Regulator of
Social Housing

Annual Report and Accounts 2022-23

For the period 1 April 2022 to 31 March 2023

HC 424

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Chair’s foreword

I am delighted to welcome you to the RSH’s Annual Report and Accounts for 2022-23. This is a timely moment to reflect on what was an eventful year and on our performance in regulating for a viable, efficient and well-governed social housing sector able to deliver quality homes and services. This report marks my first full year as the regulator’s Chair, and I am grateful for the support of my fellow Board members. In particular, I would like to thank Simon Dow who has stepped down from the Board and to welcome Kirsty Marie-Morris who joined us as a Board apprentice.

This has been a year notable for its challenging operating environment and economic uncertainty which has tested our regulatory approach and providers’ resilience and capacity. Rising costs have tested providers’ capacity to deliver new homes while also meeting existing customers’ needs. Nonetheless the period saw increasing investment in tenants’ homes addressing quality, safety and decarbonisation requirements. Additionally, where tenants faced their own financial difficulties, many landlords provided advice and support.

We have kept a close eye on the sector during this time using the full range of our proactive and reactive engagement and the effective use of data was a key theme across all our regulation this year. Our in depth assessments focused on how well Boards of private registered providers are delivering their strategic aims, managing risks, and their assurance around health and safety and building safety. As we had expected our economic gradings reflected the challenging climate with a number of providers regraded downwards. This all makes our work on value for money increasingly significant and we published an important report on this subject during the year.

The tragic death of Awaab Ishak focused attention on damp and mould in tenants’ homes, as well as the need to listen to tenants, understand their needs, and address them promptly. Our survey found that while most landlords are dealing with damp and mould effectively there are pockets of weakness which we are following up on. This matter formed a central plank of our annual consumer regulation review. We continued to undertake reactive work in this space being clear that tenants’ safety is paramount. Self-referral is an important element of our regulatory approach, and we welcomed the increase in providers who identified and referred matters to us through the year, including in relation to rents.

This has been an important year in terms of building towards our new integrated regulatory regime. The legislative changes that will be required to amend our statutory duties were laid before Parliament. We undertook extensive engagement with tenants, landlords and other stakeholders as we developed our new approach, published an implementation plan setting out our emerging thinking, and worked with several landlords to pilot our new integrated inspections. As a crucial building block of our new regime we published the tenant satisfaction measures following a public consultation. We also put in place a number of organisational changes to ensure we are well equipped to take on our expanded role.

We have long emphasised the importance of tenant engagement for providers, and I was delighted to see an increase in the number of tenants responding to our stakeholder survey and the positive findings in that survey. Maintaining their confidence as we grow into our new remit is an essential marker of our future success. I look forward to working together with my fellow Board members, RSH staff and all our stakeholders to create the conditions for the sector to deliver quality homes and services for tenants.

Bernadette Conroy
Chair

Chief Executive's statement

Introduction

This is the 5th annual report of the Regulator of Social Housing and covers the period April 2022 to March 2023.

The year was shaped by challenging external conditions with economic instability dominating the landscape and our longstanding emphasis on financial stress testing was reinforced as risks began to crystallise. However, the sector has demonstrated resilience in mitigating the impact of these factors. Despite challenging circumstances, the majority of landlords delivered good quality housing and the majority of tenants continued to benefit from decent and affordable homes.

Throughout the period we engaged closely with the sector tracking the impact of these challenges and using our regulatory levers to provide support and intervene when necessary. We will continue to closely monitor the sector's financial position and sector risks to ensure that registered providers can meet their tenants' expectations of quality homes and services.

I am proud of all the regulator has done over this year to ensure that our regulation remained effective in a challenging environment while also undertaking the necessary preparations for the expansion of our regulatory remit from April 2024. In particular, I would like to acknowledge and express my thanks for the hard work of the regulator's staff.

Delivering effective regulation

We continue to take a co-regulatory approach, with registered providers being responsible for meeting our standards. This works best when there is trust and openness between landlords and the regulator. Where this doesn't happen, we take firm action.

Our regulation is informed by a sound understanding of the risks providers are facing. We published our annual sector risk profile which identifies issues of concern for providers and their Boards. Many of the financial risks highlighted in past iterations of the sector risk profile have started to crystallise, testing the resilience of many private registered providers and the sector as a whole. The UK has faced difficult macroeconomic conditions which created an uncertain operating environment for providers. These challenges included rapid and increasingly prolonged inflation, a tight labour market, and continuing supply chain disruption. All have resulted in increased costs for the sector. Coupled with this we have seen higher borrowing costs, from increased interest rates and widening spreads on debt. The impact of these challenges continued to be seen in our Quarterly Survey reports throughout 2022-23, with forecast interest cover falling.

As we set out in our annual value for money report, they also reinforce the need for providers to make the best use of their resources to achieve their objectives and to be transparent about their value for money.

High inflation in 2022-23 meant that tenants faced challenges around the cost of living. Many landlords, in both the private and local authority sectors, have provided a range of support to aid them, and the Government announced that rent increases in 2023-24 would be capped below inflation. This has meant difficult trade-offs as landlords sought to balance their investment plans with affordability for tenants. We saw an increase in rent related cases this year reflecting the positive and growing trend for providers to review their rents and rent setting processes and self-refer potential breaches.

It has been increasingly challenging for providers to serve existing customers and deliver more social housing in the light of the wider economic environment. Nonetheless, social landlords have invested heavily to improve and maintain the safety and quality of their homes, including ongoing maintenance and responsive repairs, implementing energy efficiency and decarbonisation measures, and meeting building and fire safety requirements. Alongside this, the sector has continued to invest in new supply to help alleviate the country's chronic housing shortage.

Our programme of In-Depth Assessments remains a key plank of our regulatory engagement with private registered providers. The programme during 2022-23 focused on how well Boards are delivering their strategic aims and managing risks effectively and the assurance they have that their organisations are managing landlord health and safety and building safety risks. We also examined the quality and use of stock condition information by landlords to ensure tenants' homes are safe, maintained and energy efficient.

Our annual stability checks saw a number of providers regraded from V1 to V2 to reflect the significant economic challenges the sector faced during the year. The stability checks focus on providers' financial resilience and consider changes to their risk profile, including external economic factors beyond their control. The regrades were in line with our expectations and these remain compliant grades.

This was a time of increasing scrutiny of the social housing sector. The tragic case of Awaab Ishak rightly focused attention on the responsibility of all landlords to ensure that the homes they provide are well maintained and of a decent standard. It demonstrates the serious effects that having damp and mould in homes can have on people's health and highlighted once again the importance of providers listening to their tenants' concerns, understanding their diverse needs, removing barriers to accessing services and responding promptly. We required landlords to submit evidence to the regulator to demonstrate they have systems in place to identify and deal with damp and mould issues in their homes and that they are addressing risks to their tenants' health. The responses showed that most social landlords deal with damp and mould effectively, and most tenants live in homes that are largely free from damp and mould.

A small number of landlords gave weaker responses, and the regulator followed up to scrutinise their approach.

We published our annual consumer regulation review which aims to help Boards and Councillors learn from the experience of others so that they can strengthen their organisations' approaches to meeting the requirements of the consumer standards. We expect landlords to be respectful, transparent and responsive to their tenants' needs and will hold them to account where we find this is not the case. The report emphasised the importance of landlords maintaining a tight grip on the quality of the home they manage, effective tenant engagement, and meeting statutory health and safety requirements including gas safety. A significant number of our cases were in local authorities, and we emphasised that they must prioritise action to ensure compliance with our existing consumer standards. Where landlords are not getting the basics right and are failing to ensure that tenants are safe in their homes we have been clear that this must change.

We welcome the significant increase in the number of tenants responding to our annual stakeholder survey compared with the previous year. We also welcomed the very positive findings which included at least 80% of respondents agreeing that:

- the regulatory framework and our approach to regulation are consistent with our objectives on economic regulation.
- they are aware of the regulator's proposed high-level approach to implementing the regulatory changes outlined in the Social Housing White Paper.
- our approach to regulation is risk-based and assurance-based.
- the regulator meets its objectives to be proportionate and minimise interference.
- they are clear about any information and / or evidence that they are asked to provide by the regulator.
- our regulatory staff are knowledgeable about the nature and complexity of the sector.

Developing an integrated regulatory approach

A significant focus for the regulator was to lay the groundwork for our new integrated regulatory regime. We are working towards a new framework underpinned by new consumer standards, regulatory assurance gained via regular inspections, stronger powers and the tenant satisfaction measures.

During this period, we welcomed the laying before Parliament of the Social Housing (Regulation) Bill. We also published an implementation plan setting out the steps we would take to bring into effect this landmark legislation. We carried out an extensive programme of engagement with tenants, landlords and other stakeholders to develop new consumer standards for later consultation.

Addressing safety, housing quality, neighbourhoods, transparency, tenancies, engagement and accountability, the standards will underpin our approach to consumer regulation setting out the requirements that we will seek assurance against. In developing the proposed consumer standards, we were guided by three tests – that our regulation must make a meaningful difference to tenants, that landlords must be able to deliver its expectations, and that we must be able to regulate against it.

Our new approach will help to ensure that landlords continue to deliver good quality homes and services. We view economic and consumer matters as complementary – two sides of the same coin – and we intend to take an integrated and holistic approach. A key element of our new approach will be our regulatory inspections. For housing associations, and other private registered providers, these will build on our existing in-depth assessment and include viability, governance and the new consumer standards. For local authorities, the regulatory inspections will focus on assessing how well they meet the outcomes in the consumer standards. I would like to thank the many landlords who helped support the development of our new approach through participating in our pilot inspections during 2022-23. These have gone well and have given us assurance that we are developing a model that works.

Inspections are only one important part of our regulatory toolkit. During 2022-23 we published the tenant satisfaction measures following a public consultation. We were delighted to receive 1,098 responses on the consultation, with more than half from social housing tenants. Setting clearly defined, consistent measures will allow tenants to scrutinise their landlord's performance, give insights to landlords on where they might look to improve their services, and provide a source of intelligence to us about whether landlords are meeting the regulatory standards.

