



Scottish Housing
Regulator

Annual Performance Report & Accounts 2017/18



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1. Introduction

About us

We are the independent regulator of social landlords in Scotland.

We safeguard and promote the interests of:

Around:

600,000

Tenants who live in homes provided by social landlords

Over:

123,000

Home owners who receive services of social landlords

Over:

45,000

People and their families who may be homeless and seek help from local authorities

Around:

2,000

Gypsy/Travellers who can use official sites provided by social landlords

We regulate:

Around:



Social landlords

Around:

160 Registered social landlords

32 Local authorities

Our role:

To monitor, assess and report on social landlords' performance of housing activities and RSLs' financial wellbeing and standards of governance. We intervene, where we need to, to protect the interests of tenants and service users.

Our **Regulatory Framework** explains how we regulate social landlords. It is available at:
www.scottishhousingregulator.gov.uk

Contribution to national outcomes:

As an effective regulator we contribute to the achievement of sustainable economic growth and to the Scottish Government National Outcomes on:

- tackling inequalities
- well-designed, sustainable places
- high quality, continually improving efficient and responsive public services
- longer, healthier lives
- improved life chances for children, young people and families at risk
- strong, resilient and supportive communities.

Who we are

Our Board



George Walker
Chair

July 2017 to June 2021



Anne Jarvie
Deputy Chair

March 2013 to March 2020*



Andrew Watson
Member

July 2017 to June 2021



Mike Dailly
Member

March 2013 to February 2021*



Lisa Peebles
Audit & Risk Assurance
Committee Chair

April 2011 to March 2019*



Simon Little
Member

April 2011 to March 2019*



Bob Gil
Member

July 2017 to June 2021



Siobhan White
Member

July 2017 to June 2021

*Final Term

Executive Team

Michael Cameron

Chief Executive

Christine Macleod

Director of Regulation
Governance & Performance

Ian Brennan

Director of Regulation
Finance & Risk

Iain Muirhead

Director of Strategy &
Communications

Changes 2017/18

We were delighted to welcome our new Chair and members in July 2017.

In February 2018, with great sadness we shared the news that Kay Blair our Chair from April 2011 to August 2017 had passed away.

What we do

Main activities

Our objective

To safeguard and promote the interests of tenants, people who may be homeless, and those who use social housing services provided by social landlords, including Gypsy/Travellers.

Our vision

Successful social landlords delivering good outcomes for tenants and others.

Our corporate plan

In our **Corporate Plan 2015-18** we set out the priorities that flow from our objective and vision, they are:

- RSLs and local authorities delivering good services;
- financially healthy RSLs; and
- well governed RSLs.

What we will do

- ✓ Empower tenants and service users to hold their landlord to account.
- ✓ Be a catalyst for landlords to improve their services, governance, and financial health.
- ✓ Identify and raise awareness of risks to the interests of tenants and other service users.
- ✓ Act to protect the interests of tenants and other service users, quickly and decisively when necessary.
- ✓ Help to maintain lender, investor, and public funder confidence in social housing.

Welcome



George Walker
Chair

In January, we launched a national discussion on the future of social housing regulation in Scotland to help us review our Regulatory Framework and how we work. We would like to thank all our stakeholders who are contributing to this.

During our conversations with stakeholders, we were struck by everyone's commitment to a successful social housing sector providing good quality homes and services at a price tenants can afford. We believe SHR has an important role to play in achieving this.

During 2017/18, we found that:

- Local Authorities and RSLs have continued to improve and deliver against the outcomes and standards in the Scottish Social Housing Charter;
- lenders, investors, RSLs and local authorities continue to invest in new homes contributing to the Scottish Government's target of 50,000 new affordable homes;
- RSLs' financial performance continues to be strong, giving us confidence they can respond to the increasingly complex and uncertain environment; and
- the majority of RSLs are well-governed and well-run.

We worked throughout the year to contribute to these important outcomes and we will continue to focus on them in 2018/19.

We are working intensively with some RSLs on serious governance issues. This is why in our new Regulatory Framework we want to help encourage a culture of self-assurance and have a renewed focus on supporting effective Boards.

We will also continue to put a spotlight on homelessness. In March we published a report on housing people who are homeless in Glasgow. We believe the lessons from this are important both in Glasgow and for RSLs and local authorities around Scotland.

We want to acknowledge the hard work of local councillors and RSL governing body members, most of whom are volunteers, and the crucial role they play in achieving and delivering the best outcomes for tenants, neighbourhoods and communities. We would also like to thank our Board members, staff and tenant advisors and all the volunteer statutory appointees for their hard work and support.

Finally we would like to pay tribute to our outgoing Chair Kay Blair. We are extremely saddened at the loss of Kay in February 2018. Her sage advice to "keep it all about the tenants" is something that we continue to uphold.

Two handwritten signatures in black ink. The signature on the left is 'George Walker' and the signature on the right is 'Michael Cameron'.



2. Overview

Our work, performance, and achievements

Empowering tenants & service users

We involved tenants and our other stakeholders through:

- Our National Panel of Tenants and Service Users.
- Thematic work on gas safety, repairs, complying with regulatory standards and housing homeless people in Glasgow.
- Engaging with the Registered Tenant Organisations' Regional Network and meeting quarterly with our RTO liaison group.
- Engaging and liaising closely with Scottish Ministers, tenants and their representatives, homeless people and bodies that represent them, recipients of housing services, social landlords and their representatives, lenders and investors in social housing.



Scottish Social Housing Charter

We monitored and reported on Scottish Social Housing Charter progress. The general picture is one of strong performance and continued improvement over the first four years of the Charter. We:

- Collected data to monitor progress towards the 16 Charter standards and outcomes.
- Published our national analysis of progress against the Charter in August.
- Published 186 landlord reports, all the Charter data for others to use and updated our online comparison tool – this was visited over 28,000 times.
- Visited selected landlords to test data accuracy on Charter returns.

Tenants satisfied with the homes and services their landlord provides:



Charter standards and outcomes improved:



Regulatory framework

We started a review of our Regulatory Framework and worked closely with our stakeholders to gather views through a discussion paper. We will reflect on these views ahead of a formal consultation in 2018.

RSLs and local authorities deliver good services

We completed our planned engagement that we set out in our published regulation plans (RSLs) and in local scrutiny plans (local authorities) in 2017-18.



We will engage with a number of RSLs with significant development programmes about their business planning and how they are managing the challenges associated with this.

We will continue to have a strong focus on how local authorities deliver for people who are or may become homeless. This will be the main focus of our engagement with local authorities.



Helen Shaw
Assistant Director, Finance & Risk

We engaged with:

56

Registered social landlords
7 high, 49 medium



20

Local authorities
4 scrutiny, 16 on-going monitoring



We assessed the risk to landlords based on the key themes we published in November 2017.

Changes to our regulation plans:

Amended

20

New

4

Changed engagement
status

4

Outcome of our 2018 assessment of risk in RSLs & local authorities

Published March 2018

We will engage with landlords around:



Level of engagement with RSLs:

High	8 RSLs
Medium	56 RSLs
Low	94 RSLs

Level of engagement with local authorities:

Scrutiny	4 LAs
On-going monitoring	16 LAs
No scrutiny	12 LAs

[Read our full report on our website>](#)

Statutory intervention

We published accounts of our intervention in:

- Wellhouse Housing Association
- Molendinar Park Housing Association

Intervention Themes:

Governance
Financial management
Risk management
Compliance with constitution
Service delivery
Protection of assets

8



Number of RSLs that we intervened in to protect the interests of tenants

31



Number of statutory appointments put in place during the year

7



Number of statutory managers put in place during the year

Lenders continue to invest in new & existing homes

We supported this investment by publishing:

- our analysis of RSL borrowing and financial health
- a statement of the focus of our 2017/18 risk assessments
- data tables on the finances of RSLs
- a report of how RSLs self-assess against Regulatory Standards.

Whistleblowing

SHR is a prescribed person under whistleblowing legislation. During the year 12 whistleblowers contacted us. Read more about this work on page 18.

As a Scottish public body we:

- Worked within our budget, focusing resources to achieve our objective.
- Managed risks that could affect us delivering our objective.
- Actively considered our performance during the year considering any risks and applying our resources to mitigate against these. Risks to SHR are set out in our Governance Statement in our full report on page 33.
- Complied with our public body duties and obligations.
- Successfully moved office, achieving a modern workplace and 50% saving in accommodation costs.



3. Performance Analysis

Corporate plan regulatory priorities

- 1 RSLs and local authorities deliver good services
- 2 Well-governed and financially healthy RSLs
- 3 Effective regulator

1. RSLs and local authorities deliver good services



RSL and local authority progress against the Scottish Social Housing Charter

RSLs and local authorities continue to perform well against the Scottish Social Housing Charter standards & outcomes.

