



**Scottish Housing
Regulator**

Annual Performance
Report & Accounts
2016/17



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Introducing Scottish Housing Regulator

About us

We are the independent regulator of social landlords in Scotland.

We regulate:

Around
200
Social Landlords

Around
160
Registered Social Landlords (RSLs)

32
Local Authorities (LAs)

We safeguard and promote the interests of:

Nearly
610,000
Tenants who live in homes provided by social housing

Around
118,000
Home owners who receive services of social landlords

Around
40,000
People and their families who may be homeless and seek help from local authorities

Over
2,000
Gypsy/Travellers who can use official sites provided by local authorities

Our role

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

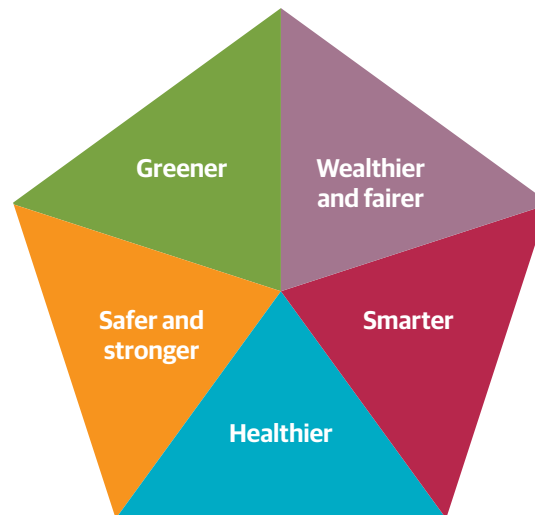
Our **Regulatory Framework** explains how we regulate social landlords. It is available from www.scottishhousingregulator.gov.uk

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.

Scottish Government National Outcomes



Who we are Our Board



Deputy Chair
Anne Jarvie
March 2011-March 2020
(2nd term)



Member
Simon Little
April 2011-March 2018
(2nd term)

Executive team
Chief Executive
Michael Cameron

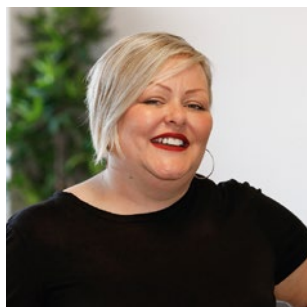
**Director of Regulation
Governance & Performance**
Christine MacLeod

**Director of Regulation
Finance & Risk**
Ian Brennan

**Director of Strategy
& Communications**
Iain Muirhead



Chair
Kay Blair
April 2011-August 2017
(2nd term)



**Audit & Risk Assurance
Committee Chair**
Lisa Peebles
April 2011-March 2019
(2nd term)



Member
Mike Dailly
March 2013-February 2021
(2nd term)

Changes during the year 2016-17
Sid Patten stepped down in October 2016 and our Chair Kay Blair announced plans to retire later in 2017. Scottish Ministers commenced a recruitment campaign.

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.

Our vision

Successful social landlords delivering good outcomes for tenants, homeless people 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:

- ◆ landlords deliver good services
- ◆ financially healthy RSLs
- ◆ well governed RSLs.

What we will do

-  empower tenants and other service users to hold their landlords 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.

Message from **Kay Blair & Michael Cameron**

In 2016/17 we faced the challenge of a tight budget and increasing expectations. We worked hard to keep the customers of social housing at the heart of our work.

We promoted issues that are important to tenants, such as concerns around future rent affordability and the quality of services. We will keep working to help improve standards for all and meet our statutory objective.

We work hard to maintain the confidence of those who invest in Scottish social housing; both private lenders and Scottish Government. This is particularly important as social landlords strive to deliver the Scottish Government's target of 50,000 affordable new homes. We were delighted to be able to highlight positive practice through our development thematic and to recommend ten principles for those considering building new homes. The principles will help landlords build sustainable homes and deliver on the Scottish Government's target.

We want to see well-run social landlords. Effective governance, including leadership from boards, good management of finances and risk, is the foundation for delivering high quality homes and services for tenants. We used our statutory powers when we found that the interests of tenants, and the good reputation of social landlords, were at risk.

We will continue, along with others, to keep a spotlight on homelessness in the coming year.

Finally we would like to thank Board members, staff and our tenant advisors for their hard work and support during the year.



Kay Blair
Chair



Michael Cameron
Chief Executive





Overview

Our work, performance
& achievements

Our work, performance and achievements

Empowering Tenants

We:

- ◆ worked with our National Panel of Tenants and Service Users publishing key findings from overall research and studies around homelessness and anti-social behaviour
- ◆ published thematic reports on: factoring, rent consultation, accessibility, equalities, and complaints
- ◆ engaged with the RTO Regional network and worked with our tenant advisors
- ◆ met five times with our RTO liaison group
- ◆ updated the methodology for landlords on collecting tenant satisfaction data
- ◆ published new Significant Performance Failure factsheets for tenants and landlords
- ◆ refreshed the strategy on how we involve tenants and service users.

Scottish Social Housing Charter

We monitored and reported on the Scottish Social Housing Charter Progress.

The general picture is one of strong performance and continued improvement over the first three years of the Charter.

We:

- ◆ collected Charter data to allow us to monitor progress towards the 16 Charter standards and outcomes
- ◆ published our national analysis of progress against the Charter in August, six months earlier than in previous years
- ◆ published 186 landlord reports, all the Charter data for others to use and updated our online comparison tool, which was visited nearly 29,000 times
- ◆ contributed to the Scottish Government's review of the Charter by reporting a summary of all our regulatory analysis and findings from around a dozen publications since 2014.

9 out of 10

Tenants satisfied with the homes and services their landlord provides



14 out of 16

Charter standards and outcomes show an improved performance



Well governed and financially healthy RSLs

We completed the engagements we set out in our published regulation plans (RSLs) and local scrutiny plans (local authorities) in 2016-17.

Principal reasons RSL engagement

	2015/16 (%)	2016/17 (%)
Financial Health	67	65
Governance	15	23
Service Quality	7	8
Stock Quality	11	4

51



Registered social landlords

(4 high engagement, 47 medium engagement)

19



Local authority landlords

(5 scrutiny, 14 on-going monitoring)

During the year, we also:

- ◆ removed 3 regulation plans
- ◆ amended 13 regulation plans without changing engagement status
- ◆ changed engagement status of 4 regulation plans
- ◆ published 5 new regulation plans.

Statutory Intervention

We published:

- ◆ our account of intervention in Muirhouse Housing Association
- ◆ information on 'How we intervene'
- ◆ our analysis of RSL loan portfolio returns
- ◆ analysis of RSL finances
- ◆ a report on ten data accuracy visits to landlords
- ◆ a statement on the focus of our 2016/17 risk assessments
- ◆ data tables on the finances of RSLs.



