a more uncertain income stream and higher borrowing costs.

In the face of these challenges, the sector as a whole has continued to demonstrate its financial resilience and its focus on supporting tenants, who are being impacted by the cost-of-living increases. We continue to track the impact of these challenges on the sector closely, through our ongoing monitoring of key financial metrics, stakeholder and regulatory engagement and our analysis of sectoral risks. I am proud of the work that the regulator has done over this period to ensure providers remain financially viable and tenants are protected.

Delivering effective regulation

We continued to analyse sector risks and challenges and share this understanding with stakeholders by publishing our annual Sector Risk Profile. The ongoing economic outlook and uncertain operating environment present a range of material risks for providers. Our publication cautioned providers about substantial ongoing uncertainty as the UK and global economies emerged from the pandemic, and of providers' increased reliance on debt to fund their strategic objectives. We were seeing early signs of what has become a far more volatile and unsettled macroeconomic period for the country as a whole, with rising interest rates and a cost-of-living crisis. We continue to track the impact of the economic environment on the ability of providers to remain compliant with the standards.

We continued to deliver effective regulation during this period. We reverted to our standard data submissions and other regulatory requirements, while carrying on with In Depth Assessments, albeit remotely at first and then moving to more in person engagement.

The Coronavirus Operational Response Survey, which we ran alongside the Quarterly Survey to allow us to understand the operational and financial challenges caused by the pandemic, was closed. This temporary survey provided us with assurance that providers were maintaining key services to ensure tenants' safety throughout this period. It also provided us with timely data to inform our engagement with providers who were experiencing difficulties delivering key services during the periods of lockdown. We also completed our annual stability programme and quarterly surveys work.

There has been increased scrutiny of the sector over the period, which highlighted the poor quality of some social housing and the services being delivered to tenants. Our message throughout has been to urge providers to ensure their homes of a decent quality and to respond to their tenants and put things right where they can.

During this period, our IDA programme has focused heavily on the assurance that Boards have that their organisations are managing landlord health and safety and building safety risks; and on their assurance of the quality of their stock condition information and how this is being used to ensure that operational and financial plans will deliver their objectives of ensuring tenants' homes meet the Decent Homes Standard and are well maintained, energy efficient and safe.

In our annual Consumer Regulation Review, we highlighted the importance of providers keeping tenants safe in their homes and carrying out repairs effectively and reminded providers that openness with the regulator is at the heart of our co-regulatory approach.

In addition to our planned work, we have continued to respond to new issues of potential concern relating to the economic standards as they emerge. In the year we saw an increase in the number of rent related cases which in part has been a result of our increased regulatory focus on this issue. This in turn has led to an increased focus by providers on their approach to rent setting.

We welcomed the results of our most recent stakeholder survey, with at least 77% of respondents agreeing that:

- the regulatory framework and our approach to regulation are consistent with our objectives on economic regulation
- the regulatory framework and our approach to regulation are consistent with our objectives on consumer regulation
- our approach to regulation is risk-based, assurance-based and co-regulatory, and we meet our objectives to be proportionate and minimise interference
- our regulatory staff are knowledgeable about the nature and complexity of the sector.

These results demonstrate that stakeholders are confident both in our regulatory approach and in the capability of our staff.

An inquiry into the regulation of social housing was launched by the Levelling Up, Housing and Communities' (LUHC) Committee in 2021, for which we provided both written and oral evidence. We have recently responded to the Committee's inquiry report.

We also submitted evidence to LUHC's Committee's inquiry on exempt accommodation and attended an inquiry session as a witness.

Developing our approach to consumer regulation

Since the publication of the Social Housing White Paper in November 2020, we have been developing our approach to a more proactive consumer regulation regime. Our new Director of Consumer Regulation, and three new Board members who all joined us in July 2021, have added their invaluable skills and experience to our work designing a revised consumer regulatory framework. We also started the process of building our consumer regulation team ahead of our expanded remit. This team is both supporting the development of our new consumer framework and approach and is enabling us to respond effectively to an increased case load of current consumer regulation casework.

During the period, we set out our initial thinking about how we will put in place the changes to consumer regulation and how we intend to regulate proactive consumer regulation. We will use the same principles we apply to economic regulation; being co-regulatory, proportionate, and risk- and assurance-based in approach as well as focusing on outcomes.

In developing revised consumer standards, we are building on the best aspects of the existing standards as well as incorporating the new expectations set out in the white paper and matters on which we are directed. We have identified six themes the standards will cover: safety, quality, neighbourhood, transparency, engagement and accountability, and tenancies. The detail of the standards is being developed and will be subject to full consultation in 2023.

To support the new standards, we are in the process of designing a new approach to proactive consumer regulation – including tools such as consumer regulation inspections and desk-top reviews – and will collect data from new TSMs. Over this period, we spoke to tenants, landlords and sector representatives to help us develop our proposals for the TSMs. Our aim has been to introduce a set of TSMs that are comparable between landlords but also allow enough flexibility so that landlords can ensure their information is relevant to them and their tenants and will help them manage their own performance. We consulted on a draft set of TSMs earlier this year and were very pleased at the level of response to our proposals, particularly from tenants.

We have recently published the outcome and requirements registered providers will need to follow to collect TSM data from 1 April 2023. The launch of TSMs is one part of the move to proactive consumer regulation.

We are continuing to develop the consumer regulation framework, ensuring we have the necessary resources and skills to implement the new regime, in anticipation of the necessary legislation.

Developing our people

We have continued to support the wellbeing of our staff as we moved into the post-pandemic period. This support included staff training on mental health first aid, regular staff wellbeing surveys to find out what more we could do for staff as our offices opened again, and the launch of a staff wellbeing app. We ran a staff survey, which nearly 90% of staff took part in. The results were overwhelmingly positive, with 96% of staff agreeing that they have a clear understanding of the regulator's purpose, and 85% feeling good about the work they are doing. A number of new staff joined the regulator during the pandemic, and one of our key priorities has been to provide them with a robust induction and appropriate learning and development opportunities.

We published our second equalities information report, which included an ethnicity pay gap report. We will continue to be transparent, to fully support our approach to ensuring that we offer a diverse and inclusive workplace for all staff, present and future.

We are delighted that Bernadette Conroy has joined the organisation as our new Chair, and we look forward to working closely with her. We thank Simon Dow, our outgoing Chair, for his many years of service, his dedication and contribution to the successful running of the organisation.

We will continue with our aim to be an agile, risk-based regulator, building on the strength of our economic regulation in order to develop our new proactive consumer regulatory role. We are greatly aware of the challenging times ahead for providers and for their tenants, and we will preserve the effectiveness of our economic regulation, while progressing with our work to shift to a more proactive consumer regulatory role.

Fiona MacGregor
Chief Executive

Performance report

Performance overview

This overview provides information on the Regulator of Social Housing for the period from 1 April 2021 to 31 March 2022. It includes our main objectives and activities, the key risks we face and our approach to them, and a summary of our performance 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). 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 and maintain homes of appropriate quality 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.

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 economic remit is proactive, and we actively assess the performance of private registered providers. We have published three economic standards setting out our expectations for registered providers:

- Governance and Financial Viability
- Value for Money
- Rent

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 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.

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. We have published four consumer standards setting out our expectations for registered providers:

- Home
- Neighbourhood and Community
- Tenancy
- Tenant Involvement and Empowerment

Our consumer remit extends to all registered providers including local authority landlords.

The Social Housing White Paper[2] was published in November 2020 and its recommendations are taken forward by the Social Housing (Regulation) Bill published in June 2022. The Bill includes proposals that will expand our consumer regulation role in the future and require a new consumer regulation framework to be brought into effect.

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.

[2] White Paper: A Charter for Social Housing Residents

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 proportionate, assurance-based co-regulation focused on risk
- 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 2021-22 is described on pages 18 to 29.

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 and maintain homes of appropriate quality 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 we expect providers to self-refer when they know they are in breach of our standards.

This also 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-focused 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 In Depth Assessments 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 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.
Consumer Regulation	Set up during 2021-22 in preparation for our expanded role and to take on the existing reactive regulation and investigation of serious cases of potential non-compliance with the consumer regulatory standards in line with our fundamental objectives.

