



Regulator of
Social Housing

Annex 1: Business engagement assessment

Fees for social housing regulation

September 2023



Business engagement assessment: Fees for social housing regulation

Title of proposal	Fees for social housing regulation from 1 July 2024
Lead regulator	Regulator of Social Housing
Contact for enquiries	Strategy and Policy team

Date of assessment	August 2023	Stage of assessment	Draft
Net Cost to Business		Commencement date	July 2024
Which area of the UK will be affected by the changes(s)?	England	Price and Present Value base years	N/A
Does this include implementation of Red Tape Challenge comments?	No	Is this directly applicable EU or other international legislation	No

Brief outline of proposed change in regulatory action

Section 117 of the Housing and Regeneration Act 2008 (the 2008 Act) sets out the fee-charging powers of the Regulator of Social Housing. Fees must be set in accordance with principles which are subject to statutory consultation and approval by the Secretary of State. Fees are currently charged to private registered providers for initial entry to the register and for proactive economic regulation.

The regulator is in the process of revising its fees principles and reviewing the level of the fees it charges registered providers. This is to ensure that the fees principles align with its new powers in the Social Housing (Regulation) Act 2023 and that it has adequate resources to meet its objectives.

Providing the statutory powers take effect as envisaged and subject to statutory consultation and approval by the Secretary of State the revised fees principles and new fee levels will apply from 1 July 2024.

Initial registration fee

There are two stages to the registration process. In the first stage, applicants are required to provide information that enables us to assess whether the applicant meets the eligibility requirements in section 112(2) of the 2008 Act. This is the preliminary application process. In the second stage of the process, applicants need to provide information that enable us to determine whether they meet the registration criteria established under section 112(3) of the 2008 Act. This is the detailed application process.

Pending amendments to Section 17 of the 2008 Act mean the regulator can charge a fee for dealing with an application. We propose to charge an application fee of £3,000. This, in accordance with the regulator's two stage registration process, would be payable in two parts - a preliminary application fee of £500 and a detailed application fee for those who progress to this stage of £2,500.

Local authorities are subject to compulsory registration and so will not be charged an initial registration fee.

Annual fee

Our costs are currently met by fees paid by private registered providers and Government grants. In the light of legislative changes Government expects that from July 2024 costs incurred by the regulator that are currently funded by Government should be met through registered provider fees.

The scale and form of engagement we have with different types of registered provider varies. Private registered providers are subject to economic and consumer regulation, whereas local authorities are only regulated against the Rent Standard and consumer standards. Reflecting our risk-based approach larger providers are subject to more routine regulatory engagement than small ones. To reflect this, we intend to vary our approach to fee setting by size and type of provider.

Table 1. Proposed annual fee arrangements

Funding source	Current	Proposed	How used
Small private registered provider (PRP) / group annual fee	£300 flat fee per entity	£600-700 flat fee per entity	Contribute to the cost of regulation of small PRPs and maintaining the register
Large PRP / group annual fee	£5.40 per social housing unit	£9-10 per social housing unit	Covers the proportion of overall costs attributable to PRPs, minus any income from small PRP annual fees and initial registration application fees
Large local authority registered providers (LARP) annual fee	N/A	£7-8 per social housing unit	Covers the proportion of overall costs attributable to LARPs
Small LARP annual fee	N/A	£0 flat fee per entity	N/A

The level of the unit rate and fixed fee for all provider types will be reviewed annually.

Accountability and transparency

We are proposing to incorporate information on our proposed fees into our annual fees guidance. We will then stop publishing a separate fees statement. Our Annual Report and Accounts provides details of our costs.

We are also proposing to continue with a Fees and Resources Advisory Panel to inform our approach to fees. We will add local authority representatives to the membership of the panel.

Why is the change proposed? Evidence of the current problem?

The Social Housing (Regulation) Act 2023 will change our objectives and powers to enable us to implement the regulatory reforms needed to deliver the vision set out in the social housing white paper. The new Act will add safety, transparency and energy efficiency to our consumer objectives and change the way we apply our existing powers as well as grant us new powers to take appropriate action when things go wrong. Our new inspections regime will be looking at new sources of evidence and assurance, including information from tenants, to ensure landlords are delivering the outcomes we expect. We will be looking for assurance that service outcomes tenants experience and accountability arrangements are consistent with the expectations in our new consumer standards.