Some landlords have more work to do than others to continue this overall improvement. We found RSLs and local authorities are continuing to show a strong commitment to accurately reporting their performance. [Read our National Report.](#)

Tenants satisfied with
their homes & services

9/10



**Performance
improved in:**

11/16

Charter standards
and outcomes



Overall, Scottish RSLs and local authorities are continuing to perform well. They've improved or maintained performance against almost all of the Social Housing Charter standards. This is good news for tenants, particularly given last year's strong performance from landlords. On the whole, most tenants are satisfied with their landlord's performance. Performance varies underneath the national picture and some landlords have more work to do than others to improve.

George Walker
Chair



Progress against the Scottish Social Housing Charter

Emergency repairs response time improved to below:



5hrs

Tenants satisfied with their landlord's neighbourhood management improved to:



87%

Tenants satisfied with the quality of their home improved to:



87%

Tenants satisfied their rent is good value for money improved to:



82%

1st stage complaints responded to within timescales decreased to:



85%

Average weekly rent increased to:



£74

Anti-social behaviour responded to within timescales unchanged at:



87%

Average planned rent increases 2016/17:



2.3%

[Read our full report on our website>](#)

Planned monitoring and scrutiny with local authorities

We had on-going monitoring with 16 local authorities and scrutiny with 4 local authorities in 2017/18. In 19 local authorities our engagement was around homelessness services.

In Glasgow we carried out an important review on how effectively Glasgow City Council and RSLs work to secure homes for people who are homeless.

Local authorities have a duty to provide homes to people who are homeless. RSLs have a duty to help them do that. The Council is not housing people who are homeless quickly enough and it is not referring enough people to RSLs to meet housing need. Some RSLs make a good contribution to providing homes to people who are homeless, some have more to do.

We expect the Council and its partners to respond positively to the recommendations in our report. The Council must improve urgently the services it provides to people who are homeless.

Michael Cameron
Chief Executive

We found and reported:

People who are homeless are waiting too long to be given a home and many spend too much time in temporary accommodation.



Our key recommendations to Glasgow City Council and RSLs:

- Glasgow City Council should streamline its approach to assessment and referral, especially for those who need only limited or no assistance beyond getting a home, and so move people who are homeless quickly into homes, freeing up temporary accommodation for those who need it.
- RSLs should ensure that their governing bodies should oversee their RSL's performance to ensure this always complies with Scottish Ministers' guidance on housing people who are homeless.

[Read our full report on our website](#)

Our thematic work

We reported that:

Repairs are a key priority for tenants.



We provided recommendations and positive practice for RSLs and local authorities.

Repairs services are a key priority for tenants & service users



Things that matter most to tenants & service users

- ✓ Being treated with courtesy & respect
- ✓ Speed & efficiency
- ✓ Clear & consistent policies
- ✓ Flexibility
- ✓ Being kept informed



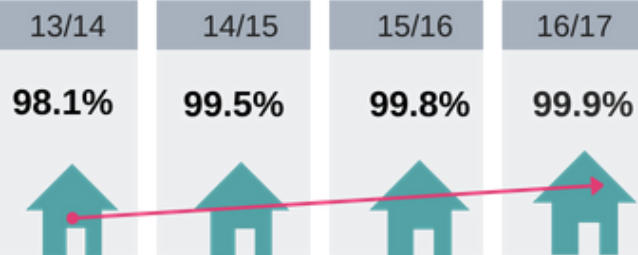
[Read our full report on our website](#)

We found a:

Strong gas safety performance in delivering annual checks; this is a crucial area for tenant safety.



Number of houses with annual gas safety check completed



The most effective landlords promote a culture centred on:



tenant safety

full compliance with the requirements on gas safety checks



[Read our full report on our website>](#)

Our factoring thematic

We found that:

RSLs and local authorities have improved their factoring services, but there is still more to do.



145



Social landlords provide factoring services

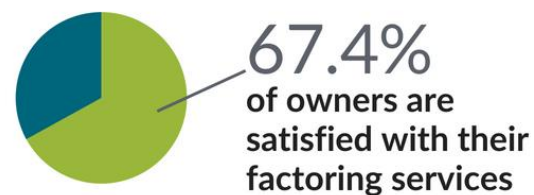
They provide factoring services for:

123,385 homes



^ 5,000 since 14/15

RSLs	93,286
LAs	30,072



The overall increase over the last 2 years is due to improved satisfaction in the RSL sector. LA satisfaction declined since 14/15

^ from 63% in 14/15

Average management fee

£82.48

^ from £83.97 in 14/15



RSLs	£94.14
LAs	£46.30

Total income from management fees

£10,174,105



^ £250,000 since 14/15

RSLs	£8,781,749
LAs	£1,392,356

[Read our full report on our website>](#)

Our tenant advisors visited 12

Gypsy/Traveller sites



We used their findings to highlight the importance of RSLs and local authorities applying the Charter standards.

What landlords with Gypsy/Travellers sites must do:

- Implement the recommendations of our thematic inquiry.
- Ensure site users have access to a site manager.
- Prominently display our information poster and promote its messages to site users.
- Meet the Scottish Government's minimum standards by June 2018.

What we will do:

- Engage further with specific landlords about the findings.
- Assess and report on landlords' performance through the Annual Return on the Charter and include this in our annual risk assessment.
- Consider what the findings mean for how we regulate as we develop proposals for our new Regulatory Framework in 2018.

Outcome of our tenant advisors visits:



12/29

Gypsy/Traveller sites visited



6/12

Number of sites that prominently displayed our poster about the site standards

The poster was less easy to find in 2
Not displayed in 4



8/12

Number of sites where our tenant advisors were unable to access the site manager

Residents at 4 sites said they had not seen the site manager for months or had seen them only occasionally



3/4

Available site managers said that there were plans for site improvements or improvements were already under way

[Read our full report on our website>](#)

Our work with RSL & local authority tenants and service users

Output of our work with our National Panel of around **500** tenants and people who receive services from RSLs and Local Authorities.



Value for money

The main drivers for value for money are:
rent level, affordability and quality of home



More than:
9/10

Said value for money should feature in their landlord reporting

Rents



1/3

Had problems paying their rent in the past



More than:
1/10

Had problems paying their rent in the past year



2/3

Had concerns about future affordability due to potential future rent increases, benefits changes & changes to their income



3/5

Had received information about annual rent increases from their landlord



3/4

Of those who had received information said their landlord invited views on the proposal

[Read our full report on our website>](#)

We listened

and promoted the things tenants tell us matter



We believe effective tenant-led scrutiny is an important way to empower tenants. It also helps landlords better understand tenants' views and priorities, and helps them to identify where they can improve. We can support tenants by providing good information on their landlords' performance in easy-to-access formats.

Michael Cameron
Chief Executive
TPAS Event, June 2017



Strong tenant voices are vital in scrutinising performance.



Michael Cameron writing in Inside Housing, September 2017

We enjoyed meeting & listening to lots of tenants on our exhibition stands at the:

- TIS conference in June 2017
- TPAS conference in November 2017



In June 2017, following the tragic fire at Grenfell Tower, London we issued advice to all landlords about fire safety. We highlighted the Ministerial working group and we advised landlords to:

- identify potential risks to the safety of their tenants;
- work closely with Scottish Fire & Rescue Service; and
- to reassure their tenants about the steps being taken to identify risks and how they can protect themselves.



Lynn Stewart
Regulation manager

**Nearly 80% of SHR
National Panel tenants are
concerned about future
rent affordability.**



TIS rent setting conference
October 17



George Walker
Chair

**We look for landlords to consider
tenants' ability to keep paying their
rent in the longer term when setting
their rents. Landlords should
demonstrate transparency on costs
and a vigorous pursuit of value for
money to us and to tenants.**



George Walker
GWSF Annual Conference, November 2017



Ian Brennan
Director of Regulation
(Finance and Risk)

Ian stressed:

**The need for RSLs to
consider long term
affordability for tenants
when setting rent.**



SFHA Finance Conference
November 17

**Empowering tenants will remain at
the heart of our regulation... I can
guarantee you that we will build on
our approach to empowering
tenants, and we will continue to
give tenants a voice.**



George Walker
TPAS Annual Conference



Michael Cameron
Chief Executive

**Effective dialogue with
tenants on rent levels is
crucial.**



Michael Cameron writing
in Inside Housing

**We published a special issue of
our e-zine on rent affordability in
December 2017**



2. Well-governed and financially healthy RSLs



Whistleblowing

SHR is a prescribed person under whistleblowing legislation.

We are interested in any conduct which puts at risk the interests of tenants and service users, or could threaten the viability or reputation of a regulated body, or the wider sector.

Whistleblowers can make a qualified disclosure¹ to us and they can also tell us about other things, which relate to our statutory objective and duties.

We encourage landlords to have their own whistleblowing arrangements and a culture that gives staff meaningful ways to raise concerns. Whistleblowers helped us protect the interests of tenants and others who use the services provided by social landlords. As a result of whistleblowing, we engaged with landlords and identified areas for improvement.