Team	Responsibilities
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 (page 44) 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.

We carried out a full review of our strategic risk register with the Regulation Executive Group (REG), the Audit and Risk Assurance Committee (ARAC) and Board in 2021-22 in response to a changing operating environment and its impact on our risk exposure. As part of this, we reviewed the good practice set out in the Government's Orange Book: Management of Risk and its subsidiary documents, the Risk Appetite Guidance Note, Risk Management Skills and Capabilities Framework and the Good Practice Guide: Risk Reporting. We also looked at National Audit Office (NAO) guidance on risk management.

Both the size and type of registered providers that operate within the sector and the range of activities they undertake continue to evolve. There has also been an increased market focus amongst 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 cannot deal appropriately with a provider, because our powers/ remit are inadequate. This encompasses changes to Government policy, drafting of relevant legislation and electoral or Departmental changes. We seek to manage this risk by developing and maintaining relationships with Government and sector stakeholders, collaborating with DLUHC through the provision of analysis and feedback on draft legislation, as well as ensuring we have appropriate capacity and capability to deal with cases.

Linked to this is the risk that we cannot manage conflicting stakeholder expectations or demands. Social housing has a high profile currently, due to the media interest arising from the Social Housing Bill and the three recent Select Committee inquiries into social housing regulation, exempt accommodation and building. The laying of the Social Housing (Regulation) Bill on 8 June 2022 helped provide some certainty on the future direction of consumer regulation but it also brought increased expectations on us to move forward with implementation. We are successfully engaging with and developing relationships with key stakeholders but are cognisant of the fact that the range of stakeholder and the varying, and sometimes competing, views they hold means that we are likely to need to continue to tolerate our level of exposure on this risk.

Failure to implement proactive consumer regulation which is deliverable in line with our fundamental objectives and which is, and is seen to be, proportionate, fair and consistent is one of our most critical risks. We are conscious the political and funding environment is subject to change and there are still 18 months to implementation of proactive consumer regulation. While we have a high level of confidence in the internal controls we have in place, we are not able to control the wider operating environment or the actions of our stakeholders, although we aim to influence where we can.

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. We have increased capacity and capability 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. Staff turnover remains within target levels and we have to date been able to bring in new skills, knowledge and perspectives while retaining expertise. We recognise the increasing competitiveness of the recruitment market and will continue to focus on ensuring we can attract a diverse pool of talented candidates.

Looking after staff wellbeing has continued to be critical to our ability to continue to operate effectively, as personal impacts of the pandemic continued to materialise during 2021-22. We put in place additional arrangements to support staff, including introducing mental health first aiders. We continued to check in on staff through staff engagement in 2021-22 which provided assurance that we had appropriate support in place.

While much of our risk management activity in 2020-21 was concerned with responding to the Covid-19 pandemic, we were able to scale this back in 2021-22. The changes to regulatory activity and data collection we put in place in 2020-21 provided us with assurance over the sector's ability to withstand the challenges posed by the pandemic. In 2021-22 we were able to regulate in line with our usual approaches.

Going concern

Our net liabilities reflect the inclusion of pension obligation liabilities falling due in future years, which will be funded from registered provider fees, charged under Section 117 of the HRA 2008, and grant-in-aid from DLUHC.

The HRA 2008 empowers the regulator to collect registration fees from the social housing sector annually to match expenditure and grant-in-aid has been approved by DLUHC for the year ending 31 March 2023.

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 continued to be strong in our third full year of operation as a standalone organisation, especially given the ongoing 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[3]. 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 and 2021-22 with some adjustments to respond to the early stages of the Covid-19 pandemic.

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 reduced levels of registration activity in 2021-22 with 86 applications from organisations interested in joining the sector compared to 117 the previous year. We maintained performance against our service standard for assessing preliminary registration applications at 100%.

In response to the publication of the Social Housing White Paper, in 2021-22 we extended our engagement with key stakeholders on consumer regulation, starting to develop, test and consult on the building blocks of proactive consumer regulation. This work is informing the development of our future regulatory approach in anticipation of the passage of the Social Housing (Regulation) Bill. This included a consultation on the TSMs[4], our first consultation relating to the new consumer regulation regime. We have welcomed the increased focus on social housing over the last year with the announcement of three Select Committee inquiries into social housing regulation, exempt accommodation and building safety, putting together both written and oral evidence to support the inquiries.

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

[4] Consultation on the introduction of tenant satisfaction measures - 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, investing in supporting front-line regulation and corporate resilience, as well as starting to put in structures and resources that will be needed to prepare for and deliver proactive consumer regulation.

While our size does not require it, we published both our gender pay gap and ethnicity pay gap reports[5]. The majority of our staff are female, with female staff representing a minimum of 55% of all pay quartiles. The proportion of female staff is higher in the lower middle and lowest pay quartiles of our organisation (75% and 67% respectively), which results in a gender pay gap in favour of male staff. While the mean gender pay gap has remained broadly consistent with the previous year, our median pay gap increased by 5.7% between the years 2019-2020 and 2020-21.

We published our second ethnicity pay gap report this year. While 16% of our workforce is from a minority background, this reduces to 2.3% in the upper levels of our organisation. Consequently, we have an ethnicity pay gap in favour of white staff. During 2020-21 we did a significant amount of work to deliver our Equality, diversity and inclusion strategy and action plan, which was approved in June 2021. A key focus of the plan now and in future years is our approach to recruitment and how this can help us to improve the diversity of staff at senior levels.

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 2022.

[5] Equality information and pay gap reports - 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 page 10) 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 2021-22 we had 46 business plan activities which we used to track and measure our performance. On 31 March 2022, 43 activities were completed for the year, with the remaining three completed by the end of Q1 2022-23 or subsumed into 2022-23 activities.

We do not set volume based 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[6] 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 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.

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.

[6] RSH stakeholder surveys - GOV.UK (www.gov.uk)

- 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.

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[7] which include analysis on provider returns in relation to short to medium-term finances

- the Global Accounts[8] which show the aggregate financial performance and strength of the private registered provider sector

- the Sector Risk Profile[9] which identifies for providers and their Boards issues of particular concern

- the Consumer Regulation Review[10] 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*[11], which gives an analysis of providers' performance in relation to value for money.

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.

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

Priority 2: Deliver intelligence-led regulation

Regulating providers with more than 1,000 homes

Our planned regulatory engagement with larger private 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 information to support our proactive regulation against the economic standards.

During 2021-22, following the easing of Covid-19 lockdown restrictions we were able to resume our standard regulatory approach to the delivery of IDAs through a mixture of in person visits and virtual meetings. We have continued to carry out IDAs with larger private registered providers with timings and the scope of the IDA work, based on individual registered provider risk profiles but with all larger providers receiving an IDA at least once every four years. While individual IDAs are tailored to ensure that we focus on the issues that are most pertinent to a particular provider's risks to compliance, we will always focus on how well the Board is delivering its strategic aims and managing its risks effectively. During 2021-22 IDAs have focused heavily on the assurance that Boards have that their organisations are managing landlord health and safety and building safety risks; and on the quality of stock condition information and how this is being used to ensure that operational and financial plans are keeping tenants' homes well maintained, energy efficient and safe.

For larger, more complex private registered providers or other private registered providers that may be planning a significant shift in strategy or have recently undergone a merger, we have maintained engagement with their executive teams when we have not carried out an IDA to maintain our understanding of their organisations.

Common themes that have emerged from IDAs and other provider meetings during 2021-22 include recovery from repair and development programme delays caused by Covid-19 lockdown measures, pressures on repairs services exacerbated by materials and labour shortages and inflation, provider plans to improve customer services with a particular focus on repairs services and dealing with complaints and the tensions posed by strategic investment decisions around existing stock and new development.

We completed the annual Stability Check programme which is a financially based assessment of providers' updated business plans and annual accounts. It focuses on indicators of financial robustness and considers evidence of any significant changes in risk profile. Of note during 2021-22 was the increase in the number of providers making financial provision for stock improvement work and in particular work to bring the energy efficiency of homes up to EPC C by 2030.