Our expanded consumer regulation remit, which for the first time includes undertaking proactive regulation of local authorities, means we need to ensure we have the right skills and capacity to enable effective regulation to continue. It is therefore an appropriate review point for the regulator's fee regime and the various fees we charge.

We need to increase our overall fee income to contribute towards the cost of our expanded regulatory approach. The new Act also amends Section 117 of the 2008 Act giving the regulator the power to charge fees for dealing with an application for initial registration and to recover costs that are incurred, or likely to be incurred, by the regulator in the performance of any of its functions.

Which types of businesses will be affected? How many are affected?

The 2008 Act does not place any restrictions on the types of businesses that may apply for registration. However, to join the register applicants must be English bodies, provide or intend to provide social housing in England, and meet the criteria set by the regulator. Every year we receive around 100 applications from a wide range of organisations of various size, type and complexity, including both profit-making and non-profit.

Annual fees will affect private registered providers of social housing (PRPs) and local authority registered providers (LARPs). No other businesses will be affected. As shown in table 2 there were 1,614 providers registered with us on 31 March 2022 (1,396 PRPs and 218 LARPs). 25% of LARPs own fewer than 1,000 units of social stock each compared to 83% of PRPs. 24% of LARPs own 10,000 or more units of social stock compared to just 6% of PRPs¹.

¹ Source: Statistical Data Return 2021-22, Local Authority Data Return 2021-22

The profile of social stock owned by provider type is set out in figure 1 below.

Table 2: Number of registered providers of different types²

Large PRP	Small PRP	Large LARP	Small LARP	Total
238	1,158	163	55	1,614

Figure 1: Registered provider social housing stock owned by provider type³

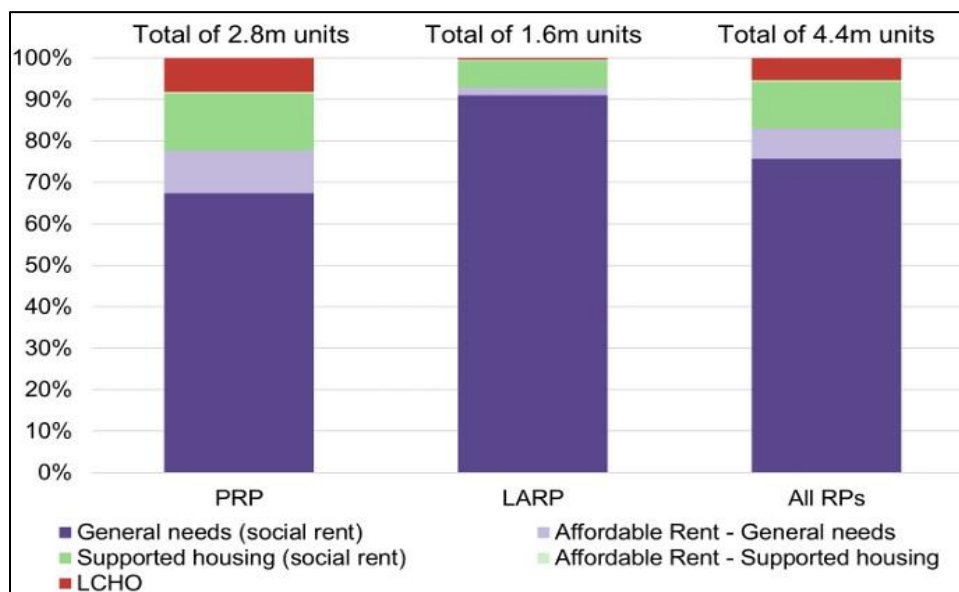


Table 3: Average general needs (social) net rents (£/week), England⁴

PRP	LARP	All registered providers
98.05	89.53	94.31

Table 4: Average supported housing (social) net rents (£/week), England⁵

PRP	LARP	All registered providers
95.60	78.10	91.49

² Source: Statistical Data Return 2021-22, Local Authority Data Return 2021-22

³ Source: Statistical Data Return 2021-22

⁴ Source: Statistical Data Return 2021-22, Local Authority Data Return 2021-22

⁵ Source: Statistical Data Return 2021-22, Local Authority Data Return 2021-22

How will the change impact these businesses?

In developing the new proposals, the regulator has considered carefully what the impact would be on registered providers. A number of options have been considered in relation to the initial registration fee and annual fee. This assessment however focuses on implications for registered providers arising out of the regulator's proposals set out for statutory consultation. We welcome feedback on the contents of this assessment as part of the consultation. The assessment will be updated in the light of the feedback provided.