In addition, within our new regime we will continue to carry out reactive engagement across the full range of standards with landlords. And we will have new and stronger enforcement powers should we need them.

Developing our people

We continued to build our team growing staff numbers in preparation for integrated regulation. Alongside this we maintained our ongoing commitment to supporting the wellbeing of staff. We promote and support this through a number of initiatives, activities and corporate approaches. We undertook regular wellbeing pulse surveys to understand and inform our work in this space. Support provided included First Contact Officers and trained Mental Health First Aiders and an Employee Assistance Programme.

In 2022-23 we developed a new set of equality objectives for later consultation. We also refreshed our equality, diversity and inclusion (EDI) strategy and action plan which focuses on recruitment, staff engagement, staff development and embedding good practice. The delivery of our EDI strategy and action plan is fully supported by the regulator's Board and Executive.

We made good progress during the period including securing Disability Confident Level 2 accreditation. Our priority for the future is to improve ethnic diversity at senior levels.

I would like to extend my thanks to Simon Dow who stepped down as a member of the RSH Board in March 2023. In addition to his role on the Board Simon also served as interim Chair for a period and I am grateful for his dedication and contribution during this time.

Conclusion

We all have a part to play in achieving more and better social homes. With the changes in the Social Housing (Regulation) Act 2023 we will have the powers we need to regulate the sector effectively. We will continue to be agile and risk-based in our approach to our new role.

Thank you to everyone at the regulator, staff and Board, for their hard work and commitment and to our stakeholders for their ongoing engagement and support as we deliver on our objectives.

Jonathan Walters
Deputy Chief Executive

Performance report

This report covers the 2022/23 financial year and the text reflects the position as it was then. Since the year end there have been a number of changes to our operating environment. Most significantly the Social Housing Regulation Act received Royal Assent in July 2023 and we will have a new regulatory regime come into effect from 1 April 2024. For more details please see our website.

Performance overview

This overview provides information on the Regulator of Social Housing for the period from 1 April 2022 to 31 March 2023. It includes our main objectives and activities, the key risks we faced 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 Ministry of Housing, Communities and Local Government (MHCLG). The Regulator of Social Housing (the regulator) 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 five consumer standards setting out our expectations for registered providers:

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

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

The Social Housing White Paper was published in November 2020 and its recommendations were taken forward by the Social Housing (Regulation) Bill published in June 2022 which received Royal Assent in July 2023.

The Social Housing (Regulation) Act expands our consumer regulation role and requires a new consumer regulation framework to be brought into effect. The work to do this has been in train for several years and our new role will fully come into effect on 1 April 2024.

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.

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 2022-23 is described on pages 21 to 34. During the year we reviewed and refreshed these as part of our 2023-24 Corporate Plan and will report against our updated priorities in next year's Annual Report and Accounts.

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 regularly engage with providers to gain assurance about 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 there is a breach, or potential 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** 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 private 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 to 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. We will be updating our structure as part of implementing the Social Housing (Regulation) Act. Details of this will be included in next year's annual report.

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 as a standalone team 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.
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 53) 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 started 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. This review was finalised in 2022-23 and incorporated relevant 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, and 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 the particular circumstances mean our powers/ remit are inadequate. As it is a long legislative process to change our powers and remit, should it be deemed necessary, this leaves us potentially exposed when the operating environment changes. There are areas we can influence but not directly control, such as 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 MHCLG through the provision of analysis and feedback on draft legislation, and deploying our enforcement powers to seek compliance and using de-registration powers where appropriate. Furthermore, the Social Housing (Regulation) Act has given us new powers and we will be carrying out a review of our strategic risk register in light of this before our new regulatory regime comes into effect on 1 April 2024.

Linked to this is the risk that we cannot manage conflicting stakeholder expectations or demands. Social housing continues to have a high profile, due to the media interest arising from high-profile cases of poor conditions in the social housing sector over the last few years, as well as the resulting amendments to the Social Housing Bill in 2022-23 and the publication of three Select Committee inquiry reports into social housing regulation, exempt accommodation and building safety. The completion of the Social Housing (Regulation) Act's passage through the House of Commons solidified the future direction of consumer regulation.

There are some specific areas where expectations exceed our revised remit; some stakeholders want a specific type of regulation which it is not our role or remit to deliver, and which would lead to dilution of responsibility from providers who must be responsible for their own performance. We have several formal stakeholder communication approaches in place as well as other engagement channels (e.g., sounding boards) where we can have interactive discussions about our approach. We have also been engaging with more stakeholder groups 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. 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, as set out under the stakeholder risk above.

We started an iterative process of consumer regulation inspection pilots in 2022-23 to test our thinking on our new operating approach and help ensure that this works as intended on formal launch of holistic regulation. In 2023-24 the focus of our work will shift to internal controls to ensure that we have the capacity and capability to deliver our expanded remit.

The likelihood of both multiple and individual provider failures increased in 2022-23 due to the severe macroeconomic shock following Russia’s invasion of Ukraine, which has led to a period of very high inflation, followed by rapidly rising interest rates. This has increased costs for providers and reduced tenant real incomes, weakening sector finances.

While we cannot control the external environment, we have ensured that our processes, procedures and outputs continue to be fit for purpose and we are able to intervene where appropriate to prevent uncontrolled loss. We also have a good degree of assurance over the financial viability of registered providers through our stability check process.

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 existing 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, especially as we enter a period of significant growth to support our expanded remit from April 2024.

In addition to our proactive risk management work, we have also had to respond to emerging issues in 2022-23, the most significant of which was damp and mould in social housing. Following the coroner's November 2022 report into the death of Awaab Ishak in Rochdale, we asked all larger registered providers of social housing to submit evidence about the extent of damp and mould in tenants' homes and their approach to tackling it. This covered local authorities and private providers such as housing associations who together own and manage over four million homes in England. We had a response rate of 99%, and assessed the evidence submitted across the themes of: assurance and oversight; surveying and records; case identification; practical response; and tracking and monitoring.

On 2 February 2023 we published a report, *Damp and mould in social housing: Initial findings* with our headline conclusions. Overall, our analysis found that while there are issues in some parts of the social housing sector, most landlords understand the problem and are taking steps to address it. The document also outlined our expectations of registered providers and the next steps we will take. We followed this up in June 2023 by publishing *Damp and mould in social housing: Learning the lessons,* a report setting out how social landlords are approaching the tackling of damp and mould in their tenants' homes.

The report highlights the features of the strongest and weakest approaches, so that landlords can learn lessons from others in the sector. We will follow up any poor performance in line with our normal referral and regulatory processes.

Going concern

The Housing and Regeneration Act 2008 empowers the regulator to collect registration fees from the social housing sector annually to match expenditure. Grant-in-aid has been approved by MHCLG for the year ending 31 March 2024. For 2022-23, net assets totalling £3.3m were recorded at the end of the financial year, reflecting the net asset position of our pension schemes. We have no outstanding liabilities that threaten our ability to continue.

Since there are no material uncertainties related to events or conditions that 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

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. We apply 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. We seek to ensure that all providers with 1,000 plus homes have an IDA at least once every four years and expect those that are most complex to have IDAs every three years.

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. Where deemed necessary we have de-registered providers.

We saw comparable levels of registration activity in 2022-23 compared to the previous year with 80 applications from organisations interested in joining the sector. We maintained performance against our service standard for assessing preliminary registration applications at 100%.

The Social Housing (Regulation) Bill received Royal Assent in July 2023. We carried out extensive engagement with Government throughout the progression of the Bill through Parliament to help reflect the emerging changes in the operating environment in its drafting. We also extended our engagement with sector stakeholders on consumer regulation in 2022-23, continuing to develop, test and consult on the building blocks of proactive consumer regulation, including running several pilots with different types of providers to refine our thinking and approach.

On 21 September 2022 we published our final decisions on tenant satisfaction measures (TSMs), following our consultation between December 2021 to March 2022. This received 1098 responses, including about 600 from tenants and owners of shared ownership housing. TSMs will help tenants hold landlords to account in areas such as dealing with complaints, anti-social behaviour, repairs, and safety checks, and will be one of the information sources we use in assessing providers' compliance with the new consumer standards.

We have welcomed the increased and continuing focus on social housing over the last year with the publication of three Select Committee inquiry reports into social housing regulation, exempt accommodation and building safety, for which we put together both written and oral evidence, as well as the announcement of a new inquiry into the finances and sustainability of the social housing sector. We continue to engage with all relevant Select Committee inquiries.

While our size does not require it, we published both our gender pay gap and ethnicity pay gap reports. The majority of our staff are female, with female staff representing a minimum of 51% of all pay quartiles. The proportion of female staff is higher in the lower middle and lowest pay quartiles of our organisation (75% and 65% respectively), which results in a gender pay gap in favour of male staff. While the mean gender pay gap has increased from the previous year by under 1% the median pay gap has decreased by 1.2%.

We published our third ethnicity pay gap report this year. There has been a slight increase to 18% of our workforce being from a minority background, this reduces to 2.2% in the upper quartile. There has been an increase in the upper middle quartile from 16% to 22%. Work continues to deliver our equality, diversity and inclusion strategy and action plan and a primary 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 delegated budget during the year. In accordance with the terms of the fees regime we will provide a rebate to the sector of unspent fee income for the year to 31 March 2023.

Performance analysis

This section provides a summary of how we performed against our business plan which sets out how we are planning to deliver the four corporate priorities (set out on page 11) 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 2022-23 we had 60 business plan activities which we used to track and measure our performance. 29 of the 34 core regulatory activities were completed for the year, while five were amended to reflect changes and challenges in the operating environment. 20 of the 26 timebound activities were projects continuing into 2023-24, three were completed, one is on hold and two were rescoped and had new timelines agreed.

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

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

Understanding developments in the sector

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

To understand developments in the sector and to ensure we are both visible and accountable to our 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. In 2022-23 we expanded the range of stakeholders we engage with in relation to the development of our holistic regulatory approach.