We completed work on four quarterly surveys. These returns provide us with a regular source of information about providers' financial health, in particular their access to cash and their liquidity position. The information submitted through the surveys is critical in alerting us to short-term viability issues. We followed up with several providers and acted where necessary, to ensure that individual providers' viability positions continued to be managed.

In addition to our planned work, we have continued to respond to new issues of potential concern relating to the economic standards as they emerge. This is described as 'reactive' engagement. In the year we saw an increase in the number of rent related cases. These reflect the positive and growing trend for providers to review their rents and rent setting processes and self-refer potential breaches of the Rent Standard. A greater number of cyber-attacks and data breaches were referred in the year than in prior years. The other main category of reactive work related to governance weaknesses that led to consumer standard breaches.

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.

Regulatory assurance

We subject all our regulatory judgements to a high level of internal scrutiny, through management assurance, a programme of internal benchmarking reviews as well as sample checks of stability checks.

Case handling

		Service standard	2021-22	2020-21	2019-20	Trend
Consumer	Stage 1	5 working days	99%	100%	99%	→
	Stage 2	15 working days	71%	78%	86%	↓
	Stage 3	20 working days	87%	92%	88%	↓
Economic		5 working days	80%	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. In 2021-22, service standards applied to 350 cases which we considered through that process. Service standards applied to 103 cases that we considered through our economic service standard referrals process. We have seen a decrease in performance against three of our service standards; stage 2 and stage 3 consumer standard referrals, and economic standard referrals. This has been caused, in part, by an increase in the overall workload for the team with a higher number of cases being considered. We monitor trends in referral volumes on an ongoing basis to inform our short- and medium-term resourcing decisions.

Some of the consumer and economic standard referrals considered are complex and may also relate to other business processes within the regulator. Some of the economic standard referrals may be linked to more than one of the standards that we regulate against (including the consumer standards). Before we decide to investigate a case, we might carry out detailed initial enquiries, for example to seek further information from the complainant, or we might need to liaise with other operational teams to finalise a response. We might also need to liaise with other operational teams to finalise a response, using existing sources of regulatory intelligence that we hold about the provider the enquiry relates to. On occasions, this may take longer than the 15 working day target, but we always seek to keep complainants updated as we consider their referral.

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[12] identifying where providers have fallen short of our regulatory standards[13].

Registering new providers

	Service standard	2021-22	2020-21	2019-20	Trend
Preliminary application	15 working days	100%	100%	90%	➔

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

We ensure that the register is maintained effectively in line with statute by registering new providers and restructured bodies. In 2021-22 we received 86 new registration applications, of which 55 of which were preliminary applications and 31 detailed applications. We approved 18 registrations onto the register during the year (12 for-profit and six not-for-profit providers); one application was refused. A further 36 applications were cancelled or withdrawn during the year.

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.

Stakeholder satisfaction

This is the fourth year we have carried out a stakeholder survey, with fieldwork taking place between March and April 2022. Our last survey was in 2020, we paused it during the second year of the pandemic. In 2022 we changed the methodology we use in our survey to better reflect best practice. It is therefore not possible to make direct comparisons between the scores for 2022 and those received in previous years. Previous surveys used a four-point scale with no neutral response option, which the 2021-22 survey introduced.

The number of responses in 2022 was higher than previously, with 409 stakeholders completing the survey, 43 more than in 2020. 81% of respondents were registered providers, including local authority registered providers, compared to 92% in 2020. 32 individual tenants completed the survey. Other stakeholders who responded included lenders, investors, credit rating agencies, Government departments, individual tenants, tenant organisations, and trade bodies.

The 2022 survey results remain positive, with at least 80% of respondents agreeing that:

- We meet our objectives to be proportionate and minimise interference.
- The regulatory framework and our approach to regulation are consistent with our objectives on economic regulation.
- Our approach to regulation is risk-based and assurance-based.
- Our regulatory staff are knowledgeable about the nature and complexity of the sector.
- They [stakeholders] are aware of the regulator's proposed high-level approach to implementing the regulatory changes outlined in the Social Housing White Paper.

We have provided below our performance against the questions we identified as key performance indicators in our corporate plan. Overall, performance is in line with our performance targets, despite the changes in methodology.

The only question which saw a significant variance from the target was about action on consumer standards, with 71% agreeing that we take appropriate action against a target of 80%. The proportion of respondents disagreeing with the statement also reduced from 20% to 8% while 21% of respondents returned a neutral response, an option not available in prior surveys as discussed earlier.

A high proportion of small private registered providers and other non-private registered provider stakeholders made a neutral response to this question, suggesting they may not have recent experience of this situation. We will continue to monitor performance in this area while highlighting for stakeholders the issues that we have considered in our engagement and in our annual Consumer Regulation Review[14].

	Target	2021-22
% of respondents who agree that our approach is co-regulatory[15]	80%	79%
% of respondents who agree that we meet our objectives to be proportionate and minimise interference*	80%	81%
% of respondents who find our publications useful	80%	78%
% of respondents who agree we take action to ensure that confidence in the sector is maintained, and access to finance on competitive terms continues	80%	79%
% of respondents who agree that we take appropriate action in line with our current remit 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%	71%

[14] Consumer regulation review - GOV.UK (www.gov.uk)

[15] The KPI target for the % of respondents who agree that our approach is co-regulatory and that we meet our objective to be proportionate and minimise interference was set before our survey methodology was revised. This question has now been split into two sections with separate results as shown in the table. Questions two and three in this table also have slightly amended wording from the target wording.

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 responding to developments in Government policy, housing market changes, and changes in registered providers' operating models and priorities. Our regulatory framework and regulatory standards need to account for any significant changes in the operating environment and we assess their continued relevance regularly to make sure they remain fit for purpose.

Preparing for proactive consumer regulation

The charter for social housing residents: social housing white paper published in November 2020 in response to the tragic fire at Grenfell Tower in June 2017 asked us to:

- expand our remit and carry out proactive consumer regulation
- be more accessible to tenants
- listen to tenants, particularly when developing policies on, and regulatory approaches to, the things that matter most to them
- provide comparative information about landlords' performance to tenants
- keep our economic regulation at its current high standard
- grow and change our organisation to deliver these changes.

We have a programme in place to manage the development and delivery of proactive consumer regulation. In 2021-22 the focus was on engaging with stakeholders, including a consultation on new TSMs which received 1000 responses, 54% of these were from tenants. We have now published the decision statement on the introduction of the TSMs. In our engagement, we have continued to emphasise the three tests we have set for the new regime:

1. It must make a meaningful difference to tenants.
2. It must be deliverable by landlords.
3. We must be able to regulate the new regime effectively.

We are continuing to develop new consumer standards, which we are aiming to consult on in spring 2023. We are also continuing to work on the new operating model and putting in place plans for the development of the organisation to support the change in our remit.

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 continue to evolve arrangements for monitoring, reviewing and reporting our regulatory assurance to our Board, and ensuring our risk and assurance work across the whole spectrum of our activities aligns to provide senior management with a comprehensive view of risk exposures and flows.

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

Preparations for dealing with failing providers

We continue to keep under review our regulatory preparations to deal with failing providers. Over the course of year, we have deployed a range of statutory interventions and tested existing resolution processes through case work. Lessons from this work are fed into ongoing development of case resolution approaches. We have also increased capacity in our Investigation and Enforcement team.

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.

We continue to encourage applications from a diverse range of candidates and carry out anonymous 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.

At the start of 2021-22 we launched our first Equality, diversity and inclusion strategy and underpinning action plan. The strategy sets out how we will continue to develop the regulator as a supportive and inclusive environment for all staff in line with our equalities objectives. We have made good progress in the delivery of the action plan, improving the quality of our demographic data and through appropriate positive action increasing the overall proportion of ethnic minority staff recruited. Our priority for the coming years continues to be to improve ethnic diversity at senior levels.

We ran our second full staff survey as a standalone organisation in July 2021. The response rate was 89%, in line with the previous survey in 2019. Our scores were mainly above public sector benchmarks and either improved or in line with 2019 scores. Employee engagement is above benchmark and increased from 69% in 2019 to 71% in 2021. We identified several areas, including accountability and hierarchy, on which to focus our action planning and improvement activities.

