

**Scottish Housing  
Regulator**

A decorative background on the left side of the page, consisting of several overlapping triangles in various shades of blue and grey, creating a geometric pattern.A photograph on the right side of the page showing a brick wall with several daffodils in the foreground, slightly out of focus.

# **Protecting the interests of tenants and people who use the services of social landlords**

Our annual report and accounts 2012/13



# About us

We are the **independent regulator** of social landlords in Scotland, accountable directly to the Scottish Parliament.

Our **statutory objective** is to safeguard and promote the interests of current and future tenants, homeless people and others who use services provided by social landlords. We regulate **183 registered social landlords** (RSLs) and the housing activities of Scotland's **32 local authorities**. We keep a **publicly available register** of RSLs.

We are led by a **Board of non-executive members**, appointed by Scottish Ministers. The Board sets our strategic direction and ensures that we focus on the right things.

## Our Board:

- » **Kay Blair** Chair from April 2011
- » **Mike Dailly** from March 2013
- » **Anne Jarvie** from March 2013
- » **Simon Little** from April 2011
- » **Wesley Mitchell** from April 2013
- » **Sid Patten** from April 2011
- » **Lisa Peebles** from April 2011
- » **Russell Pettigrew** from March 2013

We are committed to meeting our equality duties as a public body and performing our functions in a way which encourages **equal opportunities**. We promote the importance of equality to those we regulate. We expect social landlords to comply with equality legislation, to work to understand the individual needs of their customers, and to deliver services that recognise and meet these needs.

We contribute to the Scottish Government's objectives of Scotland being **wealthier and fairer; smarter; healthier; safer and stronger; and greener** by being an effective Regulator.

Our work helps the Scottish Government to deliver a number of its **National Outcomes**.



- » We have tackled the significant inequalities in Scottish society.
- » We live in well-designed, sustainable places where we are able to access the amenities and services we need.
- » Our public services are high quality, continually improving, efficient and responsive to local people's needs.
- » We live longer, healthier lives.
- » We have improved the life chances for children, young people and families at risk.
- » We have strong, resilient and supportive communities where people take responsibility for their own actions and how they affect others.



HAPPY TO TRANSLATE

**We protect:**

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**600,000**

tenants and their families who live in homes owned and managed by social landlords. This is around a fifth of all households in Scotland.

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around  
**45,000**

people who seek help from local authorities each year as a result of homelessness or potential homelessness.

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around  
**100,000**

people who own their homes and receive services from social landlords.

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over **500**

Gypsy/Traveller families who use the services of 32 official sites provided by social landlords.

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These are diverse groups with different needs and priorities.

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# Welcome

Last year we established our new organisation as a strong and credible regulator. We did this in some of the most challenging circumstances social housing has ever faced.

We were set up as an independent regulator to protect the interests of tenants, homeless people, factored owners and Gypsies / Travellers. We believe we have achieved this by staying focused on our regulatory priorities: good outcomes for tenants and others, effective governance and strong financial health. During the year we had some intense regulatory engagements, including our successful management of the rescue of three landlords in financial jeopardy.

Throughout the year, we kept a major focus on governance. This included our publication of two editions of 'Governance Matters' and running a series of well-received events for RSL board members. Our use of real life case studies should help others identify similar challenges and recognise and manage emerging risks.

Good financial health is critical. To this end we continued to engage with landlords, lenders and Scottish Government, focusing primarily on effective business planning, the impact of Welfare Reform and the need for RSLs to manage their covenants diligently.

We consulted successfully on the indicators we will use to measure landlord progress in achieving the Scottish Government's Social Housing Charter. This has prepared us to monitor and report on this important area.

Despite a reducing budget, we regulated effectively to protect the interests of tenants and other service users. We would like to thank our Board members Lisa Peebles, Simon Little and Sid Patten for all they have contributed and their hard work during the year. We strengthened our Board further during 2012/13 with the appointment of Anne Jarvie, Russell Pettigrew, Mike Dailly and Wesley Mitchell. We would also like to thank all our staff and tenant assessors for their dedication, hard work and resilience over the last year.



We will continue to engage with all our key stakeholders to ensure we remain a listening and proactive regulator and that where possible we streamline our regulatory requests. As we continue to emphasise, we want to be in a position where the information we request from social landlords is the type of information they should be gathering routinely as part of their management and performance reporting.

Strong and diverse social landlords make a crucial contribution to local communities and to Scottish society. The coming year looks like it will be just as difficult for landlords as the year just gone. The impact of Welfare Reform, increased challenges around pension liabilities and ongoing financial pressures will present landlords and the regulator with even more challenges. Please rest assured that we will remain focused on protecting the interests of tenants and others who use the services of social landlords.

A handwritten signature in black ink, reading 'A. Kay Blair'.