During 2017/18 whistleblowers contacted us 12 times, none of which were qualified disclosures.

We worked with landlords to establish the facts in six of the cases and found that the whistleblower's concerns were substantiated.

- We are engaging with five to be assured they are addressing issues.
- One landlord was carrying out further investigations at the 31 March 2018.

We took no further action in five cases:

- in one, the concerns related to employment and we referred the case to the appropriate regulator;
- in two we were assured that the landlord was dealing with the matter appropriately; and
- in two we took no further action due to a lack of evidence.

We were still investigating one case at 31 March 2018.

Whistleblowers can contact us by phone, email or by post. Full details are available on our website www.scottishhousingregulator.gov.uk

¹ A qualifying whistleblowing disclosure is one where the information being disclosed falls under any of the headings below:

- a criminal offence
- a failure to comply with a legal obligation
- a miscarriage of justice
- the endangering of an individual's health and safety
- damage to the environment
- deliberate concealment of information tending to show any of the above.

Our analysis - self-assessing against the regulatory standards

We carried out a thematic survey of all RSLs to find out about their awareness of our Regulatory Standards and if they self-assessed against the Standards.

The Regulatory Framework requires:

RSLs to assess their governance structures and arrangements against the Standards and identify and take actions needed to comply with the Standards. RSLs should continue to assess compliance with the Standards and guidance and report its performance to tenants.



...Effective self-assessment against Regulatory Standards can help to ensure that landlords are well-governed and well-managed. When we intervene in an RSL because it is not meeting Regulatory Standards we almost always find that it is poorly governed. So actively assessing against the Standards is important...

Christine Macleod
Director of Governance and Performance



We found:



Landlords told us they were aware of Regulatory Standards and of the requirement to assess their organisations' achievement of them.



Landlords told us they had done one or more self-assessments since 2012.



All 121 said it was a positive experience and key in improving governance and financial management.



Landlords told us they had not self-assessed against the Standards.

[Read our full report on our website>](#)

Our analysis - Financial health of RSLs to 31 March 2017



Most RSLs are managing their finances effectively and are responding well to the challenges they face. For example many RSLs have moved their pension provision from defined benefit to defined contribution in order to have greater certainty around future liabilities.

We anticipate that RSLs will be looking to borrow an additional £1.4bn during the next 5 years to fund investment in new and existing housing. This is a much greater rate of borrowing than we have seen previously. And our latest analysis demonstrates that there has been a reduction in the financial headroom available. This means that overall, landlords will have less scope when it comes to managing unexpected events. So it is vital for RSLs to continue to manage their finances effectively to safeguard their own credit-worthiness and that of the sector.

Ian Brennan
Director of Finance and Risk



The sector's financial performance continues to be strong



Rents & Inflation

Rental increase is below inflation in 2017/18 but forecast to be above inflation.



Pensions

Continued movement from defined benefit schemes to defined contribution schemes which offer RSLs greater certainty around future liabilities.



Cash Generated

Strong financial position remains but reduced cash generated and higher interest paid on debt. This means that overall, landlords have less scope when it comes to managing unexpected events.



Turnover

Rental income went up by 2.4% but Care & Support income is expected to reduce in future years.



Housing Investment

RSLs are investing more in new and existing homes. Investment increased by 24.5% to £807m during 2016/17.



Voids, Arrears & Bad Debts

Lower levels despite changes from Welfare Reform.



Borrowing

Borrowing is set to increase sharply with RSLs forecasting that they will borrow an additional £1.4bn in the next 5 years to fund investment in new and existing homes.

[Read the full report on our website>](#)

Our analysis

RSL borrowing at 31 March 2017

We found:

Investor appetite remains strong



...Our recent discussions with lenders and investors indicate that their appetite to invest in the sector remains strong and this is confirmed by our latest analysis.

Whilst RSLs continue to be able to secure loans at competitive interest rates, recent increases in inflation make higher interest rates more likely.

As RSLs continue to borrow to support further investment, it is important that they undertake appropriate sensitivity analysis to understand the potential impact of variations in interest rates on loan covenants and financial projections.

Shaun Keenan
Assistant Director of Regulation
Finance and Risk



Lenders & RSLs continue to invest in new & existing homes



Three largest lenders

- Royal Bank of Scotland
- Lloyds Group / Bank of Scotland
- Nationwide Building Society



RSLs raised

£ 504 million
↑ 82%

Balance outstanding

£ 3.76 billion
↑ 3.9%

Total facilities

Total value of loan facilities
£ 4.9 billion ↑ 1.9%

Amounts drawn down
£ 4.3 billion ↑ 4.1%

Undrawn facilities
£ 628 million ↓ 11.2%

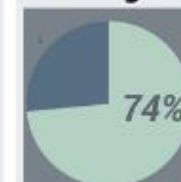
Borrowing & lending within groups



Up by
30%

The value and volume has increased to reflect new group structures.

Housing stock & security



housing used as security for loans

Security value

£ 5.6 billion

Ratio to available facilities
115%

[Read the full report on our website>](#)

Statutory intervention

We use our statutory powers to protect the interests of tenants.

We have published detailed accounts of two of our completed interventions.



Wellhouse Housing Association

Wellhouse suffered from systemic weaknesses and so failed to meet Regulatory Standards. We found fundamental failings in internal systems, management over-ride of internal controls, poor decision making, and inaccurate and misleading regulatory returns. It misled tenants about performance and some of its decisions resulted in poor outcomes for tenants, including financial loss.

We appointed a statutory manager to address these weaknesses and support the management committee.



Molendinar Park

Molendinar Park's governing body was not constituted in accordance with its rules. The RSL contacted us to ask for our regulatory support.

We appointed four governing body members to ensure it was properly constituted and could make decisions on behalf of tenants.



...We have worked openly and constructively with SHR throughout this period and, indeed, continue to do so whilst we move to a refreshed and renewed organisation.

Maureen Morris
Wellhouse Housing Association



[Read our full report on our website>](#)



When we identified a serious issue in our governance, Molendinar Park immediately requested support from the SHR. We worked openly together during the period of statutory action and that constructive relationship continues as we move forward positively to embed sound governance practices across the organisation. We are absolutely committed to ensuring that the excellent services we provide to our tenants are supported by strong and accountable governance and we are making very good progress in implementing our agreed action plan.

Andrew Scott
Chair, Molendinar Park Housing Association



[Read our full report on our website>](#)

Statutory intervention

Failure themes

- Governance
- Financial management
- Delivery of services
- Risk management
- Compliance with constitution
- Protection of assets

Our statutory intervention cases during 2017/18*

RSL	From	To	Total Homes	Board members appointed	Statutory Managers appointed
Ruchazie	March 2018	→	225	4	✓
Dalmuir Park	December 2017	→	654	6	✓
Kincardine	November 2017	→	72	0	✓
Molendinar Park	March 2017	October 2017	583	4	n/a
Wishaw & District	February 2017	→	979	5	✓
Arklet	February 2017	→	361	3	✓
Antonine	August 2016	→	337	6	✓
Ferguslie Park	February 2016	→	803	3	✓

*Up to 31 March 2018

Challenges, risks and uncertainties for social landlords



The potential impact of changes to the welfare system.



Potential new responsibilities and related costs following the outcome of the Ministerial working group responding to the Grenfell Tower tragedy.



Changing inflation, interest rates and the impact of Brexit.



Budgetary and resource pressures around staff costs (particularly in the care sector), pensions and energy efficiency.



Concerns from tenants about future rent affordability and increasing expectations around value for money.



Challenges related to development of new homes.



New commercial lenders, capital markets.



Landlords diversifying activity and the resulting complexity of governance, assurance and financial management.

In November 2017 we set out the focus of our risk assessments of social landlords. We published the outcomes from this in our regulation plans for RSLs and in Audit Scotland's scrutiny plans at the end of March 2018. **This set out our planned engagement status for RSLs and local authorities during 2018/19.**

Our engagement levels:

RSLs		Local authorities	
High	8	Scrutiny	4
Medium	56	Ongoing monitoring	16
Low	94	No scrutiny	12

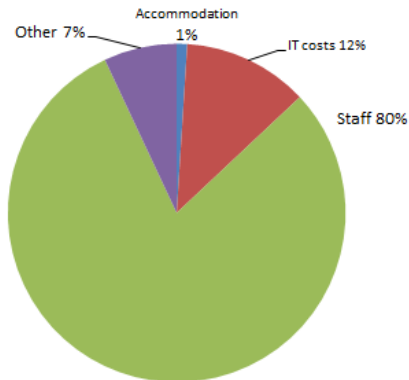
Principal reasons for our engagement:



3. Effective regulator



Our budget



We spent
our
£3.8m
budget



2016/17: £3.7m
2015/16: £4.1m

Around 80% of our revenue costs are staff.

We achieved savings by remaining in temporary office accommodation for most of the year. In March 2018 we moved to a permanent office, which will achieve significant savings compared to our costs in our last permanent base in 2015/16.

