By email to: consultation@hca.gsi.gov.uk

21 March 2014

Dear Tim

**CIH's response to the HCA consultation on charging fees for social housing regulation**

CIH welcomes this opportunity to contribute to the HCA’s consultation on charging fees for social housing regulation. While we have not responded to every question posed in the discussion paper, our views on key areas are set out below.

**The case for charging fees for regulation**

As regulation brings benefits for housing providers, for example lower borrowing costs, CIH accepts the argument that it is reasonable that they should contribute to the costs of it. However, the government also benefits from this arrangement: for instance it allows providers to access private funding to develop much needed new homes with significantly reduced impact on the public purse. However, money spent on housing regulation by housing providers is money which then won’t be available for service delivery or investment.

CIH therefore believes strongly that any fees charged should be both proportionate and **in addition to** grant-in-aid from the Department for Communities and Local Government, not instead of it.

CIH also recognises that the increasing diversity and complexity of the social housing sector has clear implications in terms of the skills and capacity needed by the HCA to deliver truly effective regulation. Allowing any system of fees to supplement the current grant in aid arrangements would allow the regulator to bolster its skills and capacity to meet today’s more complex operating environment without any additional call on the public purse. Paragraph fifteen of the consultation paper also summarises useful arguments for continuing to ensure that public expenditure meets at least a proportion of the regulator’s costs, including keeping barriers to entry lower than would otherwise be the case.
Proposed principles of the fees regime

We agree that the proposed approach to developing a set of principles for charging fees strikes the right balance between reflecting the true costs of regulation and being reasonable and proportionate.

Determining fee rates

Simplicity should be at the heart of any fee structure adopted. After all, time, effort and money wasted on complex administrative processes detracts from the resources available for regulation itself.

In our view the most straightforward way to determine the level of annual fee payable is to base it on the number of social housing units a provider owns. Numbers of homes owned is both a simple measure and less volatile than other potential measures of size helping to ensure that fee levels are more predictable, being transparent and easily verifiable and meeting the requirement that any fee structure should be proportionate. In our view size calculating a fee relative to social housing stock owned already accounts for organisational size and obviates the need for any banding arrangement, helping to keep the fee structure simple and transparent. Charging fees at group level offers simplicity and CIH supports this approach.

CIH understands and accepts the pragmatic argument that a minimum fee level ensures that all fees are economic to recover, but also recognises that flat rate fee structures are regressive by nature. On that basis the regulator should ensure that any flat rate element of fees should be set at the lowest possible level whilst still being economic to recover and reflecting the costs of maintaining each provider on the register.

We agree that the principle of an initial registration fee is sound. If fees are to be charged then failing to charge for registration would mean that the costs of registration would fall on existing regulated entities which is neither transparent nor proportionate. A simple flat rate structure seems the approach most likely to ensure that significant new barriers to entry are avoided and that the initial costs of registration do not disincentivise new or novel approaches providing the flat rate fee is kept at a reasonable level.

An open and transparent approach

CIH believes that organisations paying fees for HCA regulation activity should be absolutely clear about what they can expect in return. A simple service level agreement would aid transparency and accountability and enable housing providers to challenge appropriately in situations where they do not believe they have received value for money.

Local authority registered providers

Given that the regulator’s role in relation to local authority landlords is currently limited to breaches of the consumer standards where there is actual or potential risk of detriment to tenants, the discussion paper’s suggestion that the annual fee should not apply to local
authorities seems sensible to us. There is little value to the public purse in setting a fee level where the costs of collection exceed the value of the fees concerned. However, this approach should be kept under review and if the regulator takes on a fuller role in relation to local authorities then the decision not to charge fees should be revisited.

We hope that you will find our comments helpful and look forward to receiving and considering the outcomes of this consultation.

Yours sincerely

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