**Kay Blair**  
Chair

A handwritten signature in black ink, reading 'Michael Cameron'.

**Michael Cameron**  
Chief Executive

## Our impact

**600,000**

tenants protected

**£11bn**

of housing assets protected

**£7bn**

of public money protected

**30,000**

more houses meet the SHQS

A new monitoring framework  
for all **215** social landlords

**750** organisations consulted  
on Charter outcomes

**32** Charter indicators published

**22** performance inquiries made

**No RSL business failures**

**3** insolvencies prevented

**162** RSLs & **32**

councils risk assessed

**Lender confidence** maintained

**£3.25bn** loaned to RSLs

Lending to RSLs up by **5.7%**

Awareness of **good  
governance** increased

Governance strengthened in  
**9** landlords

The **National Panel of Tenants  
& Service Users** launched

Over **80,000**  
visits to our website

**3** stakeholder newsletters &  
**43** news stories

All with a **5%** smaller budget

# Our priorities



We want to see successful social landlords that deliver good outcomes for tenants, homeless people and others.

**This means:**

- » landlords achieving the outcomes and standards in the Social Housing Charter
- » RSLs being well governed and in good financial health
- » lenders and public funders having confidence to continue to invest in social housing

We also aim to be a transparent, responsive and best value organisation.

In the following sections we set out the work we have done during 2012/13 on each of our priorities.



# **1. Landlords achieve the outcomes and standards in the Social Housing Charter**

## Introduction

The Scottish Government's Social Housing Charter came into effect on 1 April 2012. The Charter sets out the quality of the services, the standard of homes, and opportunities for communication and participation in the decisions that tenants, homeless people, factored owners and Gypsies / Travellers can expect from social landlords. A new, major role for us is to monitor, assess and report on how landlords are performing against the Charter's outcomes and standards – and, if necessary, intervene where landlords are not achieving them.

Throughout 2012-13 we stayed focused on our regulatory priority on the Social Housing Charter. We laid the groundwork for this by establishing a new Charter monitoring framework for all 215 social landlords. We continued to engage with landlords on their achievement of the Scottish Housing Quality Standard and on other aspects of their services for tenants and others. This work helped us to protect the interests of nearly 600,000 tenants, 40,000 homeless people, 100,000 factored owners and 500 Gypsy / Traveller families.

## Our impact

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**600,000**  
tenants protected

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**30,000**  
more houses meet the SHQS

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A new monitoring framework for all **215**  
social landlords

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**750** organisations  
consulted on Charter outcomes

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**32** Charter indicators  
published

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**22** performance  
inquiries made

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The **National Panel  
of Tenants & Service  
Users** launched

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## What we did to achieve this – highlights from the year

### A new framework for monitoring the service performance of all 215 social landlords

We consulted successfully over the summer of 2012 on the indicators we will use to monitor and report on landlords' progress in achieving the Scottish Government's Social Housing Charter. We engaged with over 750 organisations, including tenant and resident groups, and held a series of public consultation events across Scotland attended by over 350 people. We used the valuable feedback from tenants, tenant representatives, bodies representing homeless people and others, and landlords to publish 32 finalised indicators on 1 October 2012.

We also published extensive technical guidance, in discussion with landlords and their representatives. We hosted 15 events to support landlords to embed the new framework; 149 landlords attended these events.

We worked with a stakeholder group of landlords and their representatives to help us develop the indicators and guidance. We would like to thank them for their help. We also worked with the Scottish Government to streamline future data collection for local authorities.

### Getting closer to tenants and service users

We established the National Panel of Tenants and Service Users. This new and exciting initiative will give us a direct route to the views, thoughts and priorities of up to 500 tenants and service users. We started to recruit National Panel members in early 2013.

We engaged during the year with the Registered Tenant Organisations Regional Networks. We also continued to work with our Tenant Assessors, and they were actively and extensively involved in our Charter indicators consultation and our scrutiny work.

In March 2013 we published *How We Regulate: A guide for tenants and service users*, a short accessible guide to explain more about our work. We sent this to 700 RTOs, nine RTO Regional Networks and a range of other organisations.





## Understanding the priorities of Gypsies / Travellers and factored owners

We published the findings of two studies examining the experiences and priorities of Gypsies / Travellers and the experiences and priorities of factored owners who receive services from social landlords. Each of the studies involved a series of direct interviews with service users across Scotland. We published the findings of both studies together as one report. For Gypsies/Travellers, having a say on decisions, being treated with respect, value for money and prompt service delivery are particularly important. These priorities also featured strongly for factored owners, alongside the effective delivery of repairs.

## Improving the quality of tenants' homes

We engaged with 11 landlords that we identified as at risk of not fully achieving the Scottish Housing Quality Standard (SHQS) and a further 22 to get further assurance that they were making good progress. These engagements gave us the necessary assurance on progress for some landlords and identified those that we will monitor more closely.