Lenders and RSLs continue to invest in new and existing homes

Intervention Themes

- ◆ governance
- ◆ financial management
- ◆ risk management.

7



Number of RSL interventions carried out to protect tenants' interests

25



Number of statutory appointees

6



Number of statutory managers

We're an effective regulator

We:

- ◆ prioritised our work to allow us to work within our budget
- ◆ complied with our public body duties and obligations
- ◆ responded within our published target response timescales
- ◆ successfully moved office
- ◆ managed risks that could affect us delivering our objective. These risks are set out in our Governance Statement in our full annual report and accounts on page 37.



Performance Analysis

Landlords deliver good services

Key results of our third, national analysis of landlords' performance against the Scottish Social Housing Charter standards and outcomes.

The general picture is one of strong performance and continued improvement over the first three years of the Charter.

Read our full analysis published in August 2016 here: www.scottishhousingregulator.gov.uk

9 out of 10

Tenants satisfied with the homes and services their landlord provides

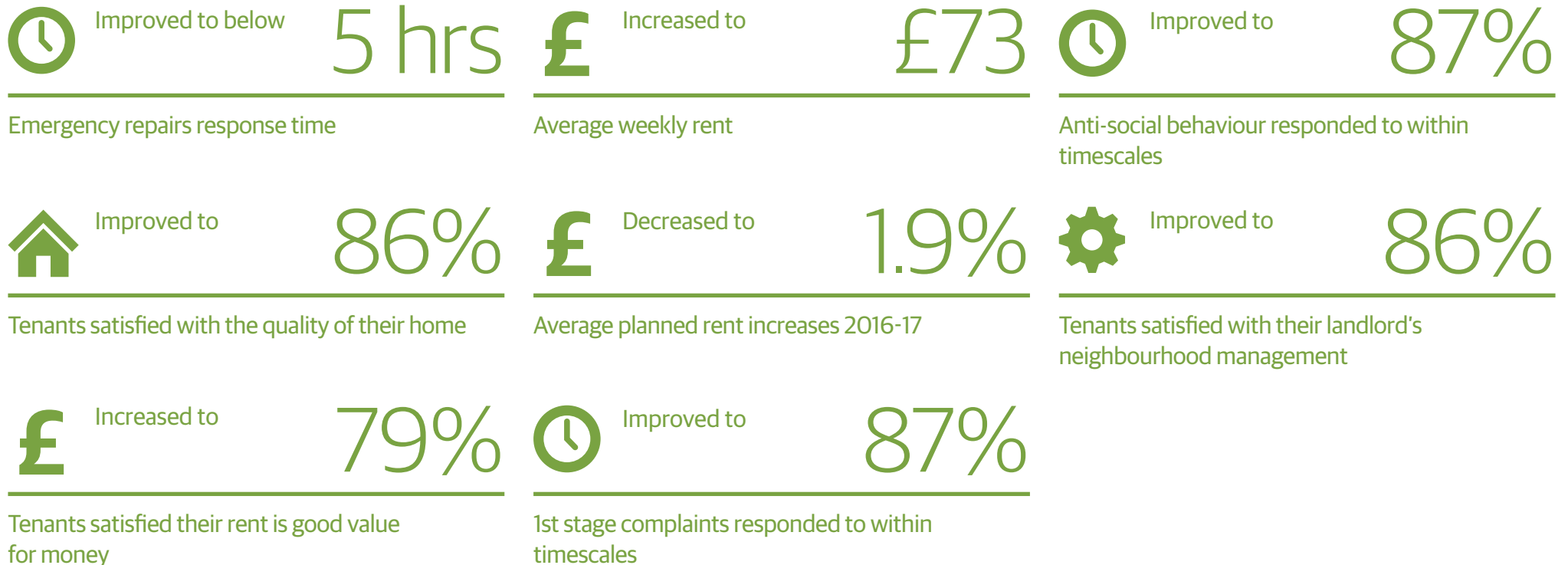


14 out of 16

Charter standards and outcomes show an improved performance



National Report on the Scottish Social Housing Charter headline findings



Note: the Charter indicators above give the overall National average.

Progress on the Charter

Most landlords continue to perform well across almost all Charter outcomes.

This broad improvement across Charter outcomes, whilst modest, is particularly positive given the strong performance reported for 2013-14 and 2014-15.

Average performance for landlords has improved for those service areas that are most important to tenants.

We will publish further analysis later this year looking more closely at landlords and service areas where average performance could be improved.

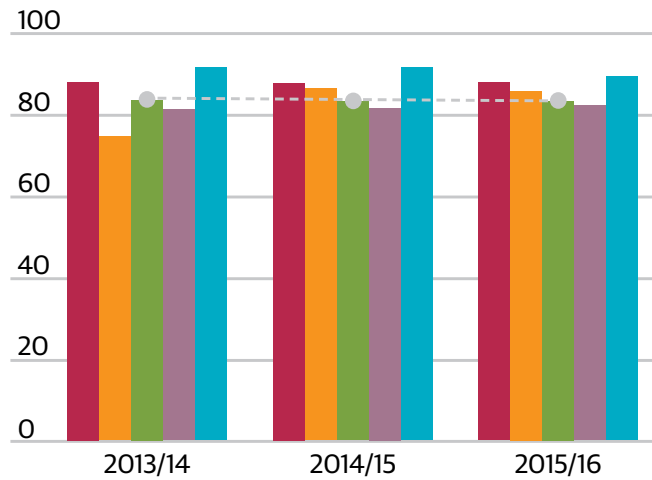
Charter outcomes

Outcome	Progress
Equalities	↑
Communication	↑
Participation	↑
Quality of housing	↑
Repairs, maintenance and improvement	↑
Estate management, anti-social behaviour, neighbour nuisance and tenancy disputes	↑
Housing options and access to housing	↑
Tenancy sustainment	–
Homeless people	↑
Value for money	↑
Rents and service charges	↑
Gypsy/Travellers	↓


Reflecting on regulatory analysis and findings from around a dozen publications from 2014, Chief Executive Michael Cameron said:

“Most social landlords are performing well across all of the Charter standards and outcomes. They continue to deliver good services and this is reflected in nine out of ten tenants being satisfied. That said, some landlords have more work to do to improve”.