We have appropriate policies covering fraud & bribery.

How we communicate



Website hits up to:
415,000



Comparison tool
hits up to:
28,000

www.scottishhousingregulator.gov.uk



Twitter followers
up to:
1,100

@SHR_news



'SHR Update' e-zine
subscribers up to over:
1,300

We carried out research with our stakeholders to help us understand the impact and usefulness of our publications. We will use the results in 2018/19 to help us continue to improve how we communicate.

How we measure our performance

Our Board and Management Team monitor against our:

- Corporate Plan vision & priorities;
- operating plan and published summary 'what we will do'; and
- published responsiveness targets.

Our corporate performance

Reviews and appeals of our decisions

We considered one review request & upheld our decision. We did not receive any requests for appeals.

Data protection

The UK Information Commissioner considered one data protection concern & concluded that we had not breached the Data Protection Act.

Complaints

We published a summary of the six complaints about us & what we learned.

¹ One invoice was paid out-with target timescales

² We were unable to respond to one of the sixteen FOI/EI requests within time.

³ We were unable to respond to two FOI/EI review requests within time.

⁴ One appeal was withdrawn and two were on-going at 31 March 2018

Our Target	Response Time (working days)	Target %	Outcome
Invoice payments	10	100	99% ¹
General Correspondence	8	95	✓
Complaints about SHR	Acknowledge within 3	95	✓
Stage One Complaints	Respond within 5	95	✓
Stage Two Complaints	Respond within 20	95	✓
Consents	8	95	✓
FOI/EI* Requests	20	100	94%
FOI/EI* Reviews	20	100	50%
Significant Performance Failures	20	100	✓

*Freedom of Information/Environmental Information

Freedom of information Requests/reviews/appeals

Requests ²	16
Reviews ³	4
Appeals submitted ⁴	4
Appeal Decision Notice published	1

In the Appeal Decision Notice, the Scottish Information Commissioner:

- was satisfied we used exemptions correctly;
- was satisfied with our decision not to respond to one element on cost grounds, but believed we did not provide enough advice & assistance; and
- noted we breached statutory timescales for our internal review.

The Commissioner did not require us to take any action. We are looking at what lessons we can learn for future cases.

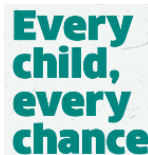
Our corporate work

Equalities

We are committed to meeting our equalities duties. We regulate in a way which encourages and promotes an equal opportunity culture and respects human rights.

We committed to:

partnership working on the Scottish Government's Child Poverty Delivery plan.



Climate change and biodiversity

We assessed climate change risks taking account of our size, estate and activities. We reported on our progress towards climate change targets and published a biodiversity report. Some of our staff dug deep for biodiversity by volunteering at Mugdock Country Park. In March 2018 we moved to a new permanent office. It is smaller, more environmentally efficient and reduces our future carbon footprint.

We:

- continued to focus on publishing accessible information & reports
- committed to support diversity in our Boardroom and the 50/50 by 2020 gender balance campaign

Who cares? Scotland

delivered an awareness raising session for us. We heard about the lives of care experienced young people. This helped us consider our Corporate Parent duties.



We published:

a refreshed MOU with the Care Inspectorate



Our Regulatory Framework

We started a review of our Regulatory Framework.

From January 2018 to March 2018 we invited all our stakeholders to **join our national discussion** on the future of regulation of social housing in Scotland.

We published a discussion paper and took every opportunity to meet with our stakeholders during this phase of our review. We will consult formally on a new framework later in 2018

We presented our work to the Scottish Parliament's Local Government & Communities Committee and also participated in an evidence gathering session on the Housing (Amendment) (Scotland) Bill.

We achieved substantial assurance from our internal auditor and an unqualified audit opinion from Scott-Moncrieff on behalf of Audit Scotland.



Michael Cameron
Chief Executive
7 August 2018





4. Accountability Report

- Our governance arrangements and staff
- Our accountability to Scottish Parliament
- How we demonstrate best practice

Corporate Governance Report

Directors' Report

Introduction

We have prepared these accounts for the financial year 2017/18 in accordance with the Accounts Direction given by Scottish Ministers and section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

Statutory Background

The Scottish Housing Regulator (SHR) was established on 1 April 2011 under the Housing (Scotland) Act 2010. We are a Non-Ministerial Department (NMD), part of the Scottish Administration and directly accountable to the Scottish Parliament. We commenced our full regulatory powers, duties and corporate responsibilities under the 2010 Act in April 2012.

Our relationship with Scottish Ministers is set out in a published **Framework Agreement**, available on our website www.scottishhousingregulator.gov.uk.

Our Board

Our organisation is led by a Board of non-executive members, appointed by Scottish Ministers following an open public appointments process. The Board sets our strategic direction and is responsible for oversight of our aims, objectives and performance.

Membership of the Board during the period April 2017 to the end of March 2018 is provided below:

- George Walker, Chair (from July 2017)
- Kay Blair, Chair (April to August 2017)
- Anne Jarvie, Deputy Chair
- Lisa Peebles, Audit & Risk Assurance Committee Chair
- Simon Little
- Mike Dailly
- Andrew Watson (from July 2017)
- Bob Gil (from July 2017)
- Siobhan White (from July 2017)

Our former Chair, Kay Blair retired in August 2017. Our new Chair, George Walker, was appointed from July 2017 to allow for an appropriate handover period, along with three new Board members. Details of our governance framework for Board appointments, appraisal and reviewing the Board's effectiveness are described in the Governance Statement of this report.

Our Executive Team

Our Executive Team is made up of our Chief Executive and three Divisional Directors. It is responsible for providing strategic management and leadership.

Our Executive Team are:

- Michael Cameron, Chief Executive
- Christine Macleod, Director of Regulation - Governance and Performance
- Ian Brennan, Director of Regulation – Finance and Risk
- Iain Muirhead, Director of Strategy and Communications.

Each member of the Executive Team has confirmed that so far as they are aware, there is no relevant audit information of which the auditor is unaware.

Details of Executive Team remuneration can be found in the Remuneration Report.

Register of interests

Our Board members and Executive Team have to complete a declaration of interests. No significant company directorships or other interests were held which may have conflicted with their management responsibilities, and there were no related party interests.

Our Board members' declarations of interest are published on our website www.scottishhousingregulator.gov.uk

Our resources

Our revenue budget as set out in the Budget (Scotland) Act for 2017/18 was £3.8m, an increase of around 2.6% from 2016/17. We spent £3.731m, over 98% of our budget (2016/17 - £3.688m), achieving savings of £0.069m (2016/17- £0.014m). We also had a non-cash budget of £0.240m for depreciation of IT assets and to cover our notional external audit fee (2016/17- £0.328m).

We froze recruitment throughout the last two years to respond to funding pressures. We have also made savings in our other administrative costs wherever possible. In 2017/18 around 80% of our revenue costs were staff costs, 12% for IT equipment and support and 1% for accommodation.

For most of 2017/18 we occupied a temporary office space, while work was being carried out to prepare our permanent space. We did not pay rental costs for the temporary space. We moved to our new office in March 2018. This new space will deliver significant

annual savings from 2018/19 onwards, around £0.150m less than we spent on our previous larger office in 2015/16.

Our Business Intelligence Systems represent the majority of our IT costs. We re-procured these systems during 2017/18 and have successfully secured contracts which will bring savings in our running costs for 2018/19 onwards.

All public bodies face funding pressures in the coming years. Our revenue budget for 2018/19 is £3.885m, an increase of £0.085m. This will help us to address additional staff costs as a result of pay award increases. The Scottish Government and Parliament will set our funding for 2019/20 during 2018/19.

We are currently reviewing our Regulatory Framework. This is a comprehensive review of how we regulate, looking at all aspects of our work and processes. A key aim is to create an effective regulatory framework which is sustainable within our resources. Through this review we are considering how best to prioritise and target our work to maximise the impact of our regulation. During 2018/19 we will finalise and implement our detailed planning for future years, matching our resources to our priorities to enable us to continue to safeguard and promote the interests of tenants and service users.

Reporting of personal data related incidents

During 2017/18 there were no incidences of data loss which required to be reported to the Information Commissioner.

Appointment of auditors

Audit Scotland appointed Scott-Moncrieff to audit our accounts. Our notional audit fee of £21,890 is shown at note 10. Scott-Moncrieff supplied no other services to us during the year. The Scottish Government internal audit department provided internal audit services.

Post-balance sheet events

There have been no material events occurring after the year end which have a bearing on these accounts.

Supplier payment policy

Our policy is to pay all invoices not in dispute within 10 days from receipt of the invoice. We aim to pay 100% of invoices on time in these terms. This includes disputed invoices once the dispute has been settled. We process invoices on the Scottish Government's Accounting System (SEAS). We are reliant upon the financial information and management system provided by the Scottish Government for all our financial functions.