In February 2013 we published our annual analysis of social landlords' progress towards achieving the SHQS by 2015. Landlords have made steady progress, with aggregate compliance with the SHQS up to 71% from 66%. We identified that one local authority and ten RSLs are at risk of not fully meeting the standard in 2015, and we have engaged with them to get further assurances.

We published our Recommended Practice on Asset Management, drawing attention to the importance of strategic asset management and ensuring that how landlords manage and maintain their houses provides quality homes for tenants now and in to the future.

We also agreed that we will monitor landlords' achievement of the Scottish Government's new Energy Efficiency Standard for Social Housing.

## Working jointly to protect the interests of tenants and other service users

Our regulation of the landlord and homelessness functions of Scotland's 32 local authorities focuses on the Charter and is directed through shared risk assessments with our scrutiny partners. We are committed to, and fully engaged in, the Joint Scrutiny Framework that oversees the shared risk assessment. Working through 32 local area networks to assess the risk in each local authority, we:

- » required self-assessments from six councils to gain further assurance;
- » supported one council to self-assess its management of homeless cases;
- » reported publicly on one council's asset management and progress on the SHQS; and
- » scrutinised on-site the performance of six councils on asset management, homelessness, rent arrears and SHQS.

## 2. RSLs are well governed and in good financial health

## Introduction

Good governance and financial health underpins RSLs' ability to deliver good services, drive improvements and deal with challenging times. The major risks in landlords' operating environment, increased diversification by landlords and the pursuit of growth all increase the importance of good governance and financial health. It is also through good governance and financial health that the £11billion of housing assets owned by RSLs, including £7bn of public money invested in them, are protected for current and future tenants.

We protected the interests of current and future tenants by staying focused on our regulatory priorities of good governance and financial health throughout last year. We engaged directly with some landlords to improve their governance and financial health, and promoted both through a range of publications and events. We dealt with the highest ever level of consent applications and notifiable events. Critically, we ensured that there were no RSL business failures last year.

## Our impact

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**600,000**  
tenants protected

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**£11bn**  
of housing assets protected

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**£7bn**  
of public money protected

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**162** RSLs risk assessed

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**No RSL business failures**

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**3** insolvencies prevented

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Awareness of **good governance increased**

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Governance strengthened in  
**9 landlords**

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## What we did to achieve this - highlights from the year

### Focusing on risk

During 2012/13, we delivered planned engagement with 52 RSLs based on the Regulation Plans we published in April 2012. Our main focus was around financial health, business planning and governance. Through this engagement the RSLs gave us appropriate assurances on their management of risks to the interests of tenants or delivered necessary improvements.

Towards the end of the year we carried out our annual risk assessment of all RSLs taking account of the challenges they face, particularly around financial viability. We risk assessed 162 RSLs – we do not do a full risk assessment on the 21 Abbeyfield Societies that are registered with us – to determine the level of engagement we need to have with each of them. Then in March 2013 we published Regulation Plans for 61 RSLs, up 20% on the number we published the previous year. During 2013/14, we will have high engagement with 4 RSLs, medium engagement with 57 RSLs and low engagement with 101. We will seek additional assurance on the future business plans and risk management from 11 RSLs we identified as of systemic importance; this means they present the greatest risk to our regulatory objective should they experience business failure.

An important focus for our risk assessment last year was the impact of Welfare Reform on the risk profile of RSLs. This, along with increasing financial risks, was a key factor in the increase in the number of Regulation Plans for 2013/14. We also issued a special edition of our stakeholder newsletter on Welfare Reform.

### Governance matters

It is important that RSLs have the opportunity to consider the lessons learned from real life cases where RSLs got into serious governance difficulties. During 2012/13, we launched our Governance Matters series aimed at supporting governing bodies to understand their role, successfully fulfil that role, and deliver good outcomes for their tenants and other service users. We published two editions of Governance Matters, focused on:

- » the relationship between a governing body and its senior staff; and
- » the need for strong leadership and direction from governing bodies, to ensure good outcomes for tenants and service users.

We followed these with nine Governance Matters events across Scotland, attended by 216 governing body members from 119 RSLs, 74% of all RSLs. These practical workshops created space for governing body members to come together to discuss the crucial governance issues they face, hear from each other and to find out the latest thinking on governance.

*"I've found the seminar and the discussions very interesting and it has certainly greatly improved my knowledge of what my role should be."* Governing body member

### Acting swiftly and assertively to protect tenants' interests

We successfully managed three landlords out of near insolvency positions. The weaknesses in the financial health of the three landlords were not the result of inherent or structural funding problems. The underlying problems were a lack of effective oversight and challenge, resulting in poor decision making that exposed the landlords to significant and unrecognised risk. In each of the three a serious financial situation was compounded by a lack of insight on the part of the RSL – management and governing body – into the true situation in which the organisation found itself.