We started work on this in 2021-22 and will continue into 2022-23 with the aim of measuring our success in addressing issues through improving scores in the next staff survey at the start of 2023-24.

Supporting staff wellbeing has continued to be a critical area in 2021-22. We put in place a range of measures aimed to support staff physical and mental wellbeing during the Covid-19 pandemic, including introducing mental health first aiders across the organisation. Consequently, despite the challenges of the last two years, the 2021 staff survey scores show that stress levels have come down and wellbeing is positive. We continued to check in on staff through two dedicated wellbeing surveys in 2021-22 and were reassured that we had appropriate support in place. Insufficient 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.

Staff turnover for the year continues to be within our target but has increased compared to the previous year, which reflects the resurgence of the job market following the first year of the pandemic. 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. While our turnover for 2021-22 is higher than for the previous year, 2020-21 was an exceptional year due to the slowdown in people changing jobs during the pandemic, so we have marked the trend as static as it is in line with the trend we saw pre-pandemic in 2019-20. Our staff sickness rate during the year was also in line with last year.

	Target	2021-22	2020-21	2019-20	Trend
Staff turnover	Less than 10%	7.6%	4.4%	8.2%	↑
Staff sickness days[16]	Less than 4	4.5	4.6	3.7	→

Systems and IT security

We have continued to demonstrate a high level of operational resilience, with staff working remotely through the first year of the Covid-19 pandemic, moving to more hybrid ways of working in 2021-22. Upgrades to our systems have meant we have been able to continue to support staff development and engagement events, including our second virtual all staff conference, monthly staff briefings and an array of learning events.

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.

[16] Previously sickness was calculated as % of available days. This target is now calculated using the number of sick days divided by the number of staff. This is shown as the number of rolling sick days per employee and has been restated for previous years.

Finance

	Target	2021-22	2020-21	2019-20	Trend
Fee collection	100%	100%	100%	100%	→
Invoices paid within 30 days	95% - 100%	100%	100%	100%	→

We are primarily funded through fees paid by private registered providers. During the year we achieved our key performance indicator to collect 100% of levied fees ensuring that all registered providers 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	2021-22	2020-21	2019-20	Trend
General enquiries	5 working days	100%	100%	100%	→
NROSH+ data enquiries	5 working days	100%	100%	100%	→
Requests for information	20 working days	100%	91%	84%	↑

We received 2,072 general enquiries in 2021-22, slightly more than the previous year, and responded to all of them within our target time of five working days for an initial response. We received 1,392 enquiries about our NROSH+ data system, about a quarter less than the previous year, and responded to all of them within our target time of five working days.

We also dealt with 47 Freedom of Information requests and three subject access requests in 2021-22. We responded to all of these within the statutory deadline of 20 working days.

The tables on the next page set out the details. Please note there are 59 responses against the 47 requests received because more than one exemption was applicable to several the requests.

Overview of requests	Total
Number of requests received	47
Number of open requests	0
Number of requests processed in full	47
Number of requests responded to within statutory deadlines	47
Number of requests responded to after 20 working days with permissible extension	1
Number of requests responded to after 20 working days – late response	0
Number of requests closed as either invalid/withdrawn or no clarification within 3 months	2
Number of internal review requests	1

Breakdown of responses	Total
Information not held	9
Advice and assistance provided	14
Refused in full – information exempt exc. s21	13
Refused in full – s21 information available by other means	4
Information released in full	13
Information released in part	6

Financial performance

The regulator's financial performance for the 12 months to 31 March 2022 is set out in the Financial Statements starting on page 65. 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 increased to £20.0m (2020-21: £17.6m) to fund additional staff capacity reflecting the growing demands of regulating an increasingly diverse sector and the anticipated expanded consumer regulation remit. Legal costs in the year were higher than the previous year due to the engagement of external legal support for a procurement to update our NROSH+ data collection system as well as an increase in legal support for reactive regulatory activity.

The regulator's expenditure for the period was favourable to budget with key variances in the year due to Covid-19 impact in terms of delaying some recruitment and reducing travel and subsistence spend compared to pre-pandemic levels. This will allow a rebate of 2021-22 annual registration fees of £2.3m (2020-21: £2.3m) being made to large providers as explained in the section below on *Fees and charges*.

Net liabilities have decreased to £1.6m (2020-21: £6.6m) caused by a reduction in pension liabilities to £3.7m (2020-21: £9.1m). This is driven by the £7.5m actuarial gain on the defined benefit pension schemes based on pension valuations performed in accordance with IAS 19 Employee Benefits.

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 2022, no successful incidents of fraud or material error were identified, and several external attempts of fraud were prevented.

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 2021-22. 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. We seek to minimise this impact 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 restrictions reduced annual carbon emission as staff were required to work from home during the pandemic. 2021-22 saw an increase in travel compared to the previous year but still significantly down on pre-pandemic levels.

The regulator does not report emissions, water usage, waste nor recycling related to offices as these are multiple-occupancy Government sites and are reported by the controlling Government department on behalf of all occupiers. We encourage recycling in our offices and are increasingly purchasing plastic-free stationery or that which can be easily recycled.

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 Gov.uk website.

Sustainability performance data

Greenhouse Gas Emissions (scope 3)		**2021-22**	**2020-21**	**2019-20**
Non-financial indicators (tonnes CO_2e)	Flights	-	-	3.3
	Car	0.1	0.1	4.3
	Rail	1.8	-	33.8
		1.9	**0.1**	**41.4**
Related energy consumption (‘000s km)	Flights	0	-	21,066
	Car	1	-	27,150
	Rail	51	1	763,507
		52	**1**	**811,723**
		£’000	£’000	£’000
Financial indicators	Official business travel	16	5	377
Resources, Waste and Recycling				
		A4 reams equivalent		
Paper consumed	Number	105	34	1,251
	Reams per FTE staff	0.6	0.2	8.1
		£’000	£’000	£’000
Financial indicators	Paper procurement	-	-	5

The Performance Report has been signed on 10 February 2023

Fiona MacGregor
Accounting Officer

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 – provides 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
- Kalpesh Brahmbhatt (from 1 July 2021)
- Elizabeth Butler
- Deborah Gregory
- Richard Hughes
- Sukhvinder Kaur-Stubbs (from 1 July 2021)
- Fiona MacGregor (Chief Executive)
- Ceri Richards (to 31 July 2021)
- Paul Smee
- Geoff Smyth (from 1 July 2021)

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[17].

Personal data-related incidents

No incidents were reported by the regulator to the Information Commissioner's Office (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 2021-22 was £65,000 (2020-21: £65,000).

[17] 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 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 they have 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 DLUHC, 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 DLUHC 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 DLUHC
- ensuring that DLUHC 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 DLUHC in a timely fashion.

This Governance Statement sets out the governance, management and internal control arrangements that were in place for 2021-22 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 33.

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[18], which are available for the public to review.

Board work and performance

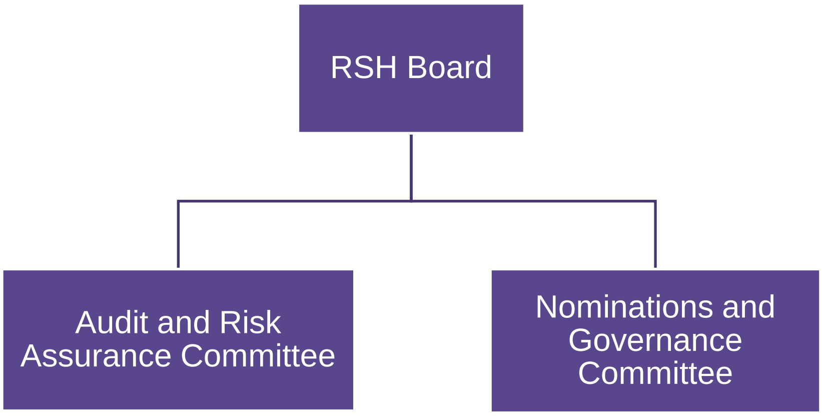
The Board receives regular reports on policy development, performance, risk management, governance, financial information and internal controls, assuring itself of the effectiveness of the regulator's internal control and risk management systems and providing assurance to DLUHC on these systems.