For the year ended 31 March 2018, we paid 99% of all invoices received within the terms of our payment policy.

Statement of Accountable Officer's Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, Scottish Ministers have directed the Scottish Housing Regulator (SHR) to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction at the end of these financial statements.

We prepare the accounts on an accruals basis and they give a true and fair view of our state of affairs at the year end, and of our operating costs, recognised gains and losses, and cash flows for the financial year.

The Permanent Secretary of the Scottish Administration has appointed me, the Chief Executive, as the Accountable Officer for SHR.

In preparing the accounts, I am required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Scottish Ministers, 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; and
- prepare the accounts on a going-concern basis.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which I am answerable, for keeping proper records and for safeguarding SHR's assets, are set out in the Accountable Officer's Memorandum issued by Scottish Ministers.

As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that our auditors are also aware of this information.

I confirm that the 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

Scope of responsibility

As Accountable Officer, I am responsible for sound governance and internal controls that help us to achieve our statutory objective. I am also responsible for safeguarding SHR's public funds and assets.

As Accountable Officer, I am responsible for:

- the propriety and regularity of financial transactions which have taken place under my control;
- the economic, efficient and effective use of our resources;
- ensuring that arrangements are made to secure Best Value;
- signing our annual accounts;
- ensuring that effective governance and management systems are in place; and
- ensuring that all risks are identified, assessed and managed appropriately.

Our governance, internal control and Best Value arrangements

Our governance framework is made up of the systems, processes, cultures and values by which we manage and control our organisation. It enables us to monitor progress against our objectives and to ensure that we use our resources efficiently and effectively.

We have a clearly defined governance framework which fits with best practice principles. I am satisfied that this framework works well. Our Board carried out a review of its effectiveness in May 2017, taking account of the Scottish Government's 'On Board' guidance. The Board assessed itself to be operating effectively.

Our system of internal control is an important part of this framework. We identify, evaluate and manage risk to a reasonable level, rather

than attempt to eliminate all risk. Our approach is proportionate and provides reasonable assurance of effectiveness.

Our internal control processes comply with guidance from Scottish Ministers provided in the Scottish Public Finance Manual (SPFM). These processes have been in place for the year ended 31 March 2018 and up to the date of approval of the annual report and accounts.

During 2017/18 we began a comprehensive review of our Regulatory Framework, looking at all aspects of our work and processes. We established a Programme Board to oversee progress, made up of our Executive Team and two Board members, Anne Jarvie and Andrew Watson. The review has two overarching aims, to:

- create an effective and sustainable regulatory framework; and
- maintain our focus on tenants' and service users' interests.

We aim to foster a culture of continuous improvement, in accordance with the principles of Best Value. Our Regulatory Framework Review is key to this, as it is about continuous improvement through:

- identifying the outcomes we want to achieve;
- engaging with our stakeholders and staff;
- considering options for delivery; and
- aligning our resources.

We have developed a framework to embed Best Value in how we monitor and assess the Review programme. We use the Best Value themes as a tool to stimulate discussion about what we want to achieve and our progress in these areas.

Our Board

Our organisation is led by a Board of non-executive members, appointed by Scottish Ministers following an open public appointments process. The Board is responsible for providing strategic direction and oversight of our aims, objectives and performance.

Details of Board membership is provided in the Directors' Report.

Our Board met ten times in 2017/18 to fulfil this role and all meetings were quorate. We publish minutes of the meetings, our Board Code of Conduct and Board members' registers of interest on our website. Members also took part in additional workshops and events to consider a wide range of topics.

Board appointments are made by Scottish Ministers and overseen by the Commissioner for Ethical Standards in Public Life in Scotland.

The Scottish Government's Director for Housing and Social Justice appraises our Chair's performance annually. Our Chair appraises each Board Member's performance annually. The Chair and Board Members participate in regular training and carry out reviews of the Board's collective effectiveness.

Audit and Risk Assurance Committee

Our Audit & Risk Assurance Committee provides assurance to our Board and to me, as Accountable Officer, that appropriate risk, control and governance structures are in place. The Audit & Risk Assurance Committee met five times in 2017/18. Membership comprised of the following members of the Board:

- Lisa Peebles, Chair
- Mike Dailly
- Anne Jarvie (April to end October 2017)
- Bob Gil (from November 2017)
- Siobhan White (from November 2017)

I have considered the matters raised and discussed by the Board and Audit & Risk Assurance Committee when preparing this statement.

Executive Team and Management Team

I am joined by our three Divisional Directors to form our Executive Team. We are responsible for providing strategic management and leadership.

Our Management Team supplements the Executive Team and is responsible for oversight of operational management. It is made up of the Executive Team along with our four Assistant Divisional Directors and the Head of Planning and Performance. I chair the Management Team.

Throughout 2017/18 our Board, Executive Team and Management Team received regular reports to monitor progress against our statutory objective, the objectives in our corporate plan and annual operating plan, and to ensure we are managing risk effectively.

Risk framework

Our risk management strategy was developed by our Board and along with our risk register, identifies the key risks to the delivery of our statutory, strategic and corporate objectives.

Our Management Team reviews the risk register monthly and reports to both the Audit & Risk Assurance Committee and Board on a quarterly basis. These reviews enable us to:

- discuss and evaluate key risks that could affect our ability to deliver our statutory objective;
- assess existing controls (i.e. measures in place to reduce or limit risk);
- determine the appropriate response to each risk;
- allocate responsibility for managing each risk to a risk owner; and
- profile our risks by ranking them in order of overall risk exposure (in terms of likelihood and impact) and our risk tolerance.

In 2017/18 we identified the following risks as among those potentially having the greatest impact on our activities:

- sustainability of our current approach to regulation due to current and future budgetary pressures;
- difficulties sourcing external expertise when we need this to address failures in a landlord, or to consider an emerging sector risk further;
- impact on our regulatory operations when we have to divert resources to manage periods of change and transition; and
- challenges should an RSL face insolvency and we are unable to protect the interests of tenants by finding an appropriate rescue partner.

Our risk register sets out the controls we have in place to manage these risks. We focus our attention, actions and resources on those risks which are at, or approaching, an unacceptable level in terms of our risk tolerance. Where further action is required, we develop and monitor a risk treatment plan. I am satisfied that our arrangements have enabled us to identify and manage risk effectively during 2017/18.

For data and information handling risks, I am assisted by our Senior Information Risk Officer and five Information Asset Owners. There were no significant data incidents in 2017/18. During the year we continued to embed our Records Management, Records Retention and Information Security policies. This year we had a particular focus on preparing for the new General Data Protection Regulation (GDPR) and ensuring compliance by May 2018. We appointed a new Data Protection Officer in November 2017, in accordance with GDPR requirements.

We have fraud, whistleblowing and anti-bribery policies in place, and a fraud response plan, to ensure the effective management of risks associated with these issues.

Review of effectiveness of internal control and risk management

As Accountable Officer, I have responsibility for reviewing the effectiveness of our systems of internal control and risk management arrangements. My review is informed by:

- annual certificates of assurance and internal control checklists from the Director of each of our divisions;
- the work of our internal auditors, who submitted regular reports to our Audit Risk & Assurance Committee;
- comments made by our external auditors, Scott-Moncreiff, in their management letters and other reports; and
- quarterly reports to our Board from the Chair of the Audit & Risk Assurance Committee.

Our systems of internal control have been supported by:

- regular Board meetings and workshops;
- meetings of our Executive and Management Teams
- regular Regulatory Framework Review Programme Board meetings; and
- regular monitoring and reporting of performance against our operating plan and other areas of corporate performance, including finance and risk management.

We use and rely on the core financial management systems of the Scottish Government to carry out accounting and payment

functions. I have received assurances from the Scottish Government that reliance can be placed on the central systems they provided in 2017/18.

We are committed to a process of continuous improvement and we develop our systems in response to any relevant reviews and advancements in best practice. In the period covering the year to 31 March 2018 and up to the signing of the accounts, we liaised with Scottish Government Internal Audit, Scott-Moncreiff and Scottish Government Finance colleagues to ensure that our internal control procedures were fit for purpose and compliant.

During 2017/18, our internal auditors completed their risk-based internal audit plan with specific work on our approach to procurement and our process for receiving and responding to notifiable events from RSLs. Internal Audit has provided substantial assurance in relation to the work undertaken. A small number of recommendations to enhance controls have been identified and we will take action to respond to these in 2018/19.

I am satisfied that no significant control weaknesses or issues have arisen during 2017/18. There have been no significant failures in expected standards for good governance, risk management and control.

Remuneration and Staff Report

Remuneration policy (unaudited)

Our staff are civil servants and our Chief Executive is a senior civil servant.

The remuneration of senior civil servants is set in accordance with the Civil Service Management Code (available at www.civilservice.gov.uk) and with independent advice from the Senior Salaries Review Body (SSRB). Information about the work of the SSRB can be found at www.ome.uk.com. Within the Scottish Government, the Top Level Pay Committee ensures that the Pay and Performance Management System (PPMS) policy falls within the parameters set by the SSRB and Cabinet Office.