We acted swiftly and assertively to ensure that the interests of tenants, their homes and the services they receive were protected. With our support, and with help from independent experts, each landlord found a rescue partner and avoided insolvency. These cases are a clear demonstration that we will act on the basis of sound intelligence and good evidence. We always endeavour to work with landlords to effect positive change, only escalating the level of intervention where identified as necessary to secure good outcomes for tenants.



## Co-optees who helped RSLs address their problems during 2012/13

Over the last year we worked successfully with seven landlords facing governance and other problems. The landlords worked co-operatively with us and we helped to support them with co-options to strengthen their governing bodies. The 22 co-optees provided expert advice and support and an objective perspective to help the RSLs address their problems.

We would like to thank those who volunteered to act as co-optees during last year.

## Reporting on financial health

Towards the end of the year we published our annual report on the financial health of RSLs. We reported that most RSLs are continuing to manage their business in a way that protects their financial health, but are facing significant financial stress. RSLs' surpluses and turnover grew, and the number of RSLs recording a deficit fell to a five year low. However, lending markets have tightened considerably, the overall cost of finance has risen sharply, and undrawn funding available to RSLs has fallen. We warned that financial pressures mean that prudent financial management and good governance are more important than ever. We will continue to focus our regulatory engagement on cost control, operational efficiency and good governance.

## Helping RSLs to meet their strategic objectives

We helped many RSLs consider their future options, especially around the development of group structures to manage and mitigate some of the risks they face and protect social housing assets. We gave our consent to RSLs for 17 constitutional and organisational changes. We saw an increase in the number of RSLs operating within group structures and the number of corporate entities within those group structures also increased: 81 RSLs have subsidiaries, up 10% on the previous year, and there are 124 subsidiaries in total, up 12%. Twelve of these subsidiaries are RSLs. During 2012/13 we:

- » consented to the partnership between Glasgow and Cube Housing Associations
- » approved Cloch Housing Association's joining with Oak Tree Housing Association
- » approved Moray Housing Partnership's joining with Aberdeenshire Housing Partnership
- » approved Tenants First joining the Sanctuary Group
- » registered Wheatley Housing Group, the first non-asset owning RSL in Scotland
- » approved West Lothian Housing Partnership joining the Wheatley Housing Group
- » approved West Of Scotland Housing Association joining the Gentoo Group

## Other work that contributed to our impact

We helped to drive improvement in landlords by publishing three Recommended Practice guides on Business Planning, Asset Management and Senior Officer Remuneration. We also published guidance on tenant ballots and we issued advice notes on consents and potential fraud.

We gave our consent to 93 applications from RSLs for the disposal of some of their houses and land, mainly for granting standard security to their lenders. Our consideration of these applications is an important way for us to assess the risks involved and so to protect the interests of tenants.

We responded appropriately to 243 notifiable events reports from RSLs – the largest number we have ever received in a single year. A notifiable event is a serious event that could bring the RSL into disrepute, or threaten its stability, efficient running or viability. We issued and promoted new guidance on notifiable events in April 2012, and this is likely to have contributed to the increase in the number reported to us.

We responded appropriately to 212 complaints and whistleblowings about landlords. We do not intervene in complaints between an individual or a registered tenant organisation and a regulated body – that is the role of the Scottish Public Services Ombudsman. However, if we are notified of a very serious allegation against a landlord we may gather information to help us determine whether we need to take any action.





**3. Lenders and  
public funders  
have confidence to  
continue to invest  
in social housing**

## Introduction

Lenders have made a total loan facility of over £4bn available to RSLs and they had drawn down more than £3bn as at 31 March 2011. Social landlords are also supported by very large sums of public money; government grants account for around two thirds of the £11 billion of housing assets on RSLs' balance sheets.

Lenders and public funders see our regulation as important to the creditworthiness of social landlords. Through our effective regulation, lenders and funders get confidence that social landlords are, and are likely to remain, a sound place for their investment.

## Our impact

**£11bn**  
of housing assets protected

**£7bn**  
of public money protected

**162** RSLs risk assessed

**No RSL business failures**

**3** insolvencies prevented

**£3.25bn**  
loaned to RSLs

Lending to RSLs up by  
**5.7%**

Awareness of **good governance increased**

Governance strengthened  
in **9** landlords







## What we did to achieve this - highlights from the year

### Understanding the priorities of lenders and funders

We met regularly with representatives of the Council of Mortgage Lenders and the main lenders to RSLs. This helped to maintain their confidence in our regulation of social landlords and we got feedback on lenders' view of the sector in light of challenges such as welfare reform and financial reporting changes. This also helped us better understand the cost of new debt and the types of debt available.

"The presence of robust and effective regulation is an important factor in arriving at decisions on lending and pricing. Lenders value the constructive working relationship that we have developed with senior staff within the Scottish Housing Regulator."