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

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

- The Fees and Resources Advisory Panel is comprised of bodies representing private registered providers 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 which include analysis on provider returns in relation to short to medium-term finances

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

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

- the Consumer Regulation Review 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*, 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 X – formerly known as Twitter). Our social media channels help us promote our publications, improve understanding of sector-level risks and raise awareness of our regulatory interventions.

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.

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 2022-23 IDAs have focused heavily on the assurance 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 in the years between an IDA, to maintain our understanding of their organisations.

Common themes that have emerged from IDAs and other provider meetings during 2022-2023 include the management of damp and mould cases, 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. Crucial to successful delivery of these last points is the need for providers to have accurate and robust stock quality data.

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 2022-23 was: the increase in financial pressure due to higher inflation, increased borrowing costs and uncertainty in the housing market and 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. 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 engagement with providers with fewer than 1,000 homes through the analysis of regulatory returns or notifications and, where the need arises, reactive engagement through the same mechanisms as for larger providers.

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	2022-23	2021-22	2020-21	Trend
Consumer	Stage 1	5 working days	100%	99%	100%	➔
	Stage 2	15 working days	75%	71%	78%	➔
	Stage 3	20 working days	91%	87%	92%	➔
Economic		5 working days	85%	80%	85%	🡅

We maintain an effective consumer regulation function which responds when there is a breach of our standards and tenants are considered to have experienced, 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 2022-23, service standards applied to 484 cases which we considered through that process. Service standards applied to 127 cases that we considered through our economic service standard referrals process. We have seen a slight improvement in performance against three of our service standards; stage 2 and stage 3 consumer standard referrals, and economic referrals. This is notable given 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 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 may carry out detailed initial enquiries, for example to seek further information from the complainant, or we may need to liaise with other operational teams to finalise a response. We may 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.

In 2022-23 we carried out a review of our case handling processes and our service standards for responding to referrals, benchmarking them against other regulatory bodies. From 2023-24 we will be harmonising our economic and consumer service standards, bringing the response time for stage 2 referrals to 20 working days, in line with comparable organisations.

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 identifying where providers have fallen short of our regulatory standards.

Registering new providers

	Service standard	2022-23	2021-22	2020-21	Trend
Preliminary application	15 working days	100%	100%	100%	➔

We ensure that the register is maintained effectively in line with statute by registering new providers and restructured bodies. In 2022-23 we received 80 new registration applications, of which 66 were preliminary applications and 14 detailed applications. We approved eight registrations onto the register during the year (six for-profit and two not-for-profit providers) and refused two applications. A further 69 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.

Stakeholder satisfaction

We carried out our fifth stakeholder survey, with fieldwork completed between March and April 2023, seeking views of registered providers and other stakeholders on a range of issues. We use the results to inform our corporate planning, the continuous development of our operational approach and our performance monitoring.

In 2022 we changed our survey methodology to better reflect best practice by including the addition of 'neutral' or 'not applicable' options for questions with choice scales. This is therefore the first year we have a direct year-on-year comparator.

The number of responses in 2023 was higher than previously, with 435 stakeholders completing the survey, 26 more than in 2022. There has been a slight change in respondent profile as 77% were registered providers, including local authority registered providers compared to 81% in 2020. The number of local authority registered providers has increased from 28 responses last year to 41 this year, 9% of total responses. Forty-two individual tenants, 10% of the total, completed the survey compared to 32 last year. Other respondents included lenders, investors, credit rating agencies, Government departments, tenant organisations, and trade bodies.

The 2023 survey results remain positive, but there has been a slight fall with at least 72% (80% last year) of respondents agreeing that:

- We meet our objectives to be proportionate and minimise interference (72%).
- The regulatory framework and our approach to regulation are consistent with our objectives on economic regulation (74%).

- Our approach to regulation is risk-based and assurance-based (76%).
- Our regulatory staff are knowledgeable about the nature and complexity of the sector (85%).
- They [stakeholders] are aware of the regulator's proposed high-level approach to implementing the regulatory changes outlined in the Social Housing White Paper (84%).

We have provided below our performance against the questions we identified as key performance indicators in our corporate plan. Overall, performance is broadly in line with our targets, despite the changing respondent profile, which can impact on overall scores. Where scores have gone down on the first two questions, this is largely due to a high neutral response (24% and 20% respectively), with 7% and 9% of respondents disagreeing (compared to 5% for both questions in 2022). The remaining scores have only seen minor fluctuations in line with tolerances we have set on performance measures. Broadly speaking, large providers gave the most positive responses, while small and local authority providers gave more neutral responses.

	Target	2022-23	2021-22
% of respondents who agree that our approach is co-regulatory	80%	70%	79%
% of respondents who agree that we meet our objectives to be proportionate and minimise interference	80%	72%	81%
% of respondents who find our publications useful	80%	76%	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%	76%	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%	72%	71%

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 line with 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.

Following our extensive engagement with tenants, landlords and other stakeholders over the last two years, and following Royal Assent on the Social Housing Act, we launched a consultation on new consumer standards in summer 2023. We are also developing a new approach to gathering assurance that landlords are meeting those standards, including how we will carry out consumer inspections. We introduced the tenant satisfaction measures in 2022-23 following consultation in 2021-22, and all social landlords began collecting data on these from April 2023.

The year 2023-24 will be a transition year for us as we complete work to implement integrated regulation from 1 April 2024. We have reflected this in our revised corporate and business plan objectives for the coming year following discussions with our Board, as follows:

- Implement a new consumer regulation operating model and function by April 2024 (additional corporate plan objective)

- Deliver reforms outlined in the Social Housing White Paper and Social Housing (Regulation) Act 2023 (additional business plan objective).

We have also started recruiting more staff to build on existing resources and skills and commenced making internal structural changes to support our new operating model. This will continue and ramp up in 2023-24 to ensure we are fully resourced and ready to start integrated regulation from 1 April 2024.

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 MHCLG 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 the year, we have deployed a range of statutory interventions and tested existing resolution processes through case work. A key moment was our facilitation of the rescue of Swan by Sanctuary group in February 2023, following non-compliance identified against the governance and financial viability standard by the former which could have led to the loss of social housing assets. Lessons from this work and other casework are fed into ongoing development of case resolution approaches. We have also increased capacity in our Investigation and Enforcement team.

Responding to emerging issues

As set out in the key risks and issues section above, following the coroner's November 2022 report into the death of Awaab Ishak in Rochdale, we asked all larger registered providers of social housing to submit evidence about the extent of damp and mould in tenants' homes and their approach to tackling it. We had a response rate of 99%, and on 2 February 2023 we published a short report, Damp and mould in social housing: Initial findings, with our headline conclusions.

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 integrated regulation from 1 April 2024.

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, which we refreshed in 2022-23. 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 equality objectives. We have made good progress in the delivery of the action plan, securing Disability Confident Level 2 accreditation, analysing emerging EDI good practice and trends, and implementing learning, development and engagement approaches to continue to make the regulator a diverse and inclusive employer. 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 May 2023. As that falls outside the timeframe for this report we will provide more detail in our 2023-24 Annual Report and Accounts.

Staff wellbeing continues to be a priority. 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, and carrying out six-monthly wellbeing surveys. Post-pandemic we have maintained our focus on wellbeing, which we hope will support staff through upcoming change as we move to holistic regulation. Insufficient staff capacity continues to be one of our key organisational risks and the wellbeing measures we have in place help us support staff and manage this effectively.

Staff turnover for the year continues to be within our target. We had far fewer leavers in 2022-23 than the previous year, possibly as a result of staff wanting to experience the shift to integrated regulation, while growing our numbers at a more rapid rate. There is a balance between retaining expertise and bringing in new perspectives, and the focus for 2023-24 will be on bringing in additional capacity and capability, as well as cross-skilling existing staff.

Our staff sickness rate during the year was markedly lower than the last two years. This was due to a lower prevalence of Covid infections as the virulence of the pandemic decreased and the resolution of some cases of long-term sickness absence. The latter has a disproportionate impact on our overall absence levels given the size of the organisation and the methodology for calculating the indicator.

	Target	2023-23	2021-22	2020-21	Trend
Staff turnover	Less than 10%	3.7%	7.6%	4.4%	↓
Staff sickness days[2]	Less than 4	2.9	4.5	4.6	↓

Systems and IT security

We have continued to demonstrate a high level of operational resilience, continuing with hybrid ways of working in 2022-23. Upgrades to our systems have meant we have been able to continue to support staff development and engagement events, including our third 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.

Finance

We are primarily funded through fees paid by private registered providers. During the year, we successfully met our key performance indicator to collect 100% of levied fees. This ensures that all registered providers contribute their fair share to regulation of the sector.

We are committed to paying suppliers prompty to maintain strong relationships with our valued suppliers and support the smooth operation of the regulator. Throughout the year, we consistently outperformed our key performance indicator to pay 95% of undisputed invocies within 30 days of receipt.

	Target	2022-23	2021-22	2020-21	Trend
Fee collection	100%	100%	100%	100%	→
Invoices paid within 30 days	95% - 100%	100%	100%	100%	→

[2] 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.

Response to enquiries

We received 2,321 general enquiries in 2022-23, slightly more than the previous year, and responded to 99% within our target time of five working days for an initial response. We received 1,460 enquiries about our NROSH+ data system, slightly more than the previous year, and responded to all of them within our target time of five working days.

We also dealt with 54 freedom of information requests and three subject access requests in 2022-23, with a service standard performance of 94%. We responded to all but three of these within the statutory deadline of 20 working days. Two late responses were due to information owner absence or failure to meet a deadline, and one being a very complex request requiring in-depth consultation with the registered provider.

The tables on the next page set out the details. Please note, there are 68 responses against the 54 requests received because more than one exemption was applicable to several of the requests.