Figure 4.1 Remuneration (audited)

Single total figure of remuneration:										
	Salary (£'000)		Bonus payments (£,000)		Benefits in kind (to nearest £100)		Pension benefits (£'000) ¹		Total (£'000)	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17
Officials										
Chief Executive										
Michael Cameron	70-75	70-75	-	-	-	-	15-20	25-30	85-95	95-105
Executive Team										
Ian Brennan	70-75	65-70	-	-	-	-	25-30	25-30	95-105	90-100
Christine Macleod	70-75	65-70	-	-	-	-	0-5	20-25	70-80	85-95
Iain Muirhead	65-70	65-70	-	-	-	-	15-20	25-30	80-90	90-100
Board Members Fees (NMD)										
Kay Blair (Chair)	5-10	20-25	-	-	-	-	-	-	5-10	20-25
Sid Patten			-	-	-	-	-	-		5-10
Simon Little	5-10	5-10	-	-	-	-	-	-	5-10	5-10
Lisa Peebles	5-10	5-10	-	-	-	-	-	-	5-10	5-10
Anne Jarvie	10-15	10-15	-	-	-	-	-	-	10-15	10-15
Mike Dailly	5-10	5-10	-	-	-	-	-	-	5-10	5-10
George Walker (Chair)	10-15								10-15	
Andrew Watson	5-10								5-10	
Robert Gil	5-10								5-10	
Siobhan White	5-10								5-10	

Figure 4.2: Pensions

	Accrued Pension (P) at pension age and Lump Sum (LS) at 31/03/2018 £000 Band	Real Pension Increase (P) and Lump Sum (LS) at pension age £000 Band	CETV at 31/03/2018 £000	CETV At 31/03/2017 £000	Real Increase in CETV £000
Ian Brennan Director of Regulation: Finance and Risk	15-20 (P) 0 (LS)	0-2.5 (P) 0 (LS)	228	196	19
Michael Cameron Chief Executive	30-35 (P) 75-80 (LS)	0-2.5 (P) 0-2.5 (LS)	567	528	4
Christine Macleod Director of Regulation: Governance and Performance	25-30 (P) 85-90 (LS)	0-2.5 (P) 0-2.5 (LS)	669	625	2
Iain Muirhead Director of Strategy and Communications	15-20 (P) 45-50 (LS)	0-2.5 (P) 0-2.5 (LS)	312	284	7

Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by SHR and recorded in these accounts.

The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made 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 pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

The real increase in the value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Pay multiples

The banded remuneration of our highest-paid director in 2017/18 was £70-75,000 (2016/17, £70,000-75,000). This was 1.6 times (2016/17, 1.7) the median remuneration of the workforce, which was £44,766 (2016/17, £42,220).

In 2017/18, no employees (2016/17, 0) received remuneration in excess of the highest-paid director. Remuneration ranged from £22,659 to £73,330 (2016/17, £21,200-£72,600).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Employment contracts

Staff covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at www.civilservicecommission.org.uk.

Staff Report

Employee engagement, learning and development

We ensure that our staff are kept informed and engaged in our work through a range of activities. These include staff briefing sessions, regular face-to-face meetings, intranet updates and a range of other internal and external events.

Each of our divisions focuses on contributing to the delivery of our corporate strategic objectives. To support this, our performance management system ensures that all staff agree annual objectives with their line manager which are closely linked to our Corporate Plan 2015-18 and annual operating plans.

During 2017/18 we implemented our staff Learning and Development Strategy. This strategy demonstrates our commitment to investing in our staff, using our resources as effectively as possible to achieve our objectives and maximising value for money.

Trade unions

We are party to the Scottish Government's Partnership Agreement with trade unions recognised by the Scottish Government (SG). Our staff are part of SG Main for the purposes of pay, terms and conditions.

Employee recruitment

We carry out our recruitment and promotion activities on the basis of fair and open competition, selection on merit and in accordance with Scottish Government guidance.

Equal opportunities and diversity

We treat all staff equally. We are committed to increasing the diversity of staff within the organisation to reflect the people of Scotland, and to valuing positively the different perspectives and skills of all staff and making full use of these in our work.

Health and safety

We aim to provide a safe and healthy working environment for all staff. We act in accordance with our Health and Safety Policy Statement, and have policies on particular matters available to support managers and staff. We offer a place on our staff Health and Safety Committee to a Trade Union Representative.

Civil Service Pensions

Pension benefits are provided through Civil Service Pensions. Further details can be found at <http://www.civilservice.gov.uk/pensions>

Figure 4.3 Staff Costs (audited)

	Permanently employed staff	Others	2017-18 £000	2016-17 £000
Wages and salaries	2,288	-	2,288	2,252
Social security costs	262	-	262	254
Other pension costs	492	-	492	487
Inward secondments	-	-	-	50
Movement in short term employee benefits	0	-	0	(45)
Early retirement	(3)	-	(3)	(2)
Total net costs	<u>3,039</u>	<u>-</u>	<u>3,039</u>	<u>2,996</u>

The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. We are unable to identify our share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2015. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation at www.civilservicepensionscheme.org.uk/about-us/resource-accounts

During the year ended 31 March 2018, employers' contributions of £0.492m (2016/17 £0.487m) were payable to the PCSPS at one of four rates in the range 16.7 to 24.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2017/18 to be paid when the member retires, not the benefits paid during this period to existing pensioners.

Figure 4.4 Average number of persons employed

	Permanently employed staff	Others	2017-18 Total	2016-17 Total
Directly employed	46.48	-	46.48	48.4
Other	-	-	-	0.8
Total	<u>46.48</u>	<u>0</u>	<u>46.48</u>	<u>49.2</u>

Figure 4.5 Number of Senior civil service staff employed

Band	2017-18 Total	2016-17 Total
SCS - Deputy Director 1	1	1

Sickness absence data

The average total number of sick days per full time employee in 2017/18 was 6.3 days (9.2 days - 2016/17).

Employment of disabled people

We adhere to Scottish Government recruitment policies which ensure that all disabled applicants who meet the minimum advertised criteria for a job vacancy will be invited to interview. Disabled candidates are guaranteed the chance to be judged along with everyone else on their abilities.

Gender Balance

At the end of the 2017/18 financial year, the number of persons of each sex who were Board Members, Senior Managers and employees was as follows:

Figure 4.6

	Female	Male
Board Members	3	5
Executive Team (including Chief Executive)	1	3
Employees	32	13

Reporting of Civil Service and other compensation schemes – exit packages (audited)

None of our staff received exit packages in 2017/18 (or in 2016/17).

Expenditure on consultancy

We incurred expenditure of £82k on external consultancy in 2017/18. This equates to 2.2% of our total revenue expenditure (6.9% in 2016/17). We commissioned a range of projects, including expert advice to support our regulatory activities and Regulatory Framework Review, a programme of work with our National Panel of Tenants and support for procurement of our future IT contracts.

Parliamentary Accountability & Audit Report

SHR is a Non-Ministerial Department (NMD) and part of the Scottish Administration, with direct accountability to the Scottish Parliament. Whilst our accounts are not consolidated with those of the Scottish Government, we liaise with Scottish Government Finance colleagues on a regular basis to provide them with information relating to our expenditure and anticipated outturn. Our Framework Agreement sets out our relationship with Scottish Ministers.

Statement of Losses and Special Payments

No losses or special payments were incurred by the Scottish Housing Regulator during the year ended 31 March 2018.

These accounts were authorised for issue on the same date as the Independent Auditor's report.

A handwritten signature in black ink, appearing to read 'Michael Cameron', with a stylized flourish at the end.

Michael Cameron
Chief Executive
7 August 2018

Independent Auditor's Report

Independent auditor's report to Scottish Housing Regulator, the Auditor General for Scotland and the Scottish Parliament

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of the Scottish Housing Regulator for the year ended 31 March 2018 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Changes in Taxpayers' Equity and notes to the accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2017/18 Government Financial Reporting Manual (the 2017/18 FReM).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2018 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2017/18 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing in the UK and Ireland (ISAs (UK&I)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the body in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standards for Auditors, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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.

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

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

Opinion on regularity

In our opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on other prescribed matters

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

Matters on which we are required to report by exception

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the auditable part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

A handwritten signature in black ink, reading "Nick Bennett". The signature is written in a cursive style with a large initial 'N' and a stylized 'B'.

Nick Bennett

(for and on behalf of Scott-Moncrieff)

Exchange Place 3

Sample Street

Edinburgh EH3 8BL

Date: 14 August 2018



5. Financial Statements

For the year end 31 March 2018

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2018

The Scottish Housing Regulator has made no gains or losses during the period, other than as reported above.

The results for the year ended 31 March 2018 derive from the ordinary activities of the Scottish Housing Regulator, all of which are continuing.