Kennedy Foster, Policy Consultant, Scotland, Council of Mortgage Lenders

We worked with the Scottish Government and new providers of potential funding to explain our regulatory role. This helped them to better understand our regulatory standards and approach. We emphasised our expectation that governing bodies should be fully considering the implications and risks of any funding model and taking steps to manage these risks.

### Working with auditors

We established an auditors' forum which we held twice last year. This has resulted in regular engagement with RSLs' auditors where both sides can raise and discuss issues. The audit of the accounts of RSLs is a key control for governing bodies. The opinion of the auditor that the accounts are a true and fair view of an RSL's finances provides independent assurance to those charged with the governance of the organisation. We received no qualified accounts for RSLs for the year ended 31 March 2012.

"It's important for auditors working in a regulated sector to have insight into regulatory priorities and how the regulator operates. Auditors see considerable value in the forum that has been established by the Scottish Housing Regulator."

Janet Hamblin, Co-Chair, Institute of Chartered Accountants of Scotland, Social Housing Panel & Social Housing Partner at Baker Tilly, Edinburgh

### Other work that contributed to our impact on this outcome

Lenders and public funders place significant importance on our effective regulation of landlords, including our comprehensive annual financial risk assessment of all RSLs and the publication of the annual report on the financial health of RSLs. We engaged with 36 RSLs on financial health and business planning, and consented to 49 disposals by standards security. We also issued advice notes on consents and potential fraud.

# 4. SHR is a transparent, responsive best value organisation

## Introduction

We aim to be a transparent visible and responsive organisation. We want to deliver Best Value and align our resources to our priorities. Effective engagement with tenants and other service users, their representatives and other key stakeholders is important to our success. In this way we will obtain a clear understanding of their priorities, concerns and the impact of our regulation.

Through last year – the first year that the new Regulator was fully operational – we were open and transparent about our priorities and messages, we engaged with our stakeholders to understand better their views and priorities.

## Our impact

The **National Panel of Tenants & Service Users** launched

Over **80,000** visits to our website

**3** stakeholder newsletters & **43** news stories

**62%** staff survey engagement score (58% for Civil Service)

**5%** lower running costs

## What we did to achieve this – highlights from the year

### A more visible Regulator with better communication

Over the last year we have developed our approach to communications, both internal and external. We enhanced our work and reputation by establishing a strong identity and open, transparent communications culture. This includes having effective channels of two-way communication with stakeholders. A notable contribution to this was the launch of our new website in April 2012 and we finalised our new communications strategy in summer 2012. Since then we have continued to develop the content, style and accessibility of our website and publications. We introduced a new electronic stakeholder newsletter and published three issues in 2012/13, including a special edition on Welfare Reform.

We spoke at 37 conferences and events, issued 43 news stories through our website, had 118 meetings with tenants and other stakeholders, and responded to 10 Freedom of Information requests.

### Understanding stakeholders' priorities and views

Throughout the last year our Board members and staff actively engaged with our stakeholders. We spoke at 37 conferences and events, and communicated our key messages and highlighted the findings from our latest publications and analysis. Our Chair and Board members met with a wide range of stakeholders, including tenants, service user representatives, landlords, industry bodies, and lenders to hear their views and priorities. We had regular liaison with the Minister for Housing and Welfare and Scottish Government officials, to discuss wider social housing policy issues and emerging risks. This work helped us to get our messages over and to understand better the views of others.

### Putting tenants and service users at the heart of our work

We published our consultation and involvement strategy for 2012-15. The strategy describes how we involve tenants, homeless people and others who use social landlords' housing services in our work. This includes new initiatives such as the National Panel of Tenants and Service Users and a survey all Registered Tenant Organisations (RTOs), to give us feedback directly from those who use social landlords' services, to help us focus on the most important things.

We actively involved tenants in our Charter indicators consultation. We engaged during the year with the RTO Regional Networks, and we involved tenant assessors in our scrutiny work.



## Continuously improving

During 2012 we embarked on a major organisational change programme, Delivering Success. We restructured to align our resources more effectively to our priorities, to keep focused on the important issues, outcomes and risks. We used feedback and ideas from our 2012 employee engagement survey and staff events to develop new ways of working effectively and efficiently. We recruited 10 new members of staff, but with an overall smaller staff team to ensure we operate within our reduced funding settlement.

We see learning as critical to our success, and last year we launched our staff learning and development strategy and a corporate learning programme. This focuses on the skills that we need to deliver professional, expert regulation and to ensure a positive, collaborative culture.

We made significant progress in our work to develop a new Business Intelligence system. This will provide improved functionality and flexibility, and help us to exercise our statutory functions and manage data collection as efficiently and effectively as possible. This work will bring significant benefits for how we work and for regulated bodies and others who use the performance data we collect.