Overview of requests	Total
Number of requests received	54
Number of open requests	0
Number of requests processed in full	54
Number of requests responded to within statutory deadlines	51
Number of requests responded to after 20 working days with permissible extension	7
Number of requests responded to after 20 working days – late response	3
Number of requests closed as either invalid/withdrawn or no clarification within 3 months	3
Number of internal review requests	5

Breakdown of responses	Total
Information not held	8
Advice and assistance provided	14
Refused in full – information exempt exc. s21	18
Refused in full – s21 information available by other means	2
Information released in full	16
Information released in part	10

Equality, diversity and inclusion

Compared to the general population, social housing tenants are more likely to share certain protected characteristics. We therefore place equality, diversity and inclusion at the heart of our work, both externally and internally.

We are mindful of our public sector equality duty in the exercise of our functions, and during the year conducted a full equality impact assessment on the introduction of the tenant satisfaction measures. We also considered equality and diversity, including our public sector equality duty, as part of the development of our proposed new consumer standards, and we will be consulting on a standard requiring registered providers to take action to deliver fair access to, and equitable outcomes of, housing and landlord services for all tenants.

We published our first set of equality objectives in July 2020, following a statutory consultation. The objectives focus on the point at which we interact with tenants and the public, how we communicate, and our organisational culture. We have delivered almost all the specific actions we set ourselves against these objectives with many of them now embedded into business as usual. For full details of the progress we have made, please see our latest equality information report.

As we want to push ourselves further on EDI matters, in 2022-23 we developed a new set of draft equality objectives with input from our internal EDI Sounding Board, the Executive Group and our Board. We took into consideration: our fundamental objectives; provisions in the Equality Act 2010; the sector we regulate; our regulatory approach; the upcoming changes to our regulatory remit and the progress against our current objectives. In the first quarter of 2023-24 we published a consultation on proposed new equality objectives.

One of our equality objectives is to 'provide a supportive and inclusive environment for all' and this is emphasised in one of the five values we set ourselves when we became a standalone organisation, 'We embrace diversity and seek to be an inclusive and supportive organisation'. This underpins our work and drives the culture of the organisation. All our staff, led by the Board, Executive and Senior Leadership Team, are committed to diversity and being an inclusive and supportive organisation.

In 2022-23 we refreshed our internal EDI strategy and action plan focusing on recruitment, staff engagement, staff development and good practice. We have representatives at Board and Executive level who provide an equalities challenge function, and the delivery of the action plan is fully supported by both the Board and the Executive, who review progress on a quarterly basis. We have delivered and closed some of our actions and will be reviewing the plan in 2023-24 to build on our successes so far, and to challenge ourselves further. To increase transparency, we will publish the strategy alongside our new equality objectives.

Financial performance

The financial performance of the regulator for the 12-month period ending on 31 March 2023, is presented in the Financial Statements starting on page 76. The costs associated with regulatory activities, covering all providers, were funded through annual fees. The expenses related to successful registration applications were covered by initial registration fees. The costs of local authority rent regulation, non-routine regulation (including casework conducted by the Investigation and Enforcement team), consumer regulation, and any registration expenses not covered by initial registration fees were funded through grant-in-aid from our sponsoring department, MHCLG.

Operating expenditure increased by £2.7 million to £22.7 million (compared to £20.0 million in 2021-22) due to the following factors:

a. Staff costs of 18.4m (81% of net expenditure) increased by £1.4m compared to 2021-22 reflecting additional staff capacity. This growth is necessary to meet the growing demands of regulating an increasingly diverse sector and the expected expansion of consumer regulation responsibilities.

b. Grant payments totalling £0.7 million were made to a registered provider to provide short-term support. This action protected the interests of social housing tenants and was repaid in 2023-24.

c. Digital costs of £1.0m increased by £0.2 million. These costs were passed on from our digital service provider, Homes England, reflecting a combination of increased staff numbers and the high digital cost inflation.

d. Office rent of £0.7m reduced by £0.1m as some rent payments were reclassified following the implementation of International Financial Reporting Standards (IFRS) 16 Leases.

e. Other corporate service spend of £0.5m increased by £0.1 million due to exit costs from the Homes England shared service for HR and finance, as well as the expenses associated with dual running of Finance and HR systems during changeover.

f. Travel costs of £0.1m increased by £0.1 million as travel volumes began to rise back following the Covid pandemic.

The regulator's expenditure remained within the delegated budgets authorised by MHCLG. This was primarily due to staff vacancies resulting from the regulator's capacity expansion and lower travel expenses compared to pre-pandemic levels. As a result, a rebate of £2.4 million in annual registration fees (compared to £2.3 million in 2021-22) will be provided to large providers.

	Actual	Delegated Budget	Variance
Resource expenditure Limits[3]	£21.0m	£24.7m	£3.7m favourable
Capital expenditure limit	£0.7m	£1.0m	£0.3m favourable

The net assets of the regulator have increased to £3.3 million, driven by a £6.7 million actuarial gain on the defined benefit pension schemes. This gain is 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 2023, 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 2022-23. We have a range of diversity initiatives in place to prevent discrimination, and we work constructively with our recognised trade unions.

[3] Resource expenditure limit includes employer pension contributions. Pension service costs, pension administration costs and pension actuarial gains or losses are excluded due to their volatility.

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 travel greenhouse gas emissions as staff were required to work from home during the pandemic. 2022-23 saw an increase in travel compared to the previous year but still significantly down on pre-pandemic levels. It should also be noted that staff numbers are increasing as the regulator expands to meet the growing demands of regulating an increasingly diverse sector and the expected expansion of consumer regulation responsibilities.

In relation to the Greening Government Commitments (GGC), the information related to our offices in Bristol, Leeds, London and Manchester is reported by the controlling Government department on behalf of all occupiers. At Birmingham, the Government Property Agency (GPA) have chosen to not report at a building-wide level but requested that each occupier discloses their share of the building's sustainability performance data. However, GPA have been unable to provide complete data for the 2022/23 period, so we have chosen not to publish incomplete information while we work with GPA to consider reporting for future periods.

The table below sets out our actions against the specific commitments and targets within the Greening Government Commitments:

Commitment	Targets	Update
A: Mitigating climate change working towards net zero by 2050	**Headline target** Reduce the overall greenhouse gas emissions from a 2017-18 baseline and also reduce direct greenhouse gas emissions from the estate and operations from a 2017-18 baseline.	Reported by controlling Government department for all offices except Birmingham
	Sub targets Government car fleet emissions to be reduced by 25% from baseline.	We do not provide cars to staff.
	Reduce emissions from domestic flights by 30% from baseline.	Flights are used very rarely by a small number of staff where that is the most efficient means of transport.
	Update organisational travel policies so that they require lower carbon options to be considered first as an alternative to each planned flight.	Our policy highlights a preference for low carbon travel.

Commitment	Targets	Update
B: Minimising waste and promoting resource efficiency	**Headline target** Reduce overall amount of waste generated by 15% from baseline.	Reported by controlling Government department for all offices except Birmingham.
	Sub targets Reduce the amount of waste going to landfill to less than 5% of overall waste.	For all of our offices, except Birmingham, waste generated is disposed of and reported by the controlling Government department.
	Increase the proportion of waste which is recycled to at least 70% of overall waste.	For all of our offices, waste generated is disposed of and reported by the controlling Government department (except Birmingham where GPA does not report on it).
	Remove consumer single use plastic (CSUP) from the central Government office estate.	For all our offices the vast majority of purchasing is carried out by the controlling Government department. Where we purchase our own stationery, we are minimising the purchase of CSUP with the intention of fully phasing out.
	Measure and report on food waste by 2022, for estates with over 50 FTE and/or over 500m2 floor area offering a food service.	n/a – we do not offer a food service.
	Report on the introduction and implementation of reuse schemes.	We have no specific reuse scheme at present.
	Reduce Government's paper use by at least 50% from a 2017 to 2018 baseline	Use of portable IT encourages less use of paper. RSH already uses recycled paper. We will continue to encourage staff to only print where necessary. We encourage familiarisation with copier functions and promote information about good practice to reduce paper waste. Scanning is the preference and printing on both sides. We do not have a 2017/18 baseline as we did not exist as a standalone organisation at that point. If we use 2018/19 as a baseline (our first full year as a standalone organisation) we used 474 A4 reams

Commitment	Targets	Update
		equivalent (3.2 per FTE) and this year have used 66 reams (0.25 per FTE).[4]
C: Reduce our water use	**Headline target** Reduce water consumption by at least 8% from baseline	Reported by controlling Government department for all offices, except Birmingham
	Sub targets Ensure water consumption is measured	Reported by controlling Government department for all offices, except Birmingham.
	Provide a qualitative assessment to show what is being done to encourage efficient water use	This is primarily done by the controlling Government department for all offices, staff are made aware not to waste water and to make sure taps are turned off and report automatic taps not switching off.
D: Procuring sustainable products and services	**Headline commitment** Continue to buy more sustainable and efficient products and services with the aim of achieving the best long-term overall value for money for society	The Government Buying Standards are embedded in our procurement process. This means we use recommended suppliers whose compliance with sustainability standards has been established. In our own tendering and procurement, we will take account of environmental standards where appropriate to do so.
E: Nature recovery. Making space for thriving plants and wildlife	**Headline commitment** Making space for thriving plants and wildlife. Departments and partner organisations with the greatest potential to improve biodiversity should develop and deliver Nature Recovery Plans (NRPs) for their land, estates, development, and operations.	This is not something that RSH can have direct input into as we do not own land or estates and our remit does not cover activities which could contribute to this.
F: Adapting to climate change	**Headline commitment:** Develop an organisational Climate Change Adaptation Strategy across estates and operations. This headline commitment is broken down into two parts:	Our approach to climate change and meeting the GGC is set out in our Environmental Policy Statement. In short, we are committed to taking action where we can reduce our environmental impact and support delivery of GGC.

[4] Please note these figures are affected by not having networked printers at two of our offices meaning that printing volumes there are lower than expected. Usage at those offices is also estimated based on paper purchased rather than used. Numbers also do not account for printing carried out at home.