Our online comparison tool shows performance trends for landlords

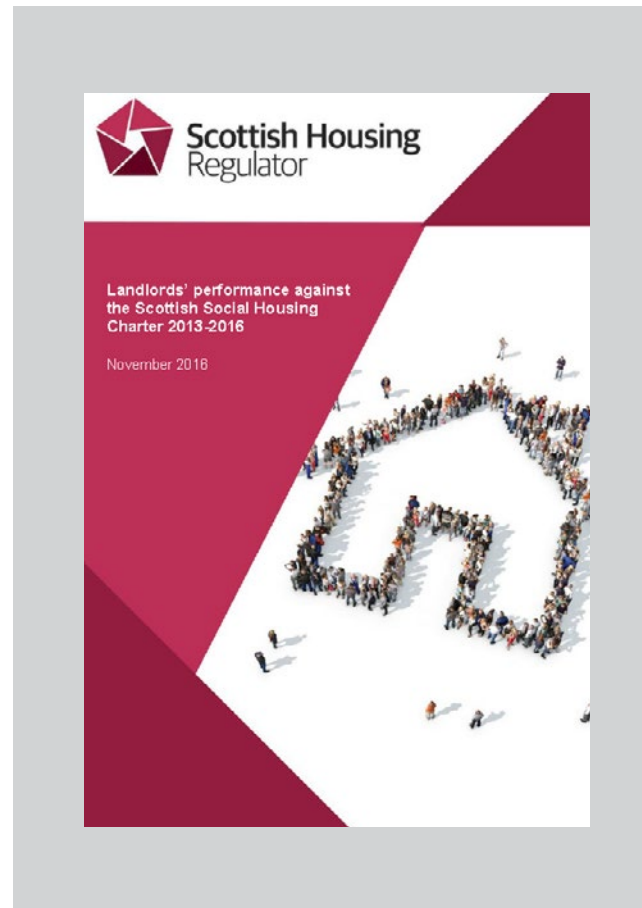


We also published a look back on landlord performance against the Charter's first three years to help the Scottish Government's review of the Charter.

 **Landlord Report** How your landlord told us it performed in 2016/2017

2016/2017 Response

Graph of compared landlords	Indicator	Expand / collapse previous years	Glasgow Housing Association Ltd, The	Average of compared landlords	Difference from this average	Select up to 4 landlords to compare	None	None	None	None
Homes and rents										
	Total number of homes	+	39,394	N/A	N/A	-	-	-	-	-
	Total rent due to be collected	+	£154,515,838	N/A	N/A	-	-	-	-	-
	Percentage average weekly rent increase to be applied	+	2.4 %	N/A	N/A	-	-	-	-	-
	Total number of 1 apartments	+	2,690	N/A	N/A	-	-	-	-	-
	Average weekly rent for 1 apartments	+	£60.57	N/A	N/A	-	-	-	-	-
	Total number of 2 apartments	+	7,073	N/A	N/A	-	-	-	-	-
	Average weekly rent for 2 apartments	+	£72.20	N/A	N/A	-	-	-	-	-
	Total number of 3 apartments	+	20,223	N/A	N/A	-	-	-	-	-
	Average weekly rent for 3 apartments	+	£77.56	N/A	N/A	-	-	-	-	-



Empowering Tenants



"We're very grateful to all our tenants and service users who have taken the time to contribute to our work. That includes tenant organisations, members of our National Panel and tenant advisors. It is important that we understand their perspectives and priorities to make sure we stay focused on the issues that matter most to them."

Iain Muirhead, Director of Strategy & Communications



"Active tenants, working closely with landlords and scrutinising performance play a crucial role in shaping and improving social housing in Scotland."

Simon Little, Board member



"We're grateful to the tenants who volunteered and those that have contributed to our work over the years to help us stay focussed on the issues that matter most to tenants."

Mike Dailly, Board member

Key messages from our main publications

<p>We set out a new plan for continuing to involve tenants and other service users and keep them at the heart of our work. View publication</p> 	<p>We published a guide for tenants on tenant consultation where consent is required. View publication</p> 	<p>We carried out our third year of research with our national panel of tenants and service users. View publication</p> 
<p>We reported on the importance of landlords providing value for money to people who use social landlords' factoring services in a thematic inquiry report. View publication</p> 	<p>We published research into the experiences of people who have used homelessness services. It highlighted difficulties people face and the importance of supportive and effective services. View publication</p> 	<p>We produced a new factsheet on how to identify and report a Significant Performance Failure to us and what we will do. View publication</p> 
<p>We published a report on panel members' experience of anti-social behaviour and how their landlord handled reports of problems. View publication</p> 	<p>We refreshed our guidance on conducting surveys of tenants and service users for landlords with expert input from Ipsos MORI. View publication</p> 	<p>We produced a factsheet for landlords which explains what to do when a Significant Performance Failure is reported. View publication</p> 
<p>We highlighted that it is important for tenants to find it easy to get information they need about the services their landlord provides and the decisions it makes. View publication</p> 	<p>We highlighted the importance of making it straightforward to make a complaint and that they are an important way for landlords to improve services. View publication</p> 	<p>We highlighted the importance of landlords talking to tenants about what level of rent is affordable and what they want their rent to pay for. View publication</p> 

You can find all these publications and news stories here:

www.scottishhousingregulator.gov.uk

“Tenants told us affordable rent and the speed of response to emergency repairs remains central to them being satisfied.”

National Panel of Tenants and Service Users

“People using homelessness services told us about their experiences and how local authority staff provide practical and emotional support at an otherwise distressing and difficult time.”

National Panel of Tenants and Service Users

We highlighted the importance of landlords collecting good quality equalities information. We shared good practice to help landlords gain a better understanding and be able to communicate more effectively with tenants and other service users.

We developed an information poster with Gypsy/ Travellers to raise awareness of the standards landlords are expected to deliver against the Scottish Social Housing Charter.

Elaine McHugh, Chair of ALACHO, said:















“We support the Regulator’s efforts to ensure that residents of official Gypsy/Traveller sites are fully aware of their rights under the Charter. By displaying the new poster, landlords will help site residents understand their rights, as well as their tenancy obligations.”