We are committed to delivering Best Value in the way we work, ensuring that we focus on improvement, and we continually assess our performance in delivering the outcomes we have set out to achieve. Last year we established a new rolling review framework for the seven Best Value themes in the Scottish Government's Guidance for Accountable Officers. We carried out reviews of two themes – vision and leadership, and governance and accountability – and developed an action plan in response to our findings.

We operated within a 5% smaller budget.

## Other work that contributed to our impact on this outcome

We operated efficiently and responsively by:

- » responding to 95% of consent applications within 8 days
- » responding to 93% of correspondence within 8 days
- » paying 98% of invoices within 10 working days of receipt

We also launched our environmental strategy, with the aim to reduce our impact on the environment and minimise our carbon emissions. In this we set out the actions we will take over the next three years to reduce our environmental impact.





# Emerging issues and our priorities for 2013/14

Our Corporate Plan priorities remain relevant. The future risks to the interests of tenants and others are familiar, although many are becoming more acute.

## Key risks and developments





Governance will remain to the fore in our work in 2013/14. Welfare reform is resulting in some of the biggest challenges that tenants and social landlords have ever had to face. We will actively scrutinise landlords with the most exposure to the risks that have the potential to threaten the interests of tenants and other service users. We will be seeking assurance that RSLs are managing their businesses to ensure that they remain financially strong, well governed and can continue to provide good quality services.

Uncertainty created by welfare reform, increasing complexity together with pension deficits and the increasing cost of finance mean that we will continue to focus on cost control, operational efficiency and good governance. Throughout 2013-14 we will continue to engage effectively with lenders and public funders to share understanding about emerging issues and risks.

Customers, quite rightly, expect good services and good houses. During 2013/14 we will develop and prepare for the collection of data and the production of our first Charter reports in August 2014. We will also continue to engage with landlords as set out in our Regulation Plans, and through the agreed local authority risk assessment and scrutiny.

Our funding is reducing – by around 12% over the period of the current spending review. We will continue to focus on the things that matter. Our major internal priorities in 2013/14 will be to embed our new organisational structure, and continue to develop our new business intelligence IT system. This ongoing work will ensure that our resources are focused on our priorities. We will continue to:

- » ensure high standards in our own governance and financial management
- » develop our organisational capability and skills
- » invest in our staff and Board members
- » communicate and engage effectively with stakeholders
- » actively involve service users in our work



# **The Scottish Housing Regulator Annual Accounts**

For The Year Ended  
31 March 2013

# Management Commentary

## Accounts Direction

These accounts have been prepared in accordance with the Accounts Direction given by Scottish Ministers, in accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

## History and 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. This is the first year in which the new SHR has been required to produce annual accounts.

We are the successor organisation to the previous Scottish Housing Regulator agency, which exercised Scottish Ministers' powers under the Housing (Scotland) Act 2001 until the end of March 2012.

Our relationship with Scottish Ministers is set out in a published Framework Agreement, available on our website.

## Principal Activities

Our **Corporate Plan 2012-15** sets out how we will deliver our statutory objective and our regulatory priorities. We have one statutory objective, to:

"safeguard and promote the interests of current and future tenants of social landlords, people who are or may become homeless, and people who use housing services provided by registered social landlords (RSLs) and local authorities".

We do this by assessing and reporting on:

- » how social landlords are performing their housing services;
- » RSLs' financial well-being; and
- » RSLs' standards of governance.

We intervene to secure improvements where we need to. We also keep **Register of all the RSLs** in Scotland, which holds important information about each landlord.

During 2012/13 we regulated around 180 RSLs and 26 local authorities, who between them house one in four households in Scotland. We also regulated the homelessness functions of the 32 Scottish local authorities.

## Position at the end of the Year

Our funding is publicly reported through the Budget (Scotland) Bill. Our budget covers all expenditure, including direct administration costs. We spent £3.694 million of our £4 million budget and returned the balance to the Scottish Government for redistribution within the Scottish administration.

## Corporate Governance

We have a clearly defined governance structure. 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 ensures that we are focussing on the right things.

The Board is supported by our staff, led by our Chief Executive and Executive Team.

## Other interests of Board Members

Details of the declarations of interest for Board members are published on our website.

## Audit & Risk Assurance Committee

Our Audit & Risk Assurance Committee supported the Accountable Officer in monitoring and reviewing corporate governance including risk and control systems.

## **Employment Policies**

### **Employee involvement**

We ensure that our staff are kept informed about the organisation, its people and business through a range of activities. These include staff briefing sessions, regular face-to-face team meetings with managers, and attending a range of internal and external events. During the last year staff were invited to take part in a range of different project and working groups.

The SHR is party to the Scottish Government's Partnership Agreement with trade unions recognised by the Scottish Government. Each year staff take part in the UK-wide civil service Employee Engagement Survey.