Commitment	Targets	Update
	• Departments should conduct a Climate Change Risk Assessment across their estates and operations to better understand risk and to target areas that need greater resilience. • Departments should develop a Climate Change Adaptation Action Plan, including existing or planned actions in response to the risks identified	The nature of our work and structure of our organisation, including our use of office space, is such that we are primarily limited to smaller scale actions such as aiming to reduce CO2 emissions in travel. Our regulatory remit is set by Government. In due course, the Social Housing (Regulation) Bill proposes to charge us with setting standards relating to energy efficiency in the social housing sector, and we look forward to consulting on how best to deliver that objective.
	Sub-targets Accountability: departments should establish clear lines of accountability for climate adaptation in estates and operations and engage in wider governance and risk structures when appropriate.	
	Transparent reporting: in their Annual Report and Accounts, departments should provide a summary of how they are developing and implementing a climate change Adaptation Strategy for their department. Departments may wish to give a high-level statement and describe specific actions they are undertaking where appropriate.	
G: Reducing environmental impacts from Information Communication Technology (ICT) and digital	**Headline commitment** Departments should report on the adoption of the Greening Government: ICT and Digital Services Strategy and associated targets and ensure they provide membership to the Sustainable Technology Advice and Reporting team, who manage and deliver the Greening Government Commitments ICT reporting.	We buy in digital services from Homes England. We have commenced a procurement exercise to move to a new provider. We buy good equipment that provides value for money and lasts. All waste is disposed of in line with Waste Electrical and Electronic Equipment (WEEE) regulations. We provide portable devices to minimise printing for meetings. We are reviewing our approach to information management and storage volumes as data storage is one of the largest sources of our energy usage.

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)		**2022-23**	**2021-22**	**2020-21**
Non-financial indicators (tonnes CO_2e)	Flights	0.1	-	-
	Car	2.1	0.1	0.1
	Rail	11.9	1.8	-
		14.1	**1.9**	**0.1**
Related energy consumption (‘000s km)	Flights	1	-	-
	Car	10	1	-
	Rail	335	51	1
		346	**52**	**1**
		£’000	£’000	£’000
Financial indicators	Official business travel	138	16	5
Resources, Waste and Recycling				
		A4 reams equivalent		
Paper consumed	Number	66	105	34
	Reams per FTE staff	0.25	0.6	0.2
		£’000	£’000	£’000
Financial indicators	Paper procurement	1	-	-

The Performance Report has been signed on 18 November 2024

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:

- Bernadette Conroy (Chair)
- Jo Boaden, CBE
- Kalpesh Brahmbhatt
- Elizabeth Butler
- Simon Dow
- Deborah Gregory
- Richard Hughes
- Sukhvinder Kaur-Stubbs
- Fiona MacGregor (Chief Executive)
- Paul Smee
- Geoff Smyth

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. 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.

Personal data-related incidents

The regulator notified the Information Commissioner's Office (ICO) of a significant breach in September 2022 when we discovered that six pension packs were delivered to incorrect addresses as part of a pension's consultation. We immediately took steps to support affected staff to locate the missing information and provide identity protection services. In December the ICO notified the regulator that it had decided not to take action.

Functional standards

We have delivered mandatory actions we identified from our assessment of compliance against the Government's functional standards and received substantial assurance from internal audit on our approach to this in 2022-23. From 2023-24 we have embedded responsibility for ongoing management of compliance with functional standards and continuous development into our business plan targets.

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 2022-23 was £85,000 (2021-22: £65,000).

Statement of Accounting Officer's Responsibilities

Under the HRA 2008, the Secretary of State has directed the Regulator of Social Housing to prepare a statement of accounts for each financial period 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 MHCLG, 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 MHCLG for:

- establishing, in agreement with MHCLG, the regulator's three-year Corporate Plan, the first year of which will be its annual business plan
- providing assurance to MHCLG 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 MHCLG
- ensuring that MHCLG 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 MHCLG in a timely fashion.

This Governance Statement sets out the governance, management and internal control arrangements that were in place for 2022-23 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 42.

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, which are available for the public to review.

Board work and performance

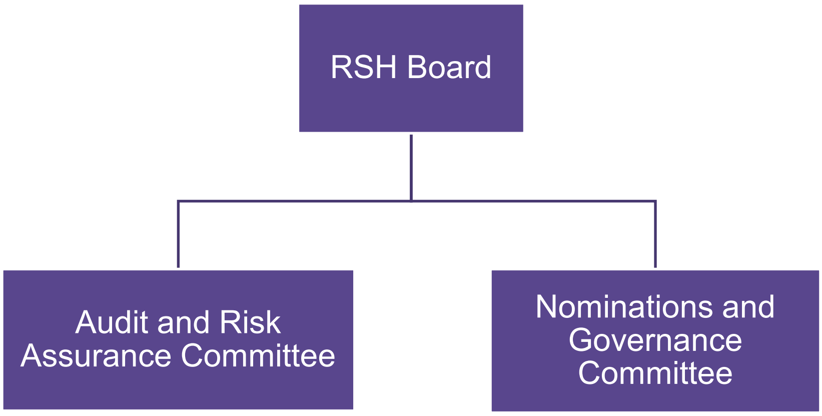
The Board receives regular reports on policy development, performance, risk management, governance, financial information and internal controls, assuring itself of the effectiveness of the regulator's internal control and risk management systems and providing assurance to MHCLG on these systems.

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

[5] 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 2022-23 the Board also provided a steer and oversight relating to the development of the new consumer regulation regime and on the work relating to damp and mould.

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

In 2022-23 we commissioned an externally facilitated Board effectiveness review in line with good practice. At the time of drafting, this review was still in progress and final conclusions and action plans were still under consideration.

Audit and Risk Assurance Committee

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

Members of the Committee as at 31 March 2023 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, MHCLG and internal audit.

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

In June 2021 the Committee formally assessed its effectiveness by way of a survey of members, officers, internal and external auditors and MHCLG. 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 2023 were:

- Paul Smee (Chair)
- Jo Boaden
- Bernadette Conroy
- Deborah Gregory

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. Matters considered by the Committee in the year included the application of the 2022 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	11/13		2/3
Kalpesh Brahmbhatt	11/13	3/4	
Elizabeth Butler	13/13	4/4	
Bernadette Conroy	13/13		3/3
Simon Dow[6]	6/13		
Deborah Gregory	13/13		1/1[7]
Richard Hughes	13/13	4/4	
Fiona MacGregor	11/13		
Kirsty Marie-Morris[8]	2/2		
Paul Smee	13/13		3/3
Geoff Smyth	13/13		
Sukhvinder Kaur-Stubbs	13/13		

[6] Simon Dow's term ended in March 2023

[7] Deborah Gregory was appointed to NGC in January 2023

[8] Kirsty Marie-Morris started as Board apprentice in February 2023

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 2023:

- 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. Our risk management approach is based on the Orange Book, which we review at each iteration for any changes to good practice that we can implement in our risk management framework and processes.

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 most critical risks are set out in our strategic risk register and 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
- **Operationa**l: 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.

We review our risk register with risk owners quarterly and completed a comprehensive refresh of all our risks in 2022-23. 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).

Additionally, we have a Programme and Project Management Framework in place, which supports effective governance and risk management,

Key risks during 2022-23

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 15.

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 2022-23 programme comprised five reviews: a review of our approach to referrals and investigation; a review of the implementation of functional standards; a review of general IT controls; a review of the procurement of the data collection system and a review of our stakeholder management approach.

Four of the five 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 2023-24 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 Strategic 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 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 £585 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 2023:

Board Members' remuneration (subject to audit)

	Salary, £'000	
	2022-23	2021-22
Jo Boaden	11	11
Kalpesh Brahmbhatt	11	8
Elizabeth Butler	11	11
Bernadette Conroy - Chair	65	-
Simon Dow[9]	11	65
Deborah Gregory	11	11
Richard Hughes	11	11
Sukhvinder Kaur-Stubbs	11	8
Ceri Richards	-	4
Paul Smee	11	11
Geoff Smyth	11	8

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

[9] Simon Dow was interim Chair during 2021-22.

Remuneration of senior staff (subject to audit)

	Salary, £'000		Bonus, £'000		Pension, £'000		Total, £'000	
	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22	2022-23	2021-22
Harold Brown, Senior Assistant Director of Investigation and Enforcement	105-110	100-105	0-5	0-5	(54)	17	50-55	120-125
Kate Dodsworth[10], Director of Consumer Regulation	130-135	95-100	0-5	0-5	21	16	150-155	110-115
Maxine Loftus, Director of Regulatory Operations	115-120	110-115	0-5	0-5	(52)	19	60-65	130-135
Fiona MacGregor, Chief Executive	155-160	155-160	0-5	0-5	(54)	12	100-105	170-175
Richard Peden, Director of Finance and Corporate Services	115-120	110-115	0-5	0-5	15	23	130-135	135-140
Will Perry, Director of Strategy	115-120	110-115	0-5	0-5	4	19	115-120	130-135
Emma Tarran, Senior Assistant Director of Legal and Company Secretary	105-110	100-105	0-5	0-5	7	19	110-115	120-125
Jonathan Walters, Deputy Chief Executive	130-135	130-135	0-5	0-5	(40)	14	90-95	140-145

There were no benefits-in-kind paid in 2022-23 (2021-22: £nil).

The negative numbers for pension benefits reflects situation where pension benefits have increased at a slower rate than inflation during the reporting year.

Staff are eligible for a non-consolidated bonus payment depending upon their performance appraisal. For 2022-23, bonus payments ranged from £0 to £585.

[10] Kate Dodsworth joined the regulator 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 2023 £'000	Real increase in accrued annual pension £'000	Accrued lump sum at 31 March 2023 £'000	Real increase in accrued lump sum £'000	CETV at 31 March 2023 £'000	CETV at 31 March 2022 £'000	Real increase in CETV £'000
Harold Brown	45-50	(2.5)-0	55-60	(5)-(2.5)	955	795	80
Kate Dodsworth	0-5	0-2.5	0	0	30	22	6
Maxine Loftus	50-55	(2.5)-0	70-75	(5)-(2.5)	1,017	844	87
Fiona MacGregor	55-60	(2.5)-0	60-65	(5)-(2.5)	1,226	1,060	58
Richard Peden	5-10	0-2.5	20-25	2.5-5	169	196	(47)
Will Perry	10-15	0-2.5	40-45	0-2.5	243	370	(164)
Emma Tarran	10-15	0-2.5	30-35	0-2.5	207	285	(107)
Jonathan Walters	45-50	(2.5)-0	35-40	(5)-(2.5)	785	620	103

The negative numbers are shown in brackets, as their growth has been less than inflation during the reporting year. Cash Equivalent Transfer Value (CETV) have also been impacted by changes to the scheme's financial factors used to calculate the CETV.