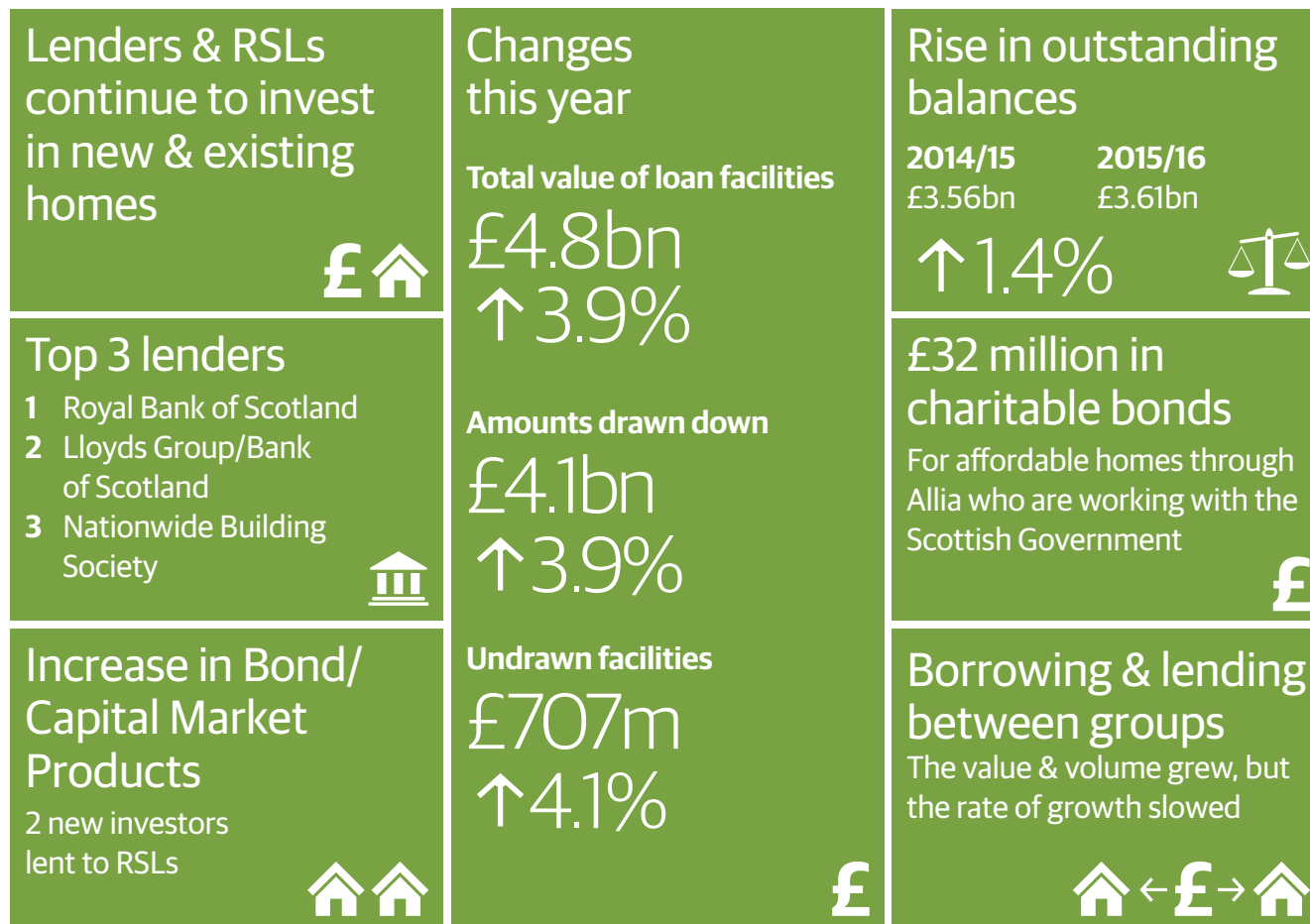
Well governed and financially healthy RSLs

Most RSLs continue to effectively manage their financial well-being.

Our analysis of RSL financial health in the year to March 2016

<p>Annual turnover went up by 3.1%</p> <p>£1,586m </p>	<p>Operating costs rose at the rate of 4.3% </p>	<p>Operating surplus Down 2%</p> <p>£298m </p>	<p>Cash generated from operating activities Up 10%</p> <p>£454m </p>
<p>Construction and acquisition of properties spend Down 6.7%</p> <p>£648m </p>	<p>Staff in a Defined Benefit pension scheme 30.4% </p>	<p>Staff in a Defined Contribution pension scheme 40.1% </p>	<p>Staff with no pension provision Up 179 </p>
<p>Interest payable Up 7.4%</p> <p>£157m </p>	<p>Total arrears Down 4.6%</p> <p>£49.7m </p>	<p>Current tenant arrears ↓ 8.8% </p>	<p>Former tenant arrears ↓ 7.7% </p>
<p>Development financed by government grants 39.2% </p>	<p>Development financed by private investment 39% </p>	<p>Note: Based on information RSLs submitted to us for 2015/16.</p>	

Lenders are continuing to invest in social housing



Note: Our analysis in 2016/17 was based on information RSLs submitted to us for 2015/16.



At the SFHA Finance Conference:

“Most RSLs have developed expertise to manage known risks. But the landscape has shifted quickly over the last year. RSLs are facing new challenges... it is important to appreciate most start from a position of financial health... we have used our statutory powers... and not surprisingly this has caught the attention of rating agencies, lenders and potential lenders.”

Ian Brennan, Director of Regulation,
Finance & Risk

At the Housemark – Business Influence
& Solutions Event:

“Today’s business plans are typically better at identifying and managing risks. They link strategic objectives and operational plans better. And they confront difficult decisions more clearly... Tenants should be at the centre of an RSL’s business planning. RSLs should comply with our regulatory standards. And risks need to be managed.”

Ian Brennan, Director of Regulation,
Finance & Risk

We highlighted positive practice for landlords developing new homes

Positive practice principles

For landlords developing or planning to develop affordable housing.

- 1 Strategy**
Be clear about why you are developing and how development fits within your overall business strategy
- 2 Risk**
Be aware of your inherent risks in your plans and identify and manage development risks, including specific risks associated with different tenures
- 3 Product**
Have a robust understanding of housing need and demand for the area where you plan to develop and use this to design and build sustainable homes

- 4 Capacity**
Have the appropriate organisational capacity, corporate structures, people and/or partnerships in place to effectively manage new development
- 5 Governance**
Ensure that your governing body and senior staff have the appropriate skills and experience and that your governance arrangements provide proper oversight of your development programme
- 6 Appraisal**
Carry out robust appraisals at key stages of the development process to make sure that development proposals are viable, represent VFM and capture whole life costs
- 7 Funding**
Have an appropriate funding strategy which ensures access to sufficient resources as they are required and have a clear understanding of the impact of development on future cash flows
- 8 Project management**
Ensure that appropriate project management processes are in place and integrated across your organisation

- 9 Procurement**
Have a strategic approach to procurement that is kept under review, complies with relevant legislation, is tailored to the particular needs of your organisation and helps you select the most appropriate procurement option
- 10 Stakeholders**
Actively manage and build constructive relationships with your stakeholders including tenants, service users, funders, regulators, local authority/RSL partners, contractors and the Scottish Government.

“The Scottish Government has committed to deliver 50,000 affordable homes over the life of the current parliament. Good governance and awareness of risk and its potential impact on the business are essential for landlords that are developing new affordable homes.

“Our report highlights positive practice from social landlords who have recently been successfully developing new homes. We believe that applying the ten principles will help landlords develop sustainable homes and deliver on the Scottish Government’s targets.”

Ian Brennan, Director of Regulation, Finance & Risk

Feedback from stakeholders on our development thematic inquiry

"This comprehensive guidance is a welcome addition to the tools and resources available to help boards strengthen their response to development risks, as they prepare to step up to the mark in delivering the government's 50,000 homes target."