Initial registration fee

We currently charge a £2,500 fee on initial entry to the register with all remaining costs of registration met by Government grant. This fee level was informed by responses to a 2014 discussion paper asking what level of fee would not deter applicants from registration and was further consulted on in 2016.

The proposed changes will see applicants pay at the point of application, rather than on successful registration. Charging at the point of application, rather than on registration, recognises that there is a cost to the regulator to consider an application regardless of whether it is successful or not.

We are mindful of the risk that higher registration fees have the potential to act as a barrier to entry and want to balance income generation with not dissuading good quality applications recognising the value of a regulated sector that can meet a range of needs. In relation to the current fee there is no evidence to suggest it has deterred registration applications. We anticipate that moving to a fee on application, rather than at registration, will help focus applicants on the importance of preparedness and deter speculative applications, particularly at preliminary stage. This will have a positive impact on applicants if they are better prepared ahead of application. The fee has not increased since it was introduced and therefore, in real terms, it is lower than that initially consulted on. We therefore consider that a combined total fee for both elements of the application of £3,000 will not deter good quality applications.

In the light of the removal of Government grant, we will need to recover any costs not met through initial registration fees by the annual fees paid by the private registered providers that are already on the register. Charging at point of application, rather than on registration, will ensure a greater share of fee income is apportioned to those seeking to join the register. The resource required from large private registered providers will vary year to year depending on how many applications we will receive and how far they will progress. However we envisage that any shortfall would represent a small fraction of the overall fee we anticipate collecting from large private registered providers.

Annual fee

The impact of our fee proposals on registered providers depends on the regulator's total costs year to year. In line with Government policy our intention is to maximise cost recovery through fees moving to 100% from the current 83%. At the same time our overall cost base is going up for the reasons explained elsewhere in this document. We will therefore see an increase in the proportion of costs recovered through fees as well as an increase in overall fee income.

In general, our assessment is that the increase in fees is offset by the benefits registered providers derive from being part of a regulated sector. For example, private registered providers benefit through lower borrowing costs and better capital weighting of debt. And all registered providers benefit from the reassurance provided to stakeholders from doing business with a regulated organisation and assurance on consumer regulation following regulatory engagement.

Large providers

Our proposed approach to calculating fees for large providers recognises that the cost of regulation broadly increases in line with size.

The private registered provider sector continues to demonstrate a resilient overall financial position, committing to record levels of expenditure in their existing stock and seeking to maintain consistent levels of development. This is taking place within a challenging economic context with increased costs and constrained income, tightening the financial headroom in the sector.

We do not have a role in regulating the financial viability of local authorities. However, it is clear that many of the financial pressures facing private registered providers are also impacting on local authorities. Local authority registered providers generally have lower rents than private registered providers yet face similar demands for investment and cost increases.

Table 3 and 4, above, set out the average net rents across the sector. The fee levels we have proposed for large providers represent just 0.2% of the average annual social net rents per unit⁶. Our initial assessment is therefore that our fees will remain affordable to these providers and should not significantly impact on services to tenants.

⁶ Source: Statistical Data Return 2021-22, Local Authority Data Return 2021-22

Small private registered providers

The increase in the small private registered provider annual fee from £300 to £600-700 is the first increase in this fee since 2017.

In developing our proposals we are mindful of the need to ensure that our fees regime does not create a barrier to entry or to remain in the sector or impede the ability of the sector to continue to meet a range of needs. The regulator recognises the benefits smaller providers bring to the sector. We have carefully considered the impact on small businesses and do not consider the proposed fixed fee levels to be unsustainable even for very small private registered providers. These providers derive the benefits of being part of a regulated sector and it is our view that it is reasonable to expect them to pay towards the cost of regulation.

Small local authority registered providers

No changes in the fee arrangements for these providers is proposed at this time.

Accountability and transparency

By avoiding duplication of our activity and ensuring that fee payers are appropriately represented we consider that our proposals around accountability and transparency will have a small positive impact on the sector.



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Any enquiries regarding this publication should be sent to us via enquiries@rsh.gov.uk or call 0300 124 5225.

or write to:

Regulator of Social Housing

Level 2

7-8 Wellington Place

Leeds LS1 4AP

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.