Figure 5.1

	Note	2017-18 £000	2016-17 £000
Administration costs:			
Staff costs	2	3,039	2,996
Other administrative costs	2	932	1,020
		-----	-----
Total		3,971	4,016
		-----	-----
Net operating cost		3,971	4,016
		===	===

The notes on pages 53 to 67 form part of the financial statements.

Statement of Financial Position

as at 31 March 2018



Michael Cameron
Chief Executive

The financial statements have been
authorised for approval on 07 August 2018

Figure 5.2

	Note	2018 £000	2017 £000
Non-current assets:			
Property, plant and equipment	3	18	23
Intangible assets	4	736	944
Total non-current assets		754	967
Current assets:			
Trade and other receivables	6	-	3
Cash and cash equivalents	7	1	1
Total current assets		1	4
Total assets		755	971

Continued overleaf

The notes on pages 53 to 67 form part of the financial statements.

Statement of Financial Position

Cont'd...

As at 31 March 2018

Figure 5.2 (cont'd)

	Note	2018 £000	2017 £000
Current liabilities			
Trade and other payables	8	(134)	(137)
Provisions	9	(9)	(53)
		----	----
Total current liabilities		(143)	(190)
		----	----
Total assets less current liabilities		612	781
		----	----
Non-current liabilities			
Provisions	9	-	(9)
		----	----
Total non-current liabilities		-	(9)
		----	----
Total assets less total liabilities		612	772
		===	===
Taxpayers' equity:			
General Fund		612	772
		----	----
Total taxpayers' equity		612	772
		===	===

The notes on pages 53 to 67 form part of the financial statements.

Statement of Cash Flows

for the year ended 31 March 2018

Figure 5.3

	Note	2017-18 £000	2016-17 £000
Cash flows from operating activities		(3,971)	(4,016)
Net operating cost			
Adjustments for non-cash transactions:			
Depreciation and amortisation	3,4	218	328
Auditor's remuneration	10	22	20
Movement in working capital:			
(Increase) / decrease in trade and other receivables	6	3	(3)
Increase / (decrease) in trade and other payables	8	(3)	(90)
Use of provisions	9	(53)	(51)
		----	----
Net cash outflow from operating activities		(3,784)	(3,812)
		----	----
Cash flows from investing activities			
Purchase of property, plant & equipment	3	(5)	(10)
Purchase of intangible assets	4	-	(14)
		----	----
Net cash outflow from investing activities		(5)	(24)
		----	----
Cash flows from financing activities			
Scottish Government funding		3,789	3,836
		----	----
Net financing		3,789	3,836
		----	----
Net increase / (decrease) in cash and cash equivalents		0	0
		====	====
Cash and cash equivalents at beginning of period	7	1	1
Cash and cash equivalents at end of period	7	1	1

The notes on pages 53 to 67 form part of the financial statements.

**Statement of Changes in
Taxpayers' Equity**
for the year ended 31 March 2018

Figure 5.4

	Note	General Fund £000	Total Reserves £000
Balance at 1 April 2016		932	932
Net funding		3,836	3,836
Non-cash charges – auditor's remuneration	10	20	20
Comprehensive expenditure for the year		(4,016)	(4,016)
Balance at 31 March 2017		772	772
Net funding		3,789	3,789
Non-cash charges – auditor's remuneration	10	22	22
Comprehensive expenditure for the year		(3,971)	(3,971)
Balance at 31 March 2018		612	612

The notes on pages 53 to 67 form part of the financial statements.

Notes to the Accounts

1.0 Accounting Policies

The financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM). 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, the accounting policy which is judged to be most appropriate to the particular circumstances of the Scottish Housing Regulator for the purposes of giving a true and fair view has been selected. The particular policies adopted by the Scottish Housing Regulator are described below. The policies have been applied consistently in dealing with items considered material to the accounts.

1.1 Accounting Convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of intangible assets where material, at their value to the organisation by reference to their current costs.

1.2 Going Concern

The financial statements for the year ended 31 March 2018 show a surplus on the general fund of £0.612m (16-17 – surplus of £0.772m). This has arisen as a result of the requirement to account for the activities of the Scottish Housing Regulator on an accruals basis, whilst recording funding from the Scottish Government on a cash basis. Net current liabilities will be funded by the Scottish Government as they arise. As a consequence, these financial statements have been prepared on a going concern basis.

1.3 Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in Consolidated Budgeting Guidance 2017-18 by H M Treasury.

1.4 Non-Current Assets

1.4.1 Property, Plant and Equipment

The minimum level for capitalisation of non-current assets is £5,000. Where multiples are purchased together, and individual values are less than £5,000, they are capitalised if their collective value exceeds £5,000.

Non-current assets are depreciated on a straight line basis at rates sufficient to write-off the cost of the individual assets over their estimated useful lives, which are considered to be:

ICT Equipment	3 years
Bespoke ICT Equipment	3 years

ICT assets are carried at valuation in existing use. Depreciated historical cost has been used as the proxy for valuation in existing use for ICT equipment as it is not practicable to obtain valuations due to the low values and high volumes of this class of assets.

1.4.2 Intangible Assets

The minimum level for capitalisation of intangible assets is £5,000. Where multiples are purchased together, and individual values are less than £5,000, they are capitalised if their collective value exceeds £5,000.

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended. Subsequently, they are measured at amortised replacement cost. This is a proxy for fair value. The remaining amortisation period is 6 years.

Software licences are disclosed separately as intangible assets in accordance with the FReM. However, the Scottish Housing Regulator has only the Business Intelligence System as an intangible asset.

Intangible assets are amortised on a straight line basis at rates sufficient to write off the costs of the individual assets over their estimated useful lives, which are considered to be:

Computer software – internally developed	7 years
Computer software – licences	3 years or life of licence if shorter

The Business Intelligence System will be fully amortised by 31st March 2023.

1.5 Leases

The Scottish Housing Regulator occupied a decant space within its new office for 11 months before moving to its permanent location. The use of the decant space was due to on-going building work in the permanent location. The arrangements are treated as operating leases and the

rentals payable in that respect are charged to the statement of comprehensive net expenditure on a straight line basis over the term of the lease.

1.6 Provisions

Provisions are made to the extent that the Scottish Housing Regulator meets the additional costs of benefits beyond the normal PCSPS benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Scottish Housing Regulator provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated future years' payments.

1.7 Trade Payables

The Scottish Housing Regulator's policy is to pay all invoices, not in dispute, within 10 days of receipt. The Scottish Housing Regulator aims to pay 100% of invoices, including disputed invoices, once any dispute has been resolved, on time in these terms.

1.8 Value Added Tax

Operating costs are stated net of VAT where VAT is recoverable by the Scottish Housing Regulator.

The Scottish Housing Regulator is registered for VAT as part of the Scottish Government, which is responsible for recovering VAT from HM Revenue & Customs.

1.9 Pensions

Present and past employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit scheme is unfunded and is non-contributory except in respect of dependants' benefits. The

Scottish Housing Regulator is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2015. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation (www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

The Scottish Housing Regulator recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Scottish Housing Regulator recognises the contributions payable for the year.

1.10 Income

The Scottish Housing Regulator does not undertake any income generating activities.

1.11 Cash and Cash Equivalents

Banking arrangements are undertaken by the Scottish Government on behalf of the Scottish Housing Regulator. As a result, cash and cash equivalents represents only petty cash at the year end.

1.12 Short Term Employee Benefits

A liability and an expense is recognised for holiday days, holiday pay, bonuses and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result accruals have been charged for holidays and flexi time earned but not taken at the year end.

1.13 Critical Accounting Estimates

Accounting estimates are used to determine the valuation of property, plant and equipment, intangible assets and provisions. Details of the estimates are included in notes 1.4 and 1.6.

1.14 Post Balance Sheet Events

There have been no post balance sheet events of which the Scottish Housing Regulator is aware.

1.15 Impact of New Accounting Standards Issued But Not Yet In Effect

International Accounting Standard (IAS) 8 requires disclosure of information on the expected impact of applying new accounting standards that have been issued but are not yet in effect.

A number of new accounting standards have been issued or amendments made to existing standards, but have not yet been applied in these financial statements. The standards that are considered relevant and the anticipated impact on the Scottish Housing Regulator's accounts are as follows:

IFRS 9 – Financial Instruments

This will apply for all accounting periods commencing on or after 1 January 2018. The standard introduces a principle-based method for the classification and measurement of financial assets as well as introducing new requirements for impairment and hedge accounting. The impact on the financial statements has not yet been determined.

IFRS 15 – Revenue from Contracts with Customers

This will apply for all accounting periods commencing on or after 1 January 2018. The standard establishes the principles that shall apply to report useful information to users of financial statements about the nature, impact, timing and uncertainty of revenue and cash flows arising from a contract with a customer. This will have no impact on the financial statements.