John Marr, UK Finance



"The report provides a useful guide to the issues that housing associations need to consider when either considering developing again or looking to expand their development programmes."

Mary Taylor, SFHA



"The report covers a complex area well, highlights the key issues and takes a balanced and proportionate position in terms of a regulatory response."

Nile Istephan, Eildon Housing Association



"There's one thing certain about development and that's its uncertainty. This is a very well-constructed and informative document which outlines the guiding principles for RSLs - whether they be experienced in developing new homes or re-entering the affordable housing supply marketplace."

Colin Culross, Link Group



"There will be various challenges for RSLs, in response to the 50,000 new affordable homes target set by the Scottish Government, however the sector appears to have an appetite to rise to the challenge. Development is a complex process and the SHR Development Thematic Study is a very good report identifying positive practice based principles, which could be used by all RSLs, as a form of self-assessment tool, to assess their own practices, capacity and capabilities to deliver their programmes and improve processes."

Bill Banks, Kingdom Housing Association



Our Statutory Intervention work

We intervened using our statutory powers when we judged that the:

- ◆ issue/problem/weakness was serious
- ◆ landlord was unwilling or incapable of resolving the issue/problem
- ◆ use of statutory powers was a proportionate response.

We used our statutory intervention powers as set out in our Regulatory Framework in 2012. We explained our intervention in each RSL in our published Regulation Plans and kept it under review.

Landlord	2014	2015	2016	2017	Statutory Manager	No. of board appointees	No. of homes	Areas of weakness
Wellhouse	-----				✓	0	796	Governance and financial management
Muirhouse	-----				✓	3	506	Governance and insolvency risk
Ferguslie Park			----->		✓	3	803	Governance
Antonine			----->		✓	7	337	Constitutional failure and governance
Arklet			----->		✓	3	361	Governance and financial management
Wishaw & District				----->	✓	5	976	Governance, risk and financial management
Molendinar Park				----->	-	4	582	Constitutional failure

We completed our intervention in **Muirhouse Housing Association** and published a detailed account.

“This report shows the staff and committee at Muirhouse have been able to work through the problems of the association and emerge as a strong, viable, independent organisation serving its tenants and other local residents long into the future.”

SFHA Chief Executive Mary Taylor & GWSF Chair Peter Howden



“We have worked diligently with the Regulator since intervention and completed a substantial programme of improvement that ensured the lessons to be learned from this experience have been enacted and embedded in our organisation.”

Bob MacDougall
Chair at Muirhouse



We also ended intervention in **Wellhouse Housing Association** and will be publishing an account in 2017/18.

“Over the last two years, Wellhouse’s Management Committee has worked hard to address the serious risks to tenants’ interests. It has faced its difficulties and taken the necessary action to strengthen its governance and financial management. Because of the progress it’s made we are able to bring our statutory intervention to an end.”

Christine Macleod
Director of Governance & Performance



Statutory Managers

We carried out an open selection process and published a list of **potential statutory managers**. We also published information explaining how we intervene.



“The list will let us quickly access people with the right skills, experience and knowledge to make the changes needed to help a landlord deal with its problems. We’re publishing the list to be transparent about who we will appoint.”

Christine MacLeod, Director of Regulation Governance and Performance

Whistleblowing

During 2016/17 whistle-blowers contacted us about eight landlords. We:

- ◆ took no action in five cases. There was insufficient evidence to support further inquiries in two of the cases and in another case we were already dealing with the allegations as a result of a previous whistle-blower. We obtained assurance that the landlords were already dealing with the allegations appropriately in the remaining three cases
- ◆ worked with the landlord to establish the facts in one case and found concerns were substantiated and further investigations are still on-going. We continue to engage with the landlord to seek assurance that the issues are addressed
- ◆ are still investigating two cases.



“Social landlords can foster a culture of openness by encouraging whistleblowing. **Whistle-blowers should be celebrated...** it’s about a willingness to learn where blame is absent.”
Michael Cameron, Chief Executive

Challenges & Risks for Social Landlords



Challenges specifically relating to housing development including: land availability, price and assembly issues, costs and delays associated with infrastructure, issues around capacity and issues with the operation of the planning framework



Rising concern from tenants about future rent affordability against a background of many RSLs relying on above inflation rent increases to maintain financial health



The prospect of increased inflation in 2017 and beyond as a consequence of the sharp fall in the value of sterling in 2016



The impact of The Office for National Statistics' (ONS) re-classification of RSLs and resultant proposed changes in regulation upon willingness of lenders to invest in the social housing sector



Continuing uncertainty over the scale and pace of change to the welfare system and the potential impact of changes



Other budgetary pressures, staff costs (particularly in the care sector), pensions and energy efficiency.

Effective Regulator

How we measure performance

Our Board and Management Team monitor progress against:

- ◆ the vision and priorities in our Corporate Plan
- ◆ the tasks in our annual operating plan and published 'what we will do'
- ◆ our published responsiveness targets.

We continued to meet our published responsiveness targets:

Type	Response time	Target	
General Correspondence	8 working days	95%	✓
Complaints about SHR	Acknowledge within 3 working days	95%	✓
Stage one	Respond within 5 working days	95%	✓
Stage two	Respond within 20 working days	95%	✓
Consents	8 working days	95%	✓
FOI Requests	20 working days	100%	✓
Significant Performance Failures	20 working days	100%	✓
Invoice payment	10 working days	100%	✓

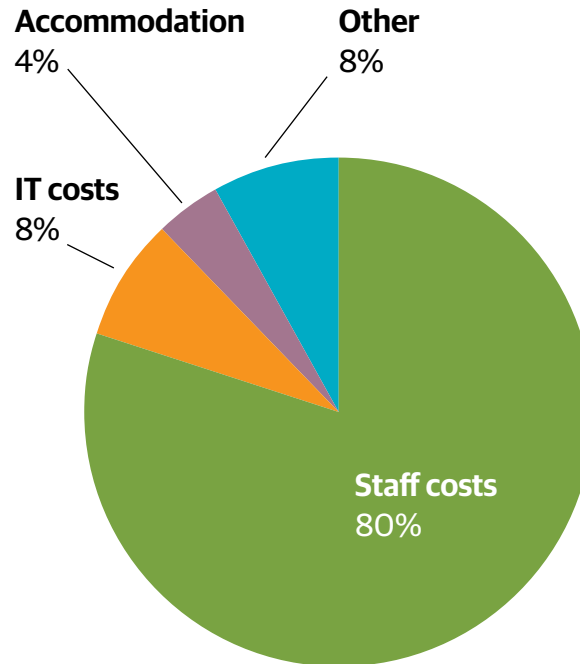
We did not receive any requests for regulatory decision reviews or appeals in 2016/17.

We received one request for an FOI review and this was ongoing at 31 March 2017.