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 2023

The accrued pension entitlement is the pension which would be paid annually on retirement, based upon pensionable service to 31 March 2023.

Cash Equivalent Transfer Value at 31 March 2023

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 2022 to 31 March 2023 were £nil (2021-22: £nil).

Staff costs (subject to audit)

	2022-23			2021-22		
	Permanent	**Others**	**Total**	**Permanent**	**Others**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
Wages and salaries	11,590	271	11,861	10,450	297	10,747
Social security costs	1,438	34	1,472	1,246	34	1,280
Pension costs	4,963	50	5,013	4,879	54	4,933
Employed staff	**17,991**	**355**	**18,346**	**16,575**	**385**	**16,960**
Seconded staff			48			-
Staff cost			**18,394**			**16,960**

Wages and salaries include £64k (2021-22: £57k) 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:

	2022-23	2021-22
Permanent UK staff	198	181
Fixed-term UK staff	5	6
Total	**203**	**187**

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

	2022-23	2021-22
£0 - £25,000	7	5
£25,001 - £50,000	90	90
£50,001 - £75,000	78	68
£75,001 - £100,000	18	15
£100,001 - £125,000	7	6
£125,001 - £150,000	2	2
£150,001 - £175,000	1	1
Total	**203**	**187**

Gender

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

	2023	2022
Key managers – Male	4	4
Key managers – Female	4	4
Other employees – Male	79	68
Other employees – Female	131	120
Total	**218**	**196**

Fair pay disclosure (subject to audit)

The annualised remuneration[11], as at 31 March, of the Chief Executive[12], was £155,000 – £160,000 (2021-22: £150,000 – £155,000[13]). Remuneration ranged from £11,000 to £150,000 – £155,000 (2021-22: £11,000 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
2022-23	Total remuneration	£43,229	£50,000	£67,744
	Of which, salary	£42,794	£50,000	£65,459
	Pay ratio	**3.6:1**	**3.2:1**	**2.4:1**
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**

The following table details the percentage change in salary and bonus from the previous financial year of the Chief Executive and workforce average. For 2022-23 bonus payments, including the Chief Executive, ranged from £0 to £585 (2021-22: £0 to £575).

	Salary including allowances	Bonus
Chief Executive	3%[14]	113%[15]
Workforce average	2%	1%

[11] 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.

[12] The Chief Executive is the highest paid director.

[13] The Chief Executive's annualised remuneration, as 31 March 2022, 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.

[14] The Chief Executive's salary increase reflects the standard award provided to staff. The Chief Executive's salary increase is higher than the workforce average due to the impact of new starters, on lower than average salaries, who have reduced the average year-on-year salary increase.

[15] The Chief Executive bonus increased from £275 in 2021-22 to £585 in 2022-23. The payments for both years represent standard bonus amounts for all staff, dependent upon appraisal performance rating.

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 2022-23 (2021-22: £nil).

Expenditure on consultancy

The regulator incurred expenditure of £109,000 (2021-22: £37,000) on consultancy during the period 1 April 2022 to 31 March 2023. Consultancy spend related to provision of advice on registered provider restructuring and insolvency and future digital services provision for the regulator.

Apprenticeship levy

During the period 1 April 2022 to 31 March 2023 the regulator incurred expenditure of £44,000 (2021-22: £39,000) on contributions to the apprenticeship levy to support apprenticeship training and assessment for apprentices.

Off-payroll arrangements

The regulator incurred £nil (2021-22: £nil) in respect of off-payroll engagements during the period 1 April 2022 to 31 March 2023.

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 2.9 working days lost per employee (2021-22: 4.5).

Annual staff turnover reduced to 3.7% (2021-22: 7.6%).

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 2022 to 31 March 2023 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 May 2023, we ran our third staff survey as a standalone regulator. Further details will be provided as part of our 2023-24 Annual Report.

We continue to undertake twice yearly wellbeing surveys to better understand what support could be provided to staff. This provides 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
5	5

Percentage of time spent on facility time

Percentage of time	Number of employees
0%	-
1-50%	5
51-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time	**£11,652**
Total pay bill	£18,394k
% of total pay bill spent on facility time	0.06%

Paid trade union activities

Time spent on trade union activities as a percentage of the total paid facility time hours	**0%**

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 made a special grant payment of £670,000 (2021-22: £nil) to a registered provider. This payment was intended to offer short-term support to the provider to safeguard the interests of social housing tenants. The payment was authorised by both MHCLG and Treasury and voluntarily repaid during 2023-24.

The regulator made £nil (2021-22: £nil) losses or gifts during the period 1 April 2022 to 31 March 2023.

Fees and charges (subject to audit)

The regulator introduced fees from 1 October 2017 following a statutory consultation in 2016. The regulator has a Fees and Resources Advisory Panel 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.

The annual fee level and initial registration fees charged for 2022-23 are set out below.

Fee	Fee level 2022-23
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	£5.31 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 2022-23 will total £2.4m:

Annual fees	2022-23 £'000	2021-22 £'000
Total invoices	14,734	14,752
Fee-funded costs for the period	12,371	12,463
Fee rebate to larger providers	2,363	2,289

The maximum annual registration fees for 2023-24 have been set at £15,185k following consultation with the Fees and Resources Advisory Panel. This represents a 3% increase on 2022-23 reflecting the 2022-23 pay award.

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 18 November 2024.

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 2023 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 2023
- 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 UK adopted International Accounting Standards.

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 2023 and its net 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 and Regularity of Public Sector Bodies in the United Kingdom (2022). 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 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 is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises the 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.

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 2008; and
- the information given in the Performance and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements 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:

- 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
- I have not received all of the information and explanations I require for my audit; 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;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Regulator of Social Housing from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with Secretary of State directions made under the Housing and Regeneration Act 2008;
- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with Secretary of State directions made under the Housing and Regeneration Act 2008; 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, I:

- considered 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.

- inquired of management and those charged with governance, including obtaining and reviewing supporting documentation relating to the Regulator of Social Housing's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of 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;

- inquired of management and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud;

- discussed with the engagement team and the 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.

I obtained an understanding of the Regulator of Social Housing's framework of authority and other legal and regulatory frameworks in which the Regulator of Social Housing operates. I focused 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 Housing and Regeneration Act 2008, Managing Public Money, employment law and pensions legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed 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;
- I enquired of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and

I communicated relevant identified laws and regulations and potential risks of fraud 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 expenditure and income 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.

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 I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies **21 November 2024**

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 2023

	Note	2022-23 £'000	2021-22 £'000
Operating income:			
Registered provider fee income	4.1	(12,391)	(12,506)
Other income	4.2	(37)	(45)
		(12,428)	**(12,551)**
Operating expenditure:			
Staff costs	2	18,394	16,960
Registered provider grant	3	670	-
Purchase of goods and services	3	3,468	2,856
Depreciation, loss on disposal and amortisation charges	3	174	166
		22,706	**19,982**
Net operating expenditure		**10,278**	**7,431**
Interest income		(38)	(1)
Pension net finance costs	14(d)	73	166
Net expenditure for the period		**10,313**	**7,596**
Other comprehensive net expenditure:			
Actuarial (gain)/loss from pension fund	14(e)	(6,736)	(7,486)
Total comprehensive expenditure for the period		**(3,577)**	**110**

Statement of Financial Position

As at 31 March 2023

	Note	2023 £'000	2022 £'000
Non-current assets:			
Pension assets	14(a)	1,280	-
Property, plant and equipment	5	33	131
Intangible assets	6	678	2
Right-of-use assets	7	211	-
		2,202	**133**
Current assets:			
Trade and other receivables	9	64	169
Cash and cash equivalents	8	13,514	13,527
		13,578	**13,696**
Total assets		**15,780**	**13,829**
Current liabilities:			
Registered provider fee rebate	10	(2,367)	(2,289)
Registered provider deferred fees	10	(8,090)	(8,505)
Trade and other payables	10	(1,899)	(954)
		(12,356)	**(11,748)**
Total assets less current liabilities		**3,424**	**2,081**
Non-current liabilities:			
Pension liabilities	14(a)	-	(3,679)
Lease liabilities	10	(140)	-
Assets less liabilities		**3,284**	**(1,598)**
Reserves:			
Income and expenditure reserve	SoCTE	1,252	(3,592)
Regulation reserve	SoCTE	2,032	1,994
Taxpayers' equity		**3,284**	**(1,598)**

The notes on pages 80 to 104 form part of these accounts.