IFRS 16 – Leases

This will apply for all accounting periods commencing on or after 1 January 2019. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, ie the customer ('lessee') and the supplier ('lessor'). The impact on the financial statements has not yet been determined.

2.0 Administration Costs

Auditor's remuneration relates to a charge notified by Audit Scotland in respect of audit work carried out by Scott Moncrieff on its behalf during 2017-18. No other services were supplied by Audit Scotland or Scott Moncrieff during the year ended 31 March 2018.

In relation to accommodation costs, we saved over £0.116m compared to 2016/17. 2017/18 was a transitional year where we occupied temporary office space for 11 months prior to moving to our permanent location. We incurred less cost in the temporary location than in previous years.

IT costs have increased and support and consultancy has decreased as a result of the Business Intelligence system moving to a full business as usual process. Items previously categorised as consultancy are now categorised as IT system support.

Figure 5.5

	2017-18 £000	2016-17 £000
Wages and salaries	2,288	2,252
Social security costs	262	254
Other pension costs	492	487
Inward secondments	-	50
Temporary staff	-	-
Movement in short term employee benefits	0	(45)
Early retirement	(3)	(2)
IT costs	384	107
Depreciation and amortisation	218	328
Non-executive board members' fees & expenses	83	66
Support and consultancy		
Accommodation expenses	82	244
	29	146
Office expenses	26	25
Training and development	22	20
Auditor's remuneration (notional charge – note 10)	22	20
Travel and subsistence		
	20	19
Stakeholder engagement	15	18
Conferences and seminars	13	10
Marketing	9	10
Catering	5	3
Professional fees and subscriptions	4	4
HR and recruitment costs	-	-
	----	----
Total	3,971	4,016
	====	====

3.0 Property, Plant and Equipment

Figure 5.6

	ICT Equipment £000	2018 Total £000
Cost		
At 1 April 2017	251	251
Additions	5	5
Disposals	(7)	(7)
At 31 March 2018	249	249
Depreciation		
At 1 April 2017	228	228
Charged in year	10	10
Disposals	(7)	(7)
At 31 March 2018	231	231
Carrying value at 31 March 2017	23	23
Carrying value at 31 March 2018	18	18

Continued overleaf

3.0 Property, Plant and Equipment Cont'd

Figure 5.6 (Cont'd)

	ICT Equipment £000	2017 Total £000
Cost		
At 1 April 2016	266	266
Additions	10	10
Disposals	(25)	(25)
At 31 March 2017	251	251
Depreciation		
At 1 April 2016	173	173
Charged in year	80	80
Disposals	(25)	(25)
At 31 March 2017	228	228
Carrying value at 31 March 2016	93	93
Carrying value at 31 March 2017	23	23

4.0 Intangible Assets

Figure 5.7

	Information Technology £000	Software Licences £000	2018 Total £000
Cost			
At 1 April 2017	1,452	123	1,575
Additions	-	-	-
Disposals	-	-	-
	----	----	----
At 31 March 2018	1,452	123	1,575
	----	----	----
Amortisation			
At 1 April 2017	508	123	631
Charged in year	208	0	208
Disposals	-	-	-
	----	----	----
At 31 March 2018	716	123	839
	----	----	----
Carrying value at 31 March 2017	944	0	944
	----	----	----
Carrying value at 31 March 2018	736	0	736
	===	===	===

Continued overleaf

4.0 Intangible Assets Cont'd

Figure 5.7 (Cont'd)

	Information Technology £000	Software Licences £000	2017 Total £000
Cost			
At 1 April 2016	1,452	123	1,575
Additions	-	-	-
Disposals	-	-	-
At 31 March 2017	1,452	123	1,575
Amortisation			
At 1 April 2016	301	82	383
Charged in year	207	41	248
Disposals	-	-	-
At 31 March 2017	508	123	631
Carrying value at 31 March 2016	1,151	42	1,193
Carrying value at 31 March 2017	944	0	944

5.0 Financial Instruments

IFRS 7, Financial Instruments: Disclosures, requires disclosure of information about the significance of financial instruments held by the entity over the year and the nature and extent of risks arising from those financial instruments. The Scottish Housing Regulator is not exposed to the degree of financial risk faced by business entities because of the non-trading nature of its activities and the way in which it is funded. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the entity in undertaking its activities.

Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the Scottish Housing Regulator in a Budget Act for each financial year. Cash authorisation is provided by the Scottish Government to the extent that expenditure is covered by budget authority. The Scottish Housing Regulator is not therefore exposed to liquidity risks.

Fair Values

Assets and liabilities are carried at fair value in the Statement of Financial Position of the Scottish Housing Regulator. The Scottish Housing Regulator's financial assets consist of trade receivables, financial and other assets (note 6) and cash and cash equivalents (note 7). The financial liabilities consist of trade payables and other current liabilities (note 8).

6.0 Trade Receivables, Financial and Other Assets

Figure 5.8

	2018 £000	2017 £000
Amounts falling due within one year:		
Prepayments	-	3
	----	----
	-	3
	===	===
Intra-government balances		
Balances with other central government bodies	-	-
Balances with bodies external to government	-	3
	----	----
	-	3
	===	===

7. Cash and cash equivalents

Figure 5.9

	2018 £000	2017 £000
Balance at 1 April 2017	1	1
Net change in cash and cash equivalent balances	0	0
	----	----
Balance at 31 March 2018	1	1
	====	====

The following balances were held at 31 March 2018:

Commercial banks and cash in hand	1	1
-----------------------------------	---	---

8. Trade Payables and other current liabilities

Figure 5.10

	2018 £000	2017 £000
Trade Payables	37	26
Accruals	97	111
	----	----
	134	137
	====	====
Intra-government balances		
Balances with other central government bodies	-	-
Balances with bodies external to government	134	137
	----	----
	134	137
	====	====

9.0 Provisions for liabilities and charges at 31 March 2018

Figure 5.11

	Early Departure Costs £000	Other £000	Total £000	2017 £000
Balance at 1 April 2017	62	-	62	114
Provided in the year	-	-	-	-
Provisions not required written back	-	-	-	-
Provisions utilised in the year	(53)	-	(53)	(52)
Unwinding of discount	-	-	-	-
	----	----	----	----
Balance at 31 March 2018	9	-	9	62
	===	===	===	===

Analysis of the expected timing of cash flows

Figure 5.12

	Early Departure Costs £000	Other £000	Total £000
Not later than 1 year	9	-	9
Later than 1 year and not later than 5 years	-	-	-
Later than 5 years	-	-	-
	----	----	----
Balance at 31 March 2018	9	-	9
	===	===	===

10.0 Notional Charges

The following charge has been included in the accounts:

Figure 5.13

	2017-18 £000	2016-17 £000
Auditor's remuneration	22	20
	----	----
	22	20
	====	====

11.0 Related Party Transactions

The Scottish Housing Regulator is a Non Ministerial Department within the Scottish Administration. The Scottish Government is regarded as a related party. During the year, the Scottish Housing Regulator had various material transactions with the Scottish Government and with other entities for which the Scottish Government is regarded as a parent body.

In addition, the Scottish Housing Regulator has had a small number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

During the year, apart from their service contracts, no Board member, key manager or related parties has undertaken any material transactions with the Scottish Housing Regulator.

12.0 Capital Commitments & Contingent Liabilities

No contracted capital commitments or contingent liabilities existed at 31 March 2018 (2017, None).

13.0 Leasing Commitments

In 2016-17, the assumption was that the lease for the building would run until March 2022. This has now been confirmed as March 2021. At 31 March 2018, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods were:

Figure 5.14

	2017-18 £000	2016-17 £000
Obligations under operating leases for the following periods comprise:		
Buildings		
Not later than one year	165	96
Later than one year and not later than five years	330	660
Later than five years	-	-
	----	----
	495	756
	===	===
Other		
Not later than one year	7	26
Later than one year and not later than five years	3	102
Later than five years	-	-
	----	----
	10	128
	===	===

14.0 Other Financial Commitments

The Scottish Housing Regulator has entered into contracts (which are not leases) for the provision of support services to the Business Intelligence System. The contracts are for 2 years with the option of an additional 2 years. The total payments for which the Scottish Housing Regulator is budgeting are as follows:

Figure 5.15

	2017-18 £000	2016-17 £000
Not later than one year	208	213
Later than one year and not later than five years	625	1,007
Later than five years	-	-
	----	----
	833	1,220
	===	===



The Scottish Government
Riaghaltas na h-Alba

SCOTTISH HOUSING REGULATOR

DIRECTION BY THE SCOTTISH MINISTERS
in accordance with section 19(4) of the Public Finance and Accountability (Scotland)
Act 2000

1. The statement of accounts for the financial year ended 31 March 2009 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.

Signed by the authority of the Scottish Ministers

Dated 11 March 2009

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The accountable officer authorised these statements for issue on 7 August 2018.

Laid before the Scottish Parliament 2018 SG/2018/135.

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