Our Budget

↓ 9.5% 

2015-16: £4.1m
2016-17: £3.7m



We are smaller. We set ourselves to deal with this more challenging funding settlement, and we have made savings in our administrative costs wherever possible. We spent our full budget of £3.7m.

Around 80% of our revenue costs are staff costs, 8% for IT equipment and support and 4% for accommodation.

We achieved a significant saving of over £0.190m by moving office, compared to our 2015/16 accommodation costs.

Climate change

We reported on our progress towards meeting climate change targets.

Regulatory code of Practice

We operated in line with the Scottish Regulators' Strategic Code of Practice. Our new appeals and reviews mechanisms, which went live in April 2016, were a direct response to the Code.

We achieved Scottish Living Wage accreditation.



- ✓ Around 900 twitter followers
- ✓ Over 1,300 subscribers to SHR Update E-zine
- ✓ Over 100,000 hits on our website
- ✓ After our 'home' page, 'find & compare landlords' was the most popular webpage
- ✓ People accessed our comparison tools nearly 29,000 times

As set out in our Equalities Statement, we are committed to meeting our equality duties and we regulate in a way which encourages and promotes an equal opportunity culture.

We:

- ◆ published thematic inquiries on equalities and also on openness and accessibility
- ◆ trained our staff on experiences of Gypsy/ Travellers and published a poster raising awareness of standards landlords should deliver for Gypsy/Traveller sites
- ◆ published material in a manner that is appropriate and accessible to the needs of its intended audiences
- ◆ support diversity in the Boardroom and the 50/50 gender equality by 2020 campaign

We updated our Memorandum of Understanding with the Scottish Charity Regulator which further streamlined regulatory requirements for charitable RSLs.



Local Govt Committee @SP_LocalGovt 
Very informative session, thanks!

SHR @SHR_news We're in parliament today giving evidence to the @SP_LocalGovt Committee



Follow @SHR_news

We presented evidence on our work to the Scottish Parliament's Local Government & Communities Committee.

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



Michael Cameron, 18 September 2017

Accountability Report

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

Corporate Governance Report

Directors' Report

We have prepared these accounts for the financial year 2016/17 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 2016 to the end of March 2017 is provided below:

- ◆ Kay Blair, Chair
- ◆ Anne Jarvie, Deputy Chair
- ◆ Lisa Peebles, Audit & Risk Assurance Committee Chair
- ◆ Simon Little
- ◆ Mike Dailly
- ◆ Sid Patten (April to October 2016).

During 2016/17, our Chair Kay Blair announced plans to retire in August 2017. Details of our governance framework for Board appointments, appraisal and reviewing the Board's effectiveness are described in the Governance Statement on page 37.

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.

Our resources

Our revenue budget as set out in the 2016/17 Spring Budget Revision to the Budget (Scotland) Act for the year end 31 March 2017 was £3.702m, a reduction of around 9.5% from 2015/16 (£4.089m). This did not include non-cash costs. We spent £3.688m, 99.6% of our budget (2015/16 - £4.042m), achieving savings of £0.014m. We also had non-cash costs of £0.328m for depreciation of IT assets (2015/16 - £0.305m) which were accommodated by the Scottish Government within the wider Scottish Administration budget.

We are smaller, having frozen recruitment throughout 2015/16 to respond to a reduction in our funding. We have also made savings in our other administrative costs wherever possible. We saved over £0.190m compared to our 2015/16 accommodation costs. 2016/17 was a transitional year. We moved office twice to temporary spaces ahead of a final move planned for autumn 2017. We incurred less cost in both temporary locations than in our previous, larger office space. Around 80% of our revenue costs are staff costs, 8% for IT equipment and support and 4% for accommodation.

All public bodies face funding pressures in the coming years. Our revenue budget for 2017/18 is £3.8m. The Scottish Government and Parliament will set our funding for 2018/19 during 2017/18. We will finalise and implement our detailed planning for future years, matching our resources to our priorities to protect the interests of tenants and service users.

Reporting of personal data related incidents

During 2016/17 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 £19,720 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 2017, we paid 100% 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
- ◆ 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
- ◆ 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. The Scottish Government published new 'On Board' guidance for members of statutory Boards in March 2017. We took account of this guidance when our Board carried out a review of its effectiveness in May 2017. 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. We manage risk to a reasonable level, rather than attempt to eliminate all risk. It 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 2017 and up to the date of approval of the annual report and accounts.

We aim to foster a culture of continuous improvement, in accordance with the principles of Best Value. We encourage our staff to review and improve our ways of working. During 2016/17 we updated our Best Value action plans. We are now developing our approach to Best Value for 2017/18.

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 2016/17 to fulfil this role and all meetings were quorate. We publish minutes of the meetings, and 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. During 2016/17 our Chair announced plans to retire and Scottish Ministers commenced a recruitment campaign.

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 three times in 2016/17. Membership comprised of the following members of the Board:

- ◆ Sid Patten, Chair from April to October 2016 (when he stepped down from the Board)
- ◆ Lisa Peebles, Chair from October 2016
- ◆ Anne Jarvie
- ◆ Mike Dailly.

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 2016/17 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 and 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
- ◆ profile our risks by ranking them in order of overall risk exposure (in terms of likelihood and impact) and our risk tolerance.

In 2016/17 we identified the following risks as among those potentially having the greatest impact on our activities:

- ◆ difficulties sourcing external expertise when we need this to address failures in a landlord, or to consider an emerging sector risk further
- ◆ challenges where an RSL has serious financial problems, principally where an RSL is facing insolvency and we are unable to effect a rescue
- ◆ ensuring we are adequately resourced and can operate effectively within our budget
- ◆ dealing with systemic issues which may affect a large number of social landlords.

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 2016/17.

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 2016/17. During the year we continued to embed our Records Management, Records Retention and Information Security policies.

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 in their management letters and other reports
- ◆ 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 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 2016/17.

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 2017 and up to the signing of the accounts, we liaised with Scottish Government Internal Audit, Scott-Moncrieff and Scottish Government Finance colleagues to ensure that our internal control procedures were fit for purpose and compliant.

During 2016/17, our internal auditors have completed their risk-based internal audit plan with specific work on how we collect and verify Scottish Social Housing Charter data from landlords, and our approach to information management and assurance. Internal Audit has provided substantial assurance in relation to the work undertaken. A small number of low priority recommendations to enhance controls have been identified and we will take action to respond to these in 2017/18.