Fiona MacGregor
Accounting Officer
18 November 2024

Statement of Cash Flows

Year ended 31 March 2023

	Note	2022-23 £'000	2021-22 £'000
Net cash (outflow) / inflow from operating activities		**(8,029)**	**(4,073)**
Cash flows from investing activities:			
Purchase of non-financial assets[16]		(414)	(10)
Repayment of leasing liabilities		(67)	-
Interest received		38	1
Net cash (outflow) from investing activities		**(443)**	**(9)**
Cash flows from financing activities:			
Grant-in-aid from sponsor department	SoCTE	8,459	5,114
Net cash inflow from financing activities		**8,459**	**5,114**
Increase in cash and cash equivalents in the period		**(13)**	**1,032**
Cash and cash equivalents at 1 April	8	13,527	12,495
Cash and cash equivalents at 31 March	8	**13,514**	**13,527**

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

	Note	2022-23 £'000	2021-22 £'000
Net operating expenditure	SoCNE	(10,278)	(7,431)
Amortisation	3	2	35
Depreciation and loss on disposal	3	172	131
Lease interest	7	2	-
Pension costs	14(d)	5,017	4,959
Employer contributions to pension	14(f)	(3,313)	(3,074)
(Increase)/Decrease in trade and other receivables		105	(84)
Increase in trade and other current liabilities		264	1,391
Net cash (outflow) / inflow from operating activities		**(8,029)**	**(4,073)**

[16] £277,000 of fixed asset additions recognised in 2022-23 were paid in 2023-22

Statement of Changes in Taxpayers' Equity

Year ended 31 March 2023

	Note	General reserve £'000	Regulation reserve £'000	Total £'000
Balance at 31 March 2021		**(8,595)**	**1,993**	**(6,602)**
Grant-in-aid from sponsor department		5,114	-	5,114
Net income/(expenditure)		(7,597)	1	(7,596)
Actuarial gain/(loss) from pension fund		7,486	-	7,486
Balance at 31 March 2022		**(3,592)**	**1,994**	**(1,598)**
Grant-in-aid from sponsor department		8,459	-	8,459
Net income/(expenditure)	SoCNE	(10,351)	38	(10,313)
Actuarial gain/(loss) from pension fund	14(e)	6,736	-	6,736
Balance at 31 March 2023		**1,252**	**2,032**	**3,284**

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 Data Collection System (DCS) development costs. The DCS serves as an electronic platform through which registered providers submit information to the regulator.

In accordance with the FReM, intangible assets should be valued based on a depreciated replacement cost basis. However, as of March 2023, the depreciated replacement cost did not significantly differ from the depreciated historical cost. Therefore, for simplicity, the depreciated historical cost has been adopted for valuation purposes.

Assets are capitalised when their cost exceeds £5,000. The expected useful economic life of the DCS aligns with the system support contract, which spans seven years. As of March 31, 2023, the DCS has a remaining amortisation period of seven years.

1.04 Leases

Where a contract meets IFRS 16’s definition of a lease as interpreted and adapted in the FReM, the regulator recognises a right-of-use asset (representing its right to use the underlying leased asset) and corresponding lease liability (representing its obligation to make lease payments).

The right-of-use asset is depreciated, and the corresponding lease liability reduces as lease payments are made.

Exemptions and definition

Short-term leases of 12 months or less and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

IFRS 16 stipulates that a lease contract must convey the right to control and use an identified asset. Most of the regulator's office contracts do not meet this definition due to the landlord's substantive right to substitute the office space. Consequently, expenses for these office contracts are recognised as they are incurred, with accompanying disclosure of future commitments.

Initial measurement

The right-of-use asset and lease liability are initially calculated as future lease payments, discounted using the HM Treasury discount rates promulgated in PES papers. The right-of-use asset measurement is adjusted, where applicable, to reflect any initial direct costs, prepayments or incentives, and costs related to restoration at the end of a lease.

The term of a lease is determined as the non-cancellable period combined with any period where the regulator has the option to extend or terminate but is reasonably certain to continue with the lease.

Whenever feasible, the regulator separates lease (e.g. rent) and service components (e.g. service charges and rates) and excludes service components from measurement.

Subsequent measurement

The right-of-use assets are subsequently measured using the cost model as a proxy for the measurement of the cost of value in use. This is because lease terms require lease payments to be updated for market conditions, for example, rent reviews for leased offices, which will be captured in the IFRS 16 cost measurement provisions.

Right-of-use assets also have shorter useful lives than their respective underlying assets and, as such, cost can be used as a proxy for assets with shorter economic lives or lower values in accordance with the FReM.

1.05 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.

1.06 Funding

The regulator's activities are part funded by grant-in-aid provided by MHCLG 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.

1.07 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 value for each scheme is recognised within pension assets 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.

1.08 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'.

1.09 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.

1.10 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.

1.11 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.

1.12 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.

1.13 Segmental reporting

IFRS 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.

1.14 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.

In 2022/23 the regulator implemented IFRS 16 Leases. There are no future expected changes arising from IFRS and the FReM which will have an impact on the accounts.

1.15 Housing Finance Corporation Ltd

The regulator owns one share with a nominal value of £1 in the Housing Finance Corporation Ltd. (THFC) which is held under a Declaration of Trust. THFC is a community benefit society, operating as a non-profit-distributing finance company, whose purpose is to enable regulated housing associations to source funding from a range of institutional investors.

1.16 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 MHCLG.

2. Staff costs

	2022-23	2021-22
	£'000	£'000
Total staff costs charged to net expenditure comprise:		
Wages and salaries	11,861	10,747
Social security costs	1,472	1,280
Pension costs	5,013	4,933
Secondments	48	-
Total staff costs	**18,394**	**16,960**

The increase in wages and salaries is driven by an increase in headcount as the regulator expands in preparation for the introduction of proactive consumer regulation. Wages and salaries include £64,000 (2021-22: £57,000) of non-consolidated performance-related pay.

IAS 19 pension accounting creates volatility within pension costs. In 2022-23 pension costs were £1,704,000 higher than the employer pension contributions (2021-22: £1,885,000). Further information on pensions is included within Note 14.

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

		2022-23 £'000	2021-22 £'000
Registered provider grant:		**670**	**-**
Purchase of goods and services:			
Digital services[17]		1,009	830
Office rent under operating leases[18]		666	767
Other central corporate services[19]		511	380
Legal costs		356	307
Professional fees		396	252
Learning and development		136	105
External audit		85	65
Data collection system		41	42
Travel and subsistence		138	16
Other		130	92
Total goods and services		**3,468**	**2,856**
Non-cash items:			
Depreciation (PPE)	5	111	131
Amortisation	6	2	35
Depreciation (RoU)	7	61	-
Total non-cash items		**174**	**166**
Total		**4,312**	**3,022**

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

[18] The regulator has no contingent rents or sublease payments. The office rent under operating leases includes rent for the Manchester, London, Bristol and Birmingham offices. The Leeds office contract meets IFRS 16's lease definition thereby creating a right-of-use asset which is depreciated.

[19] 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 onto 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 when that the provider is accepted onto the Register of Social Housing. At this 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, during March, with payment terms of 30 days, due 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 2022-23
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	£5.31 per unit

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. 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 2022-23 annual registration fees is shown as a liability within the Statement of Financial Position.

Contract income

The regulator recognised the following registered provider fee income:

	2022-23 £'000	2021-22 £'000
Initial registration fee	20	43
Annual registration fee	12,371	12,463
	12,391	**12,506**

Contract balances

There are £3,000 (2020-21: £3,000) of initial registration fees due but not received as at 31 March 2023.

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 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)**
Rebate paid back	-	2,285	-
Payment of historic fees	(1)	-	-
2022-23 fees	-	-	(6,229)
Income recognised	-	-	12,371
Transfer unspent fees to rebate	-	(2,363)	2,363
Prepayment of 2023/24 fees	-	-	(8,090)
As at 31 March 2023	**-**	**(2,367)**	**(8,090)**

The regulator provides in full for any registration fee more than three months overdue. As at 31 March 2023 the regulator held a £2,000 debt impairment against registration fees (31 March 2022: £1,000).

4.2 Other income

	2022-23 £'000	2021-22 £'000
The Housing Finance Corporation Ltd director fee	17	17
Affordable Housing Finance Plc director fee	17	17
Digital Apprenticeship Service	3	6
Recovery of legal costs	-	5
	37	**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.

	2023 £'000	2022 £'000
Cost:		
At 1 April	406	397
Additions	13	10
Disposals	-	(1)
As at 31 March	**419**	**406**
Depreciation:		
At 1 April	275	145
Charged in period	111	131
Disposals	-	(1)
As at 31 March	**386**	**275**
Carrying value as at 31 March	**33**	**131**

6. Intangible assets

Intangible assets relate to the Data Collection System (DCS) development costs. The DCS serves as an electronic platform through which registered providers submit information to the regulator.

	2023 £'000	2022 £'000
Cost:		
At 1 April	249	249
Additions	678	-
As at 31 March	**927**	**249**
Amortisation:		
At 1 April	247	212
Charged in period	2	35
As at 31 March	**249**	**247**
Carrying value as at 31 March	**678**	**2**

7. Right-of-use assets

IFRS 16 defines a lease as a contract that ‘conveys the right to control the use of an identified asset’. The regulator’s contract for its Leeds office meets this definition thereby creating a right-of-use asset and a related lease liability.

The regulator’s other office contracts give the landlord the substantive right to substitute the space. Consequently, no right-of-use asset or lease liability is recognised for RSH’s other offices.

	2023 £’000	**2022** £’000
Cost:		
At 1 April (initial adoption of IFRS 16)	228	-
Additions	44	-
Disposals	-	-
As at 31 March	**272**	**-**
Depreciation:		
At 1 April	0	-
Charged in period	61	-
Disposals	-	-
As at 31 March	**61**	**-**
Carrying value as at 31 March	**211**	**-**

7.1 Lease disclosures

	2023 £’000	**2022** £’000
Elements in statement of comprehensive net expenditure		
Rates and services expenses not included in the lease liability	48	-
Interest expense on lease	2	-
Maturity analysis lease obligations		
1 year	67	-
2 - 5 years	143	-
5+ years	0	-
Less interest element	(3)	-
Present value of lease obligations	**207**	**-**
Total cash outflow for leases	67	-

8. Cash and cash equivalents

	2023	2022
	£'000	£'000
Opening balance	13,527	12,495
Net change in cash balances	(13)	1,032
Cash balances as at 31 March	**13,514**	**13,527**
The following cash balances at 31 March were held:		
General bank account	11,482	11,533
Section 167 bank account	2,032	1,994
Cash at bank	**13,514**	**13,527**

The regulator's cash balances are held within the Government Banking service. The section 167 bank account holds regulation reserve cash detailed in Note 1.11.

9. Trade and other receivables

Amounts falling due within one year	**2023**	**2022**
	£'000	£'000
Prepayments	59	165
Registered provider initial fees	3	3
Registered provider annual fees	-	1
Employee loans	2	-
	64	**169**

There are no amounts falling due after more than one year.