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[19]. The Board has had oversight of the regulator's annual budget for approval by DLUHC in relation to grant-in-aid.

[18] Terms of reference - Regulator of Social Housing - GOV.UK (www.gov.uk)
[19] RSH corporate and business plans - GOV.UK (www.gov.uk)

The Board receives regular reports providing assurance on the effective running of the organisation and on compliance matters. In 2021-22 Board also provided a steer and oversight relating to the development of the TSMs which form an important component of the planned approach to our proactive consumer regulation regime.

The Board, in accordance with good practice of governance, has 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 a 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 discussed the matter with DLUHC which has responsibility for Board recruitment on behalf of the Secretary of State. The Board appointments made by DLUHC in July 2021, following an open recruitment process, were able to increase the ethnic diversity of the Board.

During 2021-22 the Board continued to use workshop sessions to maintain an in-depth knowledge of current issues facing housing associations and consumer regulation implications of the White Paper. In 2022-23 we will commission an externally led Board effectiveness review in line with good practice.

Audit and Risk Assurance Committee

The role of the 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 2022 were:

- Elizabeth Butler (Chair)
- Kalpesh Brahmbhatt
- Richard Hughes

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

The Committee has its own Terms of Reference and Standing Orders which are available for the public to review[20].

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 Board members and senior officials, and the regulator's governance arrangements.

Members of the Committee as at 31 March 2022 were:

- Simon Dow (Chair)
- Jo Boaden
- Paul Smee

[20] 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[21]. Matters considered by the Committee in the year included the application of the 2021 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
Jo Boaden	11 / 11		1 / 1
Kalpesh Brahmbhatt[22]	7 / 7	3 / 3	
Elizabeth Butler	11 / 11	5 / 5	
Simon Dow	11 / 11		1 / 1
Deborah Gregory	11 / 11		
Richard Hughes	11 / 11	5 / 5	
Fiona MacGregor[23]	10/11	5/5	1 by invitation
Ceri Richards[24]	4 / 4	2 / 2	
Paul Smee	10 / 11		1 / 1
Geoff Smyth[25]	7 / 7		
Sukhvinder Kaur-Stubbs[26]	6 / 7		

[21] https://www.gov.uk/government/publications/nominations-and-governance-committee
[22] Kalpesh Brahmbhatt was appointed onto the Board on 1 July 2021
[23] Fiona MacGregor attended ARAC and NGC in her capacity as Chief Executive and Accounting Officer during the year
[24] Ceri Richards left the Board on 31 July 2021 when her term ended
[25] Geoff Smyth was appointed onto the Board on 1 July 2021
[26] Sukhvinder Kaur-Stubbs was appointed onto the Board on 1 July 2021

Regulation Executive Group

REG is 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 2022:

- Fiona MacGregor   Chief Executive
- Jonathan Walters   Deputy Chief Executive
- Harold Brown   Senior Assistant Director of Investigation and Enforcement
- Kate Dodsworth   Director of Consumer Regulation
- 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:

- Change: programme or project related risks
- Governance: poor decision making and other events that impact on our ability to function effectively as an organisation
- Operational: poor internal systems and processes resulting in adverse outcomes
- Policy: changes in Government policy or administration
- Resources: lack or loss of human, IT, financial or other organisational resources
- Stakeholders: actions by our stakeholders that impact on our ability to fulfil our objectives

REG discusses the risk register as a minimum 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).

Key risks during 2021-22

As in previous years, our key risks related to changes in the sector, stakeholder expectations, how we carry out our regulation and our organisational capacity and capability. These risks are discussed in more detail in the Performance Report on page 13.

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 2021-22 programme comprised six reviews: a review of the organisation's controls over the management of key analytical models informing sectoral and provider level analysis; a review of internal handling of regulatory referrals and subsequent investigations: a review of controls over payroll; a review of counter-fraud controls; a review of controls over information security and a review of controls over data protection. Five of the six reviews 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 the current year. 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
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 £575 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 2022:

Board Members' remuneration (subject to audit)

	Salary, £'000	
	2021-22	2020-21
Jo Boaden	11	11
Kalpesh Brahmbhatt	8	N/A
Elizabeth Butler	11	11
Simon Dow - Interim Chair	65	65
Deborah Gregory	11	11
Richard Hughes	11	11
Sukhvinder Kaur-Stubbs	8	N/A
Ceri Richards	4	11
Paul Smee	11	11
Geoff Smyth	8	N/A

The full year equivalent salary for Board members is £11,000 and £65,000 for the Board's Chair.

Remuneration of senior staff (subject to audit)

	Salary, £'000		Bonus, £'000		Pension, £'000		Total, £'000	
	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21	2021-22	2020-21
Harold Brown, Senior Assistant Director of Investigation and Enforcement	100-105	100-105	0-5	0-5	17	53	120-125	155-160
Kate Dodsworth[27], Director of Consumer Regulation	95-100	N/A	0-5	N/A	16	N/A	110-115	N/A
Maxine Loftus, Director of Regulatory Operations	110-115	110-115	0-5	0-5	19	149	130-135	260-265
Fiona MacGregor, Chief Executive	155-160	150-155	0-5	0-5	12	56	170-175	210-215
Richard Peden, Director of Finance and Corporate Services	110-115	110-115	0-5	0-5	23	27	135-140	140-145
Will Perry, Director of Strategy	110-115	110-115	0-5	0-5	19	50	130-135	160-165
Emma Tarran, Senior Assistant Director of Legal and Company Secretary	100-105	100-105	0-5	0-5	19	46	120-125	150-155
Jonathan Walters, Deputy Chief Executive	130-135	130-135	0-5	0-5	14	45	140-145	175-180

There were no benefits-in-kind paid in 2021-22 (2020-21: £nil).

[27] Kate Dodsworth joined the regulator as Director of Consumer Regulation on 5 July 2021. Kate's full year equivalent salary for 2021-22 was in the range £125,000 to £130,000.

Pension benefits (subject to audit)

	Annual accrued pension at 31 March 2022 £'000	Real increase in accrued annual pension £'000	Accrued lump sum at 31 March 2022 £'000	Real increase in accrued lump sum £'000	CETV at 31 March 2022 £'000	CETV at 31 March 2021 £'000	Real increase in CETV £'000
Harold Brown	45-50	0-2.5	55-60	(2.5)-0	795	740	32
Kate Dodsworth[28]	0-5	0-2.5	N/A	N/A	22	0	22
Maxine Loftus	45-50	(2.5)-0	65-70	(2.5)-0	844	811	8
Fiona MacGregor	55-60	(5)-(2.5)	60-65	(2.5)-0	1,060	1,051	(23)
Richard Peden	5-10	0-2.5	15-20	2.5-5	196	162	29
Will Perry	10-15	0-2.5	35-40	2.5-5	370	363	(4)
Emma Tarran	5-10	0-2.5	25-30	2.5-5	285	270	7
Jonathan Walters	40-45	(2.5)-0	35-40	(2.5)-0	620	601	1

The real increase in some pension benefits has been negative. The negative numbers are shown in brackets, as their growth has been less than inflation during the reporting year.

REG 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 its predecessor organisations.

Accrued pension at 31 March 2022

The accrued pension entitlement is the pension which would be paid annually on retirement, based upon pensionable service to 31 March 2022.

[28] Kate Dodsworth joined the regulator as Director of Consumer Regulation on 5 July 2021.

Cash Equivalent Transfer Value at 31 March 2022

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 2021 to 31 March 2022 were £nil (2020-21: £nil).