I am satisfied that no significant control weaknesses or issues have arisen during 2016/17. 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)		Total (£000)	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16
Officials										
Chief Executive										
Michael Cameron	70-75	70-75	-	-	-	-	25-30	30-35	95-105	100-110
Executive Team										
Ian Brennan	65-70	65-70	-	-	-	-	25-30	25-30	90-100	90-100
Christine Macleod	65-70	65-70	-	-	-	-	20-25	30-35	85-95	95-105
Iain Muirhead	65-70	65-70	-	-	-	-	25-30	25-30	90-100	90-100
Board Members Fees (NMD)										
Kay Blair (Chair)	20-25	20-25	-	-	-	-	-	-	20-25	20-25
Sid Patten	5-10	5-10	-	-	-	-	-	-	5-10	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

Figure 4.2
Pensions

	Accrued Pension (P) at pension age and Lump Sum (LS) at 31/03/2017 £000 Band	Real Pension Increase (P) and Lump Sum (LS) at pension age £000 Band	CETV at 31/03/2017 £000	CETV At 31/03/2016 £000	Real Increase in CETV £000
Ian Brennan Director of Regulation: Finance and Risk	10-15 (P) 0 (LS)	0-2.5 (P) 0 (LS)	196	169	18
Michael Cameron Chief Executive	25-30 (P) 75-80 (LS)	0-2.5 (P) 0-2.5 (LS)	528	491	14
Christine Macleod Director of Regulation: Governance and Performance	25-30 (P) 80-85 (LS)	0-2.5 (P) 2.5-5(LS)	625	578	19
Iain Muirhead Director of Strategy and Communications	15-20 (P) 40-45 (LS)	0-2.5 (P) 0-2.5 (LS)	284	258	12

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.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by SHR and treated by HM Revenue and Customs as a taxable emolument.

Bonuses

Bonuses are based on performance levels attained and are made as part of the appraisal process. Bonuses relate to the performance in the year in which they become payable to the individual. Any bonuses reported in 2016/17 relate to performance in 2016/17 and comparative bonuses reported for 2015/16 relate to the performance in 2015/16.

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 2016/17 was £70,000-75,000 (2015/16, £70,000-75,000). This was 1.7 times (2015/16, 1.7) the median remuneration of the workforce, which was £42,220 (2015/16, £41,596).

In 2016/17, no employees (2015/16, 0) received remuneration in excess of the highest-paid director. Remuneration ranged from £21,200 to £72,600 (2015/16, £19,600-£72,000).

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

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 2016-17 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.

We are party to the Scottish Government's Partnership Agreement with trade unions recognised by the Scottish Government.

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.

Civil Service Pensions

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

Figure 4.3
Staff Costs (audited)

Cost	Permanently employed staff	Others	2016-17 £000	2015-16 £000
Wages and salaries	2,252	-	2,252	2,146
Social security costs	254	-	254	193
Other pension costs	487	-	487	467
Inward secondments	-	50	50	17
Temporary staff	-	-	-	19
Movement in short term employee benefits	(45)	-	(45)	53
Early retirement	(2)	-	(2)	(15)
Total net costs	2,946	50	2,996	2,880

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 2017, employers' contributions of £0.487m (2015/16 £0.467m) 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 2016-17 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	2016-17 Total	2015-16 Total
Directly employed	48.4	-	48.4	48.0
Other	-	0.8	0.8	1.2
Total net costs	48.4	0.8	49.2	49.2

Figure 4.5
Number of Senior civil service staff employed

Band	2016-17 Total	2015-16 Total
SCS - Deputy Director 1	1	1

Gender Balance

At the end of the 2016/17 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	2
Executive Team (including Chief Exec.)	1	3
Employees	33	15

Sickness absence data

The average total number of sick days per full time employee in 2016/17 was 9.2 days (9.6 days - 2015/16).

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.

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

None of our staff received exit packages in 2016/17 (or in 2015/16).

Expenditure on consultancy

We incurred expenditure of £253k on external consultancy in 2016/17. This equates to 6.9% of our total revenue expenditure. We commissioned a range of projects, including expert advice to support our regulatory activities, a programme of work with our National Panel of Tenants and support for the development of our future IT strategy.

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 2017.

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



Michael Cameron
Chief Executive
18 September 2017

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 Scottish Housing Regulator for the year ended 31 March 2017 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 2016/17 Government Financial Reporting Manual (the 2016/17 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 2017 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 2016/17 FReM
- ◆ 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.

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.

Auditor's responsibilities for the audit of the financial statements

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable legal requirements and ISAs (UK&I) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors. An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement,

whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the body's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accountable Officer; and the overall presentation 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&I) 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.

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 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 in accordance with ISAs (UK&I), our responsibility is to read all the financial and non-financial information in the annual report and accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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

We are required by the Auditor General for Scotland to express an opinion on the following matters. In our opinion, the auditable 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
- ◆ 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
- ◆ the financial statements and the auditable part of the Remuneration and Staff Report are not in agreement with the accounting records
- ◆ we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.



Nick Bennett,
(for and on behalf of Scott-Moncrieff)

Exchange Place 3, Semple Street
Edinburgh EH3 8BL
Date: 18 September 2017



Financial Statements

For the year ended 31 March 2017

Statement of Comprehensive Net Expenditure

For the year ended 31 March 2017

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 2017 derive from the ordinary activities of the Scottish Housing Regulator, all of which are continuing.

Figure 5.1

Administration costs	Note	2016-17 (£000)	2015-16 (£000)
Staff costs	2	2,996	2,880
Other administrative costs	2	1,020	1,298
Total		4,016	4,178
Net operating cost		4,016	4,178

Statement of Financial Position

As at 31 March 2017



Michael Cameron
Chief Executive

The financial statements have been authorised for approval on 18 September 2017.

Figure 5.2

Assets	Note	2016-17 (£000)	2015-16 (£000)
Non-current assets			
Property, plant and equipment	3	23	92
Intangible assets	4	944	1,193
Total non-current assets		967	1,285
Current assets			
Trade and other receivables	6	3	-
Cash and cash equivalents	7	1	1
Total current assets		4	1
Total assets		971	1,286

Continued overleaf

Statement of Financial Position

Cont'd...

As at 31 March 2017

Figure 5.2 (cont'd)

Liabilities	Note	2016-17 (£000)	2015-16 (£000)
Current liabilities			
Trade and other payables	8	(137)	(241)
Provisions	9	(53)	(51)
Total current liabilities		(190)	(292)
Total assets less current liabilities		781	944
Non-current liabilities			
Provisions	9	(9)	(62)
Total non-current liabilities		(9)	(62)
Total assets less total liabilities		772	932
Taxpayers' equity			
General Fund		772	932
Total taxpayers' equity		772	932

Statement of Cash Flows

For the year ended 31 March 2017

The increase/(decrease) in trade and other payables does not match the movement in note 8 due to a movement in payables relating to items not passing through the Statement of Comprehensive Net Expenditure. This has also impacted the purchase of intangible assets causing it not to match note 4.