10. Trade other payables

Amounts falling due within one year:	Note	2023 £'000	2022 £'000
Employee holiday balance		581	599
Accruals		756	354
Taxation and social security		383	-
Trade payables		112	1
Lease liability		67	-
		1,899	**954**
Registered provider deferred fees	4.1	8,090	8,505
Registered provider fee rebate	4.1	2,367	2,289
Total current payables		**12,356**	**11,748**
Amounts falling due after more than one year:			
Lease liability		140	-
Total trade payables and other liabilities		**12,496**	**11,748**

11. Commitments under leases

The regulator occupies five office locations across England, with signed contracts in place for all offices apart from Manchester.

The anticipated office costs (including VAT), excluding the Manchester office due to the absence of a signed contractual commitment, is set out below:

Offices	**2023** **£'000**	**2022** **£'000**
Payable within 1 year	673	633
Payable later than 1 year and not later than 5 years	800	1,326
	1,473	**1,959**

For the upcoming 2023/24 period, the anticipated costs for the Manchester office are expected to be £248,000.

12. Other financial commitments

Government Shared Service commitments

The regulator has a shared service agreement with Homes England for the provision of digital services, ending 31 March 2024, and space at their Bristol office, ending 31 December 2024. Additionally, the regulator has a rolling annual agreement with MHCLG for the provision of financial services.

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

The anticipated costs (including VAT), excluding the office rent charges disclosed in Note 11, under the Service Level Agreement are set out below:

	2023 £'000	2022 £'000
Payable within 1 year	1,120	568
Payable later than 1 year and not later than 5 years	-	-
	1,120	**568**

Data Collection System commitments

The regulator has entered into a contract with Softwire Technology Ltd. for the development, hosting, maintenance and support of a Data Collection System (DCS). The DCS serves as an electronic platform through which registered providers submit information to the regulator.

The contract commenced in May 2022 and is scheduled to conclude in May 2027. It allows for a maximum of three 12-month extension periods, subject to the regulator's discretion.

The anticipated costs (including VAT) under the contract, assuming RSH exercises the extension periods, is set out below:

	2023 £'000	2022 £'000
Payable within 1 year	206	-
Payable later than 1 year and not later than 5 years	584	-
Payable over 5 years	365	
	1,155	**-**

13. Related-party transactions

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

14. 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 (l) 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 2023 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 2022:			
Fair value of employer assets	21,466	42,783	64,249
Present value of funded liabilities	(21,728)	(46,200)	(67,928)
Net surplus / (deficit)	**(262)**	**(3,417)**	**(3,679)**
31 March 2023:			
Fair value of employer assets	18,109	42,373	60,482
Present value of funded liabilities	(16,829)	(31,411)	(48,240)
Net surplus / (deficit)	**1,280**	**10,962**	**12,242**
Impact of asset ceiling	-	(10,962)	(10,962)
Adjusted net surplus / (deficit)	**1,280**	**-**	**1,280**

The LGPS scheme has reported an asset ceiling restriction. The asset ceiling is the limit above which further increases in net pension assets cease to be recognised for accounting purposes, as directed by paragraph 64 of IAS 19. The limit is determined by the benefit which could be obtained by a refund of, or reduction in, employer contributions to a scheme. Movements on the asset ceiling are set out in Note 14 (h).

b. Actuarial assumptions

Financial assumptions:

	31 March 2023		31 March 2022	
	HCAPS	LGPS	HCAPS	LGPS
Inflation (CPI)	3.20%	2.95%	2.85%	3.15%
Pension increases	2.90%	2.95%	3.30%	3.15%
Salary increases	3.35%	3.95%	3.70%	4.15%
Discount rate	4.80%	4.75%	2.80%	2.75%

Mortality assumptions at 65:

	31 March 2023		31 March 2022	
	HCAPS	LGPS	HCAPS	LGPS
Male – retiring today	23.0	22.1	22.9	21.4
Male – retiring in 20 years	24.3	23.6	24.2	22.9
Female – retiring today	24.3	25.6	24.3	24.9
Female – retiring in 20 years	25.8	26.2	25.8	26.1

c. Fair value of employer assets

	HCAPS	LGPS	31 March 2023 Total	31 March 2022 Total
	£'000	£'000	£'000	£'000
Equities - quoted	3,569	27,366	30,935	33,935
Equities – unquoted	-	4	4	4
Debt – quoted	8,339	5,717	14,056	14,588
Debt – unquoted	-	1,058	1,058	2,165
Real estate - quoted	1,269	1,861	3,130	1,353
Real estate – unquoted	-	898	898	3,070
Investment fund – quoted	4,724	879	5,603	5,584
Infrastructure - unquoted	-	3,527	3,527	1,771
Cash & cash equivalents	208	1,063	1,271	1,779
	18,109	**42,373**	**60,482**	**64,249**

d. Charge to net expenditure

	HCAPS	LGPS	2022-23 Total	2021-22 Total
	£'000	£'000	£'000	£'000
Amounts charged to net operating expenditure:				
Current service costs	3,310	1,604	4,914	4,876
Expenses	103	-	103	83
	3,413	**1,604**	**5,017**	**4,959**
Amounts charged to finance costs:				
Interest charged to liabilities	607	1,293	1,900	1,387
Expected return on assets	(634)	(1,193)	(1,827)	(1,221)
	(27)	**100**	**73**	**166**
Recognised in SoCNE	**3,386**	**1,704**	**5,090**	**5,125**

LGPS current service costs includes an allowance for administration expenses.

e. Amounts recognised in income and expenditure reserve

	HCAPS £'000	LGPS £'000	2022-23 Total £'000	2021-22 Total £'000
Actuarial losses / (gains)	**(2,777)**	**(3,959)**	**(6,736)**	**(7,486)**

f. Reconciliation of fair value of employer assets

	HCAPS £'000	LGPS £'000	2022-23 Total £'000	2021-22 Total £'000
Fair value of employer assets at 1 April	**21,466**	**42,783**	**64,249**	**58,445**
Expected return on assets	634	1,193	1,827	1,221
Contributions by member	467	339	806	746
Contributions by employer	2,151	1,162	3,313	3,074
Actuarial gains / (losses)	(6,367)	(2,855)	(9,222)	1,258
Expenses	(103)	-	(103)	(83)
Insurance premiums for risk benefits	(16)	-	(16)	(9)
Benefits paid	(123)	(249)	(372)	(403)
Fair value of employer assets at 31 March	**18,109**	**42,373**	**60,482**	**64,249**

g. Reconciliation of fair value of employer liabilities

	HCAPS £'000	LGPS £'000	2022-23 Total £'000	2021-22 Total £'000
Defined benefit obligation at 1 April	**21,728**	**46,200**	**67,928**	**67,559**
Current service cost	3,310	1,604	4,914	4,876
Interest costs	607	1,293	1,900	1,387
Contributions by members	467	339	806	746
Insurance premiums for risk benefits	(16)	-	(16)	(9)
Actuarial losses/(gains) – demographic	-	(9,329)	(9,329)	(17)
Actuarial losses/(gains) – financial	(11,168)	(19,099)	(30,267)	(6,362)
Actuarial losses/(gains) – experience	2,024	10,652	12,676	151
Benefits paid	(123)	(249)	(372)	(403)
Defined benefit obligations at 31 March	**16,829**	**31,411**	**48,240**	**67,928**

h. Reconciliation of asset ceiling

	HCAPS £'000	LGPS £'000	2022-23 Total £'000	2021-22 Total £'000
Asset ceiling at 1 April	**0**	**0**	**0**	**0**
Actuarial movements	0	10,962	10,962	0
Asset ceiling at 31 March	**0**	**10,962**	**10,962**	**0**

The regulator has not previously reported an asset ceiling for either pension scheme.

i. Sensitivity analysis as at 31 March 2023

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 14 (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.

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	45,852	48,240	50,773
Movement	(2,388)		2,533

Adjustment to inflation	**+0.25%** £'000	**Current** £'000	**-0.25%** £'000
Present value of total obligation	50,368	48,240	46,212
Movement	2,128		(2,028)

Adjustment to salary increase	**+0.25%** £'000	**Current** £'000	**-0.25%** £'000
Present value of total obligation	48,961	48,240	47,534
Movement	721		(706)

Adjustment to life expectancy	**+1 year** £'000	**Current** £'000	**-1 year** £'000
Present value of total obligation	49,822	48,240	46,655
Movement	1,582		(1,585)

j. Expected future cash flows

The expected employer pension contribution for the year to 31 March 2024 is:

	HCAPS £'000	LGPS £'000	Total £'000
Expected employer contribution	2,288	1,046	3,334

k. Maturity profile of the defined benefit obligation

The weighted average duration of the defined benefit obligation is approximately 17 years for HCAPS as a whole scheme and 21 years for the regulator's section of the LGPS.

l. 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.

15. 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 9. 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 14.

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 MHCLG. The regulator maintains surplus funds within instant access accounts which totalled £13,514,000 as at 31 March 2023 (31 March 2022: £13,527,000). Liquidity risk is not considered significant.

15. Events after the reporting period

During 2022/23, the regulator made a special grant payment of £670,000 to a registered provider to offer short-term support safeguarding the interests of social housing tenants. This grant was voluntarily repaid after the reporting date.

On 1 October 2024, the regulator transferred active staff pension benefits from the Homes and Communities Agency Pension Scheme (HCAPS) to the Civil Service Pension Scheme (CSPS). The CSPS is accounted for as a defined contribution scheme but operates as a multi-employer defined benefit scheme. The regulator entered into a Deferred Debt Agreement (DDA) with HCAPS. Under the DDA, the regulator ceases to make regular employer contributions to HCAPS but retains responsibility for any future funding shortfalls. As a result of this arrangement, the IAS 19 pension surplus related to HCAPS, valued at £1,280k as of 31 March 2023, will not be recognised from 1 October 2024, as there is no mechanism for the regulator to benefit from the surplus.

There have been no other 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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