Staff costs (subject to audit)

	2021-22			2020-21		
	Permanent	**Others**	**Total**	**Permanent**	**Others**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	10,450	297	10,747	9,765	212	9,977
Social security costs	1,246	34	1,280	1,172	18	1,190
Pension costs	4,879	54	4,933	3,762	37	3,799
Staff costs	**16,575**	**385**	**16,960**	**14,699**	**267**	**14,966**

Wages and salaries include £57k (2020-21: £31k) 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:

	2021-22	2020-21
Permanent UK staff	181	165
Fixed-term UK staff	6	4
Total	**187**	**169**

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

	2021-22	2020-21
£0 - £25,000	5	3
£25,001 - £50,000	90	81
£50,001 - £75,000	68	62
£75,001 - £100,000	15	14
£100,001 - £125,000	6	7
£125,001 - £150,000	2	1
£150,001 - £175,000	1	1
Total	**187**	**169**

Gender

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

	2022	2021
Key managers – Male	4	4
Key managers – Female	4	3
Other employees – Male	68	63
Other employees – Female	120	111
Total	**196**	**181**

Fair pay disclosure (subject to audit)

The annualised remuneration[29], as at 31 March, of the Chief Executive[30], was £150,000 – £155,000[31] (2020-21: £150,000 – £155,000). Remuneration ranged from £11,000 to £150,000 – £155,000 (2020-21: £11,000[32] to £150,000 – £155,000).

The following table details the mid-point of the banded remuneration of the Chief Executive, compared to employees at the 25th, median and 75th percentiles as at 31 March:

Year	Disclosure	25th percentile	Median	75th percentile
2021-22	Total remuneration	£41,793	£48,951	£64,013
	Of which, salary	£41,518	£48,676	£63,738
	Pay ratio	**3.6:1**	**3.1:1**	**2.4:1**
2020-21	Total remuneration	£42,096	£49,462	£63,894
	Of which, salary	£42,021	£49,312	£63,744
	Pay ratio	**3.6:1**	**3.1:1**	**2.4:1**

The static pay ratios reflect that there was no pay award in 2021-22.

The following table details the percentage change in salary and bonus from the previous financial year of the Chief Executive and workforce average. For 2021-22 bonus payments ranged from £0 to £575 (2020-21: £0 to £450).

	Salary including allowances	Bonus
Chief Executive	0%	0%
Workforce average	-1%	64%

29 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.

30 The Chief Executive is the highest paid director.

31 The Chief Executive's annualised remuneration, as at 31 March, is lower than her 2021-22 remuneration detailed within the 'Remuneration of Senior Staff' table. This is because the 2021-22 remuneration table includes a one-off payment for untaken holiday during the year.

32 2020-21 pay range has been restated to include Board members

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 skills base and contributes to a reduction in our costs. There were no such exits agreed in 2021-22 (2020-21: £nil).

Expenditure on consultancy

The regulator incurred expenditure of £37,000 (2020-21: £54,000) on consultancy during the period 1 April 2021 to 31 March 2022. Consultancy spend related to provision of advice on our consultation on the introduction of TSMs and pre-procurement advice on the selection of a Human resources (HR) system and payroll service.

Apprenticeship levy

During the period 1 April 2021 to 31 March 2022 the regulator incurred expenditure of £39,000 (2020-21: £34,000) on contributions to the apprenticeship levy to support apprenticeship training and assessment for apprentices.

Off-payroll arrangements

The regulator incurred £nil (2020-21: £nil) in respect of off-payroll engagements during the period 1 April 2021 to 31 March 2022.

Staff policy regarding disabled persons

The regulator 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 HR 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.

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 4.5 working days lost per employee (2020-21: 4.6).

Annual staff turnover increased to 7.6% (2020-21: 4.4%) reflecting the tightening of the UK job market and a reduction in recruitment during 2020-21 due to the impact of Covid-19.

Health and safety

The regulator’s Health and Safety Committee meets quarterly and is chaired by the Director Finance and Corporate Services. No incidents occurred during the period 1 April 2021 to 31 March 2022 that required being reported to the Health and Safety Executive under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013.

Employee engagement and consultation

In 2021-22, we ran our second staff survey as a standalone regulator and again had a high response rate of 89%. Our results were strong with the majority of ratings at or above the relevant public sector and Civil Service benchmarks as well as improving on our previous set of results. Our independent survey provider presented the findings to all staff in September 2021. We carried out discussions and action planning within teams as well as at leadership levels and engaged with staff networks to develop an action plan to address lower-scoring areas.

In recognition of the ongoing impact of the pandemic and the shift to home and hybrid working, the regulator undertook two further wellbeing surveys to better understand what support could be provided to staff while restrictions were in place. This led to the introduction of additional initiatives to support wellbeing and productivity across the year, and provided assurance that overall staff were content with the measures the organisation has put in place to support them.

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	6

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	£13,738
Total pay bill	£16,960k
% of total pay bill spent on facility time	0.08%

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 (2020-21: £nil) losses, special payments or gifts during the period 1 April 2021 to 31 March 2022.

Fees and charges (subject to audit)

The regulator introduced fees[33] from 1 October 2017 following a statutory consultation in 2016. The regulator has a Fees and Resources Advisory Panel[34] alongside existing stakeholder engagement arrangements, as an advisory body to the regulator.

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

- A one-off fixed fee should apply to all successful applications for initial registration.
- The annual fee payable by a registered provider should be set by reference to the number of social housing units owned by that provider.
- A fixed annual fee should apply to all providers owning fewer than 1,000 units.
- 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.
- 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.

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

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

The annual fee level and initial registration fees charged for 2021-22 are set out below.

Fee	Fee level 2021-22
Initial registration fee charged to those who successfully register	£2,500
Annual registration fee for (small) registered providers with less than 1,000 units	£300 flat fee
Annual registration fee for (large) registered providers with 1,000 units or more	£5.36 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 undertaken 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 rebate of the per-unit annual fee to larger providers (those with over 1,000 social housing units). Fees rebated to larger providers for 2021-22 will total £2.3m:

Annual fees	**2021-22** £'000	**2020-21** £'000
Total invoices	14,752	14,738
Fee-funded costs for the period	12,463	12,404
Fee rebate to larger providers	2,289	2,334

The maximum annual registration fees for 2022-23 have been set at £14,743k following consultation with the Fees and Resources Advisory Panel.

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 registered providers 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 10 February 2023.

Fiona MacGregor
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 2022 under the Housing and Regeneration Act 2008.

The financial statements comprise the Regulator of Social Housing's:

- Statement of Financial Position as at 31 March 2022;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and the International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

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 2022 and its net operating expenditure for the year then ended; and
- 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 (UK) (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 HM Treasury's Government Financial Reporting Manual, 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 financial statements nor my auditor's certificate. 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 the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with Secretary of State directions issued under the Housing and Regeneration Act 2008.

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

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with Secretary of State directions made under the Housing and Regeneration Act; 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 and is in accordance with the applicable legal requirements.

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:

- I have not received all of the information and explanations I require for my audit; or
- adequate accounting records have not been kept by the Regulator of Social Housing 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 subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; 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:
- maintaining proper accounting records;
- the preparation of the financial statements and Annual Report in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- ensuring that the Annual Report and accounts as a whole is fair, balanced and understandable;
- 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; and
- 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.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud

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

The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of the Regulator of Social Housing's accounting policies, key performance indicators and performance incentives.
- Inquiring of management 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 the Regulator of Social Housing's compliance with the Housing and Regeneration Act 2008 and Managing Public Money.
- discussing among the engagement team and involving relevant internal and external specialists, including pensions experts regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Regulator of Social Housing for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of the Regulator of Social Housing's framework of authority as well as other legal and regulatory frameworks in which the Regulator of Social Housing operates, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in 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 Housing and Regeneration Act 2008 and Managing Public Money.

Audit response to identified risk

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management and in house legal counsel concerning actual and potential litigation and claims;
- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports; 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 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.