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 2012-15 and annual operating plans.

During 2012-13 we developed a new 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.

### **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.

### **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 skills and experience.

### **Equal opportunities and diversity**

We treat all staff equally irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, gender identity, disability, religion or belief, working pattern, employment status, caring responsibility or trade union membership. 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.

### **Sickness absence data**

The average total number of sick days per full time employee in 2012/13 was 8.9 days (2011/12, 5.1 days). We have reviewed the circumstances and are content that there are no underlying problems behind the increase.

### **Health, safety and the environment**

We aim to provide a safe and healthy working environment for all staff. So far as is reasonably practicable, we aim to have systems and procedures in place which will ensure that all equipment, plant and premises are safe and free from adverse effects to health. Our health and safety procedures are in accordance with the Scottish Government's Health and Safety Management Systems and procedures. We have trained Health and Safety Liaison Officers to provide support services and advice to staff. They liaise with the Health and Safety Liaison Officer from the House Team of Highlander House.

We are committed to reducing our impact on the environment through the effective management of our operations. We recognise our legal and ethical responsibilities to protect and enhance the environment and work towards sustainable practices in the use and disposal of materials, energy, and transport management. To demonstrate this we developed and published an Environmental Strategy in 2012. Further details can be found on our website at [www.scottishhousingregulator.gov.uk/publications/environmental-strategy](http://www.scottishhousingregulator.gov.uk/publications/environmental-strategy)

### Social and community issues

During 2012/13 we published a new Consultation & Involvement Strategy. The strategy sets out the ways in which we will actively involve tenants, homeless people and others who use social landlords' housing services in our work. As part of this strategy, we began work to establish a National Panel of Tenants and Service Users. The Panel will enable us to receive feedback directly from those who use social landlords' services. We also continued to use tenant assessors as part of our commitment to involve service users in our scrutiny work.

We also follow the guidelines set by the Scottish Government's Volunteering Policy, in which staff can participate in community projects with our support.

### Reporting of personal data related incidents

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of the other UK information legislation.

No protected personal data related incidents have needed to be formally reported to the Information Commissioner's Office in 2012/13.

## Other Disclosures

### Appointment of auditors

Audit Scotland audited our accounts. A detail of the Audit Scotland notional fee of £20,830 is shown at Note 10. Audit Scotland supplied no other services during the year. The Scottish Government internal audit department provided internal audit services.

### Disclosure of relevant audit information

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 the auditors are also aware of this information.

### Significant changes in non-current assets

The movements in non-current assets are set out in note 4 to the financial statements. There is no significant difference between the value of the non-current assets shown in the financial statements and their current market value.

### Post-balance sheet events

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

### Pensions

Pension benefits are provided through the Civil Service pension arrangements. More details on the Principal Civil Service Pension Scheme (PCSPS) and the treatment of liabilities in our financial statements can be found in notes 1.9 and 12 to the accounts.

Details of the pension entitlements of our Executive Team members are provided in the Remuneration Report.

### Supplier payment policy

We have not paid any interest under the Late Payment of Commercial Debts (Interest) Act 1988.

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 2013, we paid 98% of all invoices received within the terms of our payment policy.

### Charitable donations

There were no charitable donations made during the year.

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



**Michael Cameron**

Chief Executive, 20 August 2013



# Remuneration Report

## Part One: Unaudited Information Employment Policies

### Salary

The remuneration of senior civil servants is set in accordance with the Civil Service Management Code (available at [www.civilservice.gov.uk](http://www.civilservice.gov.uk)) and with independent advice from the Senior Salaries Review Body (SSRB).

In reaching its recommendations, the SSRB is to have regard to the following considerations:

- » the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
- » regional/local variations in labour markets and their effects on the recruitment and retention of staff;
- » Government policies for improving the public services including the requirement on portfolios to meet the output targets for the delivery of portfolio services; and
- » the funds available to portfolios as set out in the Scottish Government's portfolio expenditure limits.

Further information about the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com).

Within the Scottish Government, the Top Level Pay Committee, comprising the Permanent Secretary, the Director-Generals and the Non-executive members of the Strategic Board, ensures that the Pay and Performance Management System (PPMS) policy falls within the parameters set by the SSRB and Cabinet Office. The Scottish Government's Public Sector Pay Policy for Senior Appointments 2012-13 was published on 21 September 2011 and sets out the Scottish Government's pay policy on the remuneration of Senior Civil Servants. The policy determined that, in 2012-13, for Chief Executives on pay ranges, progression would be suspended. It also determined that there would be no Basic Award and no non-consolidated performance payments made during 2012-13.