Figure 5.3

	Note	2016-17 (£000)	2015-16 (£000)
Cash flows from operating activities			
Net operating cost		(4,016)	(4,178)
Adjustments for non-cash transactions:			
Depreciation and amortisation	3, 4	328	302
Auditor's remuneration	10	20	18
Movement in working capital:			
(Increase) / decrease in trade and other receivables	6	(3)	-
Increase / (decrease) in trade and other payables	8	(90)	16
Use of provisions		(51)	(50)
Net cash outflow from operating activities	9	(3,812)	(3,892)
Cash flows from investing activities			
Purchase of property, plant & equipment	3	(10)	(19)
Purchase of intangible assets	4	(14)	(223)
Net cash outflow from investing activities		(24)	(242)
Cash flows from investing activities			
Scottish Government funding		3,836	4,134
Net financing		3,836	4,134
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

Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2017

Figure 5.4

	Note	General Fund (£000)	Total Reserves (£000)
Balance at 1 April 2015		958	958
Net funding		4,134	4,134
Non-cash charges - auditor's remuneration	10	18	18
Comprehensive expenditure for the year		(4,178)	(4,178)
Balance at 31 March 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

Notes to the Accounts

1.0 Accounting Policies

The financial statements have been prepared in accordance with the 2016-17 Government Financial Reporting Manual (FRoM). The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FRoM 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 accounts 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 2017 show a surplus on the general fund of £0.772m (2015-16 – surplus of £0.932m). 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 2016-17 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.

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

1.5 Leases

The Scottish Housing Regulator occupied part of a floor within a Scottish Government leased building for 7 months before moving to a decant space in its new office. This move to decant space was due to on-going building work in the Regulator's future permanent location that is due to be completed in 2017-18. 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 2016-17. No other services were supplied by Audit Scotland or Scott Moncrieff during the year ended 31 March 2017.

In relation to accommodation costs, we saved over £0.190m compared to 2015/16. 2016/17 was a transitional year. We moved office twice to temporary spaces ahead of a final move planned for autumn 2017. We incurred less cost in both temporary locations than in our previous, larger office space.

Figure 5.5

	2016-17 (£000)	2015-16 (£000)
Wages and salaries	2,252	2,146
Social security costs	254	193
Other pension costs	487	467
Inward secondments	50	17
Temporary staff	-	19
Movement in short term employee benefits	(45)	53
Early retirement	(2)	(15)
Depreciation and amortisation	328	302
Support and consultancy	244	154
Accommodation expenses	146	337
IT costs	107	167
Non-executive board members' fees & expenses	66	80
Office expenses	25	36
Training and development	20	69
Auditor's remuneration (notional charge - note 10)	20	18
Travel and subsistence	19	31
Stakeholder engagement	18	46
Marketing	10	24
Conferences and seminars	10	18
Professional fees and subscriptions	4	4
Catering	3	7
HR and recruitment costs	-	5
Total	4,016	4,178

3.0 Property, Plant and Equipment

Figure 5.6

	ICT Equipment (£000)	Totals (£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

Continued overleaf

3.0 Property, Plant and Equipment

Cont'd...

Figure 5.6 (cont'd)

	ICT Equipment (£000)	Totals (£000)
Cost		
At 1 April 2015	249	249
Additions	19	19
Disposals	(2)	(2)
At 31 March 2016	266	266
Depreciation		
At 1 April 2015	100	100
Charged in year	75	75
Disposals	(2)	(2)
At 31 March 2016	173	173
Carrying value at 31 March 2015	149	149
Carrying value at 31 March 2016	93	93

4.0 Intangible Assets

Figure 5.7

	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

Continued overleaf

4.0 Intangible Assets

Cont'd...

Figure 5.7 (cont'd)

	Information Technology (£000)	Software Licences (£000)	2016 Total (£000)
Cost			
At 1 April 2015	1,303	123	1,426
Additions	149	-	149
Disposals	-	-	-
At 31 March 2016	1,452	123	1,575
Amortisation			
At 1 April 2015	115	40	155
Charged in year	186	41	227
Disposals	-	-	-
At 31 March 2016	301	81	382
Carrying value at 31 March 2015	1,188	83	1,271
Carrying value at 31 March 2016	1,151	42	1,193

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

	2017 (£000)	2016 (£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	-

7.0 Cash and cash equivalents

Figure 5.9

	2017 (£)	2016 (£)
Balance at 1 April 2016	1	1
Net change in cash and cash equivalent balances	0	0
Balance at 31 March 2017	1	1
The following balances were held at 31 March 2017: Commercial banks and cash in hand	1	1
Balance at 31 March 2017	1	1

8.0 Trade Payables and other current liabilities

Figure 5.10

	2017 (£)	2016 (£)
Trade Payables	26	48
Accruals	111	193
Other Payables	-	-
	137	241
Intra-government balances		
Balances with other central government bodies	-	-
Balances with bodies external to government	137	241
	137	241

9.0 Provisions for liabilities and charges As at 31 March 2017

Figure 5.11

	Early Departure Costs (£)	Other (£)	Total (£)	2016 (£)
Balance at 1 April 2016	114	-	114	164
Provided in the year	-	-	-	-
Provisions not required written back	-	-	-	-
Provisions utilised in the year	52	-	52	50
Unwinding of discount	-	-	-	-
Balance at 31 March 2017	62	-	62	114

Analysis of the expected timing of cash flows

Figure 5.12

	Early Departure Costs (£)	Other (£)	Total (£)
Not later than 1 year	53	-	53
Later than 1 year and not later than 5 years	9	-	9
Later than 5 years	-	-	-
Balance at 31 March 2017	62	-	62

10.0 Notional Charges

The following charge has been included in the accounts:

Figure 5.13

	2016-17 (£)	2015-16 (£)
Auditor's remuneration	20	18
	20	18

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 2017 (2016, None).

13.0 Leasing Commitments

At 31 March 2017, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods were:

14.0 Other Financial Commitments

The Scottish Housing Regulator is planning to enter into non-cancellable contracts (which are not leases) for the provision of support services to the Business Intelligence System. The total payments for which the Scottish Housing Regulator is budgeting are as follows:

Figure 5.14

	2017 (£)	2016 (£)
Obligations under operating leases for the following periods comprise:		
<i>Buildings</i>		
Not later than one year	96	240
Later than one year and not later than five years	660	-
Later than five years	-	-
	756	240
<i>Other</i>		
Not later than one year	26	7
Later than one year and not later than five years	102	1
Later than five years	-	-
	128	8

Figure 5.15

	2017 (£)	2016 (£)
Not later than one year	213	199
Later than one year and not later than five years	1,007	299
Later than five years	-	-
	1,220	498



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 (FRM) 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 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

Scottish Housing Regulator
Buchanan House
58 Port Dundas Road
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scottishhousingregulator.gov.uk



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The accountable officer authorised these financial statements
for issue on 18 September

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Laid before the Scottish Parliament 2017 SG/2017/150

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