Other auditor's responsibilities

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 **14 February 2023**
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

	Note	2021-22 £'000	2020-21 £'000
Operating income:			
Registered provider fee income	4.1	(12,506)	(12,436)
Other income	4.2	(45)	(45)
		(12,551)	**(12,481)**
Operating expenditure:			
Staff costs	2	16,960	14,966
Purchase of goods and services	3	2,856	2,488
Depreciation, loss on disposal and amortisation charges	3	166	194
		19,982	**17,648**
Net operating expenditure		**7,431**	**5,167**
Interest income		(1)	-
Pension net finance costs	13(d)	166	92
Net expenditure for the period		**7,596**	**5,259**
Other comprehensive net expenditure:			
Actuarial (gain)/loss from pension fund	13(e)	(7,486)	2,701
Total comprehensive expenditure for the period		**110**	**7,960**

Statement of Financial Position

As at 31 March

	Note	2022 £'000	2021 £'000
Non-current assets:			
Property, plant and equipment	5	131	252
Intangible assets	6	2	37
		133	**289**
Current assets:			
Trade and other receivables	8	169	85
Cash and cash equivalents	7	13,527	12,495
		13,696	**12,580**
Total assets		**13,829**	**12,869**
Current liabilities:			
Registered provider fee rebate	9	(2,289)	(2,334)
Registered provider deferred fees	9	(8,505)	(6,783)
Trade and other payables	9	(954)	(1,240)
		(11,748)	**(10,357)**
Total assets less current liabilities		**2,081**	**2,512**
Non-current liabilities:			
Pension liabilities	13(a)	(3,679)	(9,114)
Assets less liabilities		**(1,598)**	**(6,602)**
Reserves:			
Income and expenditure reserve	SoCTE	(3,592)	(8,595)
Regulation reserve	SoCTE	1,994	1,993
Taxpayers' equity		**(1,598)**	**(6,602)**

The notes on pages 69 to 89 form part of these accounts.

Fiona MacGregor
Accounting Officer

10 February 2023

Statement of Cash Flows

Year ended 31 March

	Note	2021-22 £'000	2020-21 £'000
Net cash (outflow) / inflow from operating activities		**(4,073)**	**(1,997)**
Cash flows from investing activities:			
Purchase of property, plant and equipment		(10)	(342)[35]
Interest received		1	-
Net cash (outflow) from investing activities		**(9)**	**(342)**
Cash flows from financing activities:			
Grant-in-aid from sponsor department	SoCTE	5,114	4,108
Net cash inflow from financing activities		**5,114**	**4,108**
Increase in cash and cash equivalents in the period		**1,032**	**1,769**
Cash and cash equivalents at 1 April	7	12,495	10,726
Cash and cash equivalents at 31 March	7	**13,527**	**12,495**

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

	Note	2021-22 £'000	2020-21 £'000
Net operating expenditure	SoCNE	(7,431)	(5,167)
Amortisation	3	35	74
Depreciation and loss on disposal	3	131	120
Pension costs	13(d)	4,959	3,733
Employer contributions to pension	13(f)	(3,074)	(2,895)
(Increase)/Decrease in trade and other receivables		(84)	325
Increase in trade and other current liabilities		1,391	1,813
Net cash (outflow) / inflow from operating activities		**(4,073)**	**(1,997)**

[35] £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

	Note	General reserve £'000	Regulation reserve £'000	Total £'000
Balance at 31 March 2020		**(4,743)**	**1,993**	**(2,750)**
Grant-in-aid from sponsor department		4,108	-	4,108
Net expenditure		(5,259)	-	(5,259)
Actuarial gain from pension fund		(2,701)	-	(2,701)
Balance at 31 March 2021		**(8,595)**	**1,993**	**(6,602)**
Grant-in-aid from sponsor department		5,114	-	5,114
Net income/(expenditure)	SoCNE	(7,597)	1	(7,596)
Actuarial (loss) from pension fund	13(e)	7,486	-	7,486
Balance at 31 March 2022		**(3,592)**	**1,994**	**(1,598)**

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 (FReM) 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 registered providers 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 2022 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 6 months.

1.04 Registered providers' fees

Income derived from registered providers 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 registered providers 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 registered providers 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.

1.13 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.

Given the relatively small desk numbers at each of the regulator's office locations the landlord has the substantive right to substitute the office space, in all but Leeds, thereby not meeting the requirements of an identified asset. As such, IFRS 16 Leases is not expected to impact those office licenses.

The Leeds office license does meet the requirements of IFRS 16 and is expected to create a lease liability and right-of-use asset of circa £200,000 on 1 April 2022. For 2022-23 there is expected to be a £45,000 depreciation and £2,000 of interest charge.

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 the regulator 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 registered providers of social housing to promote a viable, efficient and well-governed social housing sector able to deliver and maintain homes of appropriate quality 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

	2021-22 £'000	2020-21 £'000
Total staff costs charged to net expenditure comprise:		
Wages and salaries	10,747	9,977
Social security costs	1,280	1,190
Pension costs	4,933	3,799
Total staff costs	**16,960**	**14,966**

In 2021-22 in accordance with Government policy the regulator did not award a general pay increase. The increase in wages and salaries is driven by an increase in headcount. Wages and salaries include £57,000 (2020-21: £31,000) of non-consolidated performance-related pay.

IAS 19 pension accounting introduces volatility within pension costs. In 2021-22 pension costs were £1,885,000 higher than the employer pension contributions (2020-21: £838,000). Further information on pensions is included within Note 13.

The regulator did not employ 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

	Note	2021-22 £'000	2020-21 £'000
Purchase of goods and services:			
Digital services[36]		830	820
Office rent under operating leases[37]		767	767
Other central corporate services[38]		380	257
Legal costs		307	36
Professional fees		252	172
Learning and development		105	142
External audit fees		65	65
Data collection system		42	150
Travel and subsistence		16	5
Other		92	74
Total goods and services		**2,856**	**2,488**
Non-cash items:			
Depreciation	5	131	120
Amortisation	6	35	74
Loss on disposal	5	-	-
Total non-cash items		**166**	**194**
Total		**3,022**	**2,682**

[36] Digital services are provided by Homes England under a shared service contract.

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

[38] Other central corporate services: other includes human resources, facilities management, office service charges and rates, finance and internal audit.

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 registered providers of social housing.

Identification of a contract

There is deemed to be a contract with private registered providers 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 2021-22
Initial registration fee	£2,500
Annual registration fee for (small) registered providers with less than 1,000 units	£300 flat fee
Annual registration fee for (large) registered providers with 1,000 units or more	£5.36 per unit

Where the 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 registered providers for unspent 2021-22 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:

	2021-22	**2020-21**
	£'000	£'000
Initial registration fee	43	32
Annual registration fee	12,463	12,404
	12,506	**12,436**

Contract balances

There are £3,000 (2020-21: £3,000) of initial registration fees due but not received as at 31 March 2022. 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 2020	**3**	**(980)**	**(6,062)**
Rebate paid back	-	980	-
Payment of historic fees	(2)	-	-
2020-21 fees	1	-	(8,676)
Income recognised	-	-	12,404
Transfer unspent fees to rebate	-	(2,334)	2,334
Prepayment of 2021-22 fees	-	-	(6,783)
As at 31 March 2021	**2**	**(2,334)**	**(6,783)**
Rebate paid back	-	2,334	-
Payment of historic fees	(1)	-	-
2021-22 fees	-	-	(7,969)
Income recognised	-	-	12,463
Transfer unspent fees to rebate	-	(2,289)	2,289
Prepayment of 2022/23 fees	-	-	(8,505)
As at 31 March 2022	**1**	**(2,289)**	**(8,505)**

The regulator provides in full for any registration fee more than three months overdue. As at 31 March 2022 the regulator held a £1,000 debt impairment against registration fees (31 March 2021: £1,000).

4.2 Other income

	2021-22 £'000	2020-21 £'000
The Housing Finance Corporation Ltd director fee	17	17
Affordable Housing Finance Plc director fee	17	16
Digital Apprenticeship Service	6	12
Recovery of legal costs	5	-
	45	**45**

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.

	2022 £'000	2021 £'000
Cost:		
At 1 April	397	350
Additions	10	48
Disposals	(1)	(1)
As at 31 March	**406**	**397**
Depreciation:		
At 1 April	145	26
Charged in period	131	120
Disposals	(1)	(1)
As at 31 March	**275**	**145**
Carrying value as at 31 March	**131**	**252**

6. Intangible assets

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

	2022 £'000	2021 £'000
Cost:		
At 1 April	249	249
Additions	-	-
As at 31 March	**249**	**249**
Amortisation:		
At 1 April	212	138
Charged in period	35	74
As at 31 March	**247**	**212**
Carrying value as at 31 March	**2**	**37**

7. Cash and cash equivalents

	2022 £'000	2021 £'000
Opening balance	12,495	10,726
Net change in cash balances	1,032	1,769
Cash balances as at 31 March	**13,527**	**12,495**
The following cash balances at 31 March were held:		
General bank account	11,533	10,502
Section 167 bank account	1,994	1,993
Cash at bank	**13,527**	**12,495**

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	2022 £'000	2021 £'000
Prepayments	165	79
Registered provider initial fees	3	3
Registered provider annual fees	1	2
Employee loans	-	1
	169	**85**

There are no Trade and other receivables due over 1 year.

9. Trade payables and other current liabilities

Amounts falling due within one year	Note	2022 £'000	2021 £'000
Employee holiday balance		599	703
Accruals		354	535
Trade payables		1	2
		954	**1,240**
Registered provider deferred fees	4.1	8,505	6,783
Registered provider fee rebate	4.1	2,289	2,334
		11,748	**10,357**

There are no Trade payables and other current liabilities due over 1 year.

10. Commitments under leases

The regulator occupies five office locations across England. In all instances the landlord is a Government body.

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. Homes England recharged the regulator office costs based upon relative desk allocations for each office location providing the regulator with open book accounting.

During 2021-22 the regulator signed contracts for the London, Leeds and Birmingham offices. Desks continue to be provided at Bristol by Homes England via their shared service contract. There is no signed contract in place for the Manchester office so no commitment has been included.

The aggregate minimum lease payments are as follows:

Land and buildings	2022 £'000	2021 £'000
Payable within 1 year	633	134
Payable later than 1 year and not later than 5 years	1,326	68
	1,959	**202**

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 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:

	2022	**2021**
	£'000	£'000
Payable within 1 year	568	1,166
Payable later than 1 year and not later than 5 years	-	595
	568	**1,761**

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 the 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 – part of the Local Government Pension Scheme (LGPS)

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 LGPS 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 scheme 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 2022 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.

In December 2018, the Court of Appeal found that the transitional protections introduced to the judicial and firefighters' schemes during the reform of public service pensions in 2015 discriminated on grounds of age. The UK Government has accepted that the ruling (generally referred to as the McCloud judgement) has implications for the LGPS. On 13 May 2021 the UK Government issued a written ministerial statement setting out proposals to address the specific discrimination in the LGPS. An allowance within the accounting valuation of the regulator's LGPS was incorporated for the McCloud judgement in March 2020. The judgement does not impact HCAPS.

a. Pension (liabilities) / assets

	HCAPS £'000	LGPS £'000	Total £'000
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 surplus / (deficit)	**(1,086)**	**(8,028)**	**(9,114)**
31 March 2022:			
Fair value of employer assets	21,466	42,783	64,249
Present value of funded liabilities	(21,728)	(46,200)	(67,928)
Net (deficit)	**(262)**	**(3,417)**	**(3,679)**

b. Actuarial assumptions

Financial assumptions:

	31 March 2022		31 March 2021	
	HCAPS	**LGPS**	**HCAPS**	**LGPS**
Inflation (CPI)	3.20%	3.15%	2.80%	2.80%
Pension increases	3.30%	3.15%	2.90%	2.80%
Salary increases	3.70%	4.15%	3.30%	3.80%
Discount rate	2.80%	2.75%	2.10%	2.00%

Mortality assumptions at 65:

	31 March 2022		31 March 2021	
	HCAPS	**LGPS**	**HCAPS**	**LGPS**
Male – retiring today	22.9	21.4	22.8	21.6
Male – retiring in 20 years	24.2	22.9	24.1	22.9
Female – retiring today	24.3	24.9	24.2	24.1
Female – retiring in 20 years	25.8	26.1	25.7	25.3

c. Fair value of employer assets

	HCAPS	LGPS	31 March 2022 Total	31 March 2021 Total
	£'000	£'000	£'000	£'000
Equities - quoted	6,112	27,823	33,935	33,446
Equities – unquoted	-	4	4	-
Debt – quoted	9,335	5,253	14,588	13,407
Debt – unquoted	-	2,165	2,165	2,199
Real estate - quoted	1,353	-	1,353	1,074
Real estate – unquoted	-	3,070	3,070	1,619
Investment fund – quoted	4,396	1,188	5,584	3,632
Infrastructure - unquoted	-	1,771	1,771	1,001
Cash & cash equivalents	270	1,509	1,779	2,067
	21,466	**42,783**	**64,249**	**58,445**

The categories of assets have been revised to provide additional detail of assets. 2021 has been re-presented to provide comparable values.

d. Charge to net expenditure

	HCAPS	LGPS	2021-22 Total	2020-21 Total
	£'000	£'000	£'000	£'000
Amounts charged to net operating expenditure:				
Current service costs	3,100	1,776[39]	4,876	3,642
Expenses	83	-	83	91
	3,183	**1,776**	**4,959**	**3,733**
Amounts charged to finance costs:				
Interest charged to liabilities	408	979	1,387	1,031
Expected return on assets	(408)	(813)	(1,221)	(939)
	-	**166**	**166**	**92**
Recognised in SoCNE	**3,183**	**1,942**	**5,125**	**3,825**

[39] LGPS current service cost includes an allowance of £34k for administration expenses

e. Amounts recognised in income and expenditure reserve

	HCAPS £'000	LGPS £'000	2021-22 Total £'000	2020-21 Total £'000
Actuarial losses / (gains)	**(2,079)**	**(5,407)**	**(7,486)**	**2,701**

f. Reconciliation of fair value of employer assets

	HCAPS £'000	LGPS £'000	2021-22 Total £'000	2020-21 Total £'000
Fair value of employer assets at 1 April	**18,416**	**40,029**	**58,445**	**38,716**
Expected return on assets	408	813	1,221	939
Contributions by member	406	340	746	690
Contributions by employer	1,928	1,146	3,074	2,895
Actuarial gains	588	670	1,258	15,825
Expenses	(83)	-	(83)	(91)
Insurance premiums for risk benefits	(9)	-	(9)	(8)
Benefits paid	(188)	(215)	(403)	(521)
Fair value of employer assets at 31 March	**21,466**	**42,783**	**64,249**	**58,445**

g. Reconciliation of fair value of employer liabilities

	HCAPS £'000	LGPS £'000	2021-22 Total £'000	2020-21 Total £'000
Defined benefit obligation at 1 April	**19,502**	**48,057**	**67,559**	**44,199**
Current service cost	3,100	1,776	4,876	3,642
Interest costs	408	979	1,387	1,031
Contributions by members	406	340	746	690
Insurance premiums for risk benefits	(9)	-	(9)	(8)
Actuarial losses/(gains) – demographic	(155)	138	(17)	(1,283)
Actuarial losses/(gains) – financial	(1,444)	(4,918)	(6,362)	15,272
Actuarial losses/(gains) – experience	108	43	151	4,537
Benefits paid	(188)	(215)	(403)	(521)
Defined benefit obligations at 31 March	**21,728**	**46,200**	**67,928**	**67,559**

h. Sensitivity analysis as at 31 March 2022

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%** £'000	**Current** £'000	**-0.25%** £'000
Present value of total obligation	63,981	67,928	72,118
Movement	(3,947)		4,190

Adjustment to inflation	**+0.25%** £'000	**Current** £'000	**-0.25%** £'000
Present value of total obligation	70,928	67,928	65,060
Movement	3,000		(2,868)

Adjustment to salary increase	**+0.25%** £'000	**Current** £'000	**-0.25%** £'000
Present value of total obligation	69,282	67,928	66,610
Movement	1,354		(1,318)

Adjustment to life expectancy	**+1 year** £'000	**Current** £'000	**-1 year** £'000
Present value of total obligation	69,077	67,928	66,788
Movement	1,149		(1,140)

i. Expected future cash flows

The expected employer pension contribution for the year to 31 March 2023 is:

	HCAPS £'000	LGPS £'000	Total £'000
Expected employer contribution	2,050	1,146	3,196

j. Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is approximately 22 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 £13,527,000 as at 31 March 2022 (31 March 2021: £12,495,000). Liquidity risk is not considered significant.

15. 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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