### Service Contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition. The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Unless otherwise stated below, the officials 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](http://www.civilservicecommission.org.uk)

# Remuneration (including salary) and Pension Entitlements

## Part Two: Audited Information Remuneration

	2012-13			2011-12		
	Salary £'000	Bonus Payments £000	Benefits in kind (to nearest £100)	Salary £'000	Bonus Payments £000	Benefits in kind (to nearest £100)
Chief Executive						
Michael Cameron (from 25 May 2011)	70 – 75	–	–	55 – 60 (65 – 70)*	–	–
Executive Team						
Ian Brennan	65 – 70	–	–	65 – 70	–	–
Lesley Kerr (until 30 December 2012)	40 – 45 (55 – 60)*	–	–	55 – 60	–	–
Christine Macleod	65 – 70	–	–	60 – 65	–	–
Iain Muirhead	60 – 65	–	–	60 – 65	–	–
Band of highest paid Director's total remuneration (£000)	70 – 75			70 – 75		
Median total remuneration (£)	40,173			40,173		
Ratio	1.8			1.8		
Board Members Fees (NMD)						
Kay Blair (Chair)	20 – 25	–	–	20 – 25	–	–
Sid Patten	5 – 10	–	–	5 – 10	–	–
Simon Little	5 – 10	–	–	5 – 10	–	–
Lisa Peebles	5 – 10	–	–	5 – 10	–	–
Alex Condie MBE (until 22 June 2012)	0 – 5	–	–	–	–	–
Russell Pettigrew**	0 – 5	–	–	–	–	–
Anne Jarvie**	0 – 5	–	–	–	–	–
Mike Dailly**	0 – 5	–	–	–	–	–
Non-Executive Board Members' Fees (Agency)						
Alex Condie MBE	0 – 5	–	–	0 – 5	–	–
Mairi Keddie	0 – 5	–	–	0 – 5	–	–
Ray Macfarlane	0 – 5	–	–	0 – 5	–	–

\*Full year equivalent

\*\*appointed from 1 March 2013



The actual figures for salaries and performance-related pay fall within the bandings quoted above.

In accordance with the FReM, reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the Scottish Housing Regulator in the financial year 2012-13 was 70 - 75 (2011-12, 70 - 75). This was 1.8 times (2011-12, 1.8) the median remuneration of the workforce, which was £40,173 (2011-12, £40,173).

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

### Salary

'Salary' includes gross salary; overtime; reserved rights to London weighting or London allowances; recruitment and retention allowances; private office allowances 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 thus recorded in these accounts.

## Pension Benefits

	Accrued Pension (P) at pension age and Lump Sum (LS) At 31/03/2013 £000 Band	Real Pension Increase (P) and Lump Sum (LS) at pension age £000 Band	CETV at 01/04/2013 £000	CETV At 31/03/2012 £000	Real Increase in CETV £000
<b>Ian Brennan</b> Head of Business Analysis	5 - 10 (P) 0 (LS)	0 - 2.5 (P) 0 (LS)	82	58	16
<b>Michael Cameron</b> Chief Executive	20 - 25 (P) 70 - 75 (LS)	0 - 2.5 (P) 0 - 2.5 (LS)	374	346	8
<b>Lesley Kerr</b> Acting Head of Inspection (until 30 December 2012)	20 - 25 (P) 0 (LS)	0 - 2.5 (P) 0 (LS)	462	437	15
<b>Christine Macleod</b> Head of Support & Intervention	20 - 25 (P) 65 - 70 (LS)	0 - 2.5 (P) 0 - 2.5 (LS)	435	408	4
<b>Iain Muirhead</b> Head of Policy & Corporate Services	10 - 15 (P) 35 - 40 (LS)	0 - 2.5 (P) 2.5 - 5 (LS)	179	157	11

Non-Executive Board member positions are non-pensionable.

Details of pensions and Cash Equivalent Transfer Value (CETV) are disclosed based on information supplied by the Department for Work and Pensions.

The actual figures for pension and lump sum fall within the banding quoted above. The CETV of pension entitlements is rounded to the nearest £1,000.

### Civil Service Pensions

Pension benefits are provided through the Civil Service pension arrangements. From 30 July 2007, civil servants may be in one of four defined benefit schemes; either a final salary scheme (**classic**, **premium** or **classic plus**); or a whole career scheme (**nuvos**). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under **classic**, **premium**, **classic plus** and **nuvos** are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (**partnership** pension account).

Employee contributions are set at the rate of 1.5% of pensionable earnings for **classic** and 3.5% for **premium**, **classic plus** and **nuvos**. Benefits in **classic** accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years initial pension is payable on retirement. For **premium**, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike **classic**, there is no automatic lump sum. **Classic plus** is essentially a hybrid with benefits for service before 1 October 2002 calculated broadly as per **classic** and benefits for service from October 2002 worked out as in **premium**. In **nuvos** a member builds up a pension based on his pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.



The **partnership** pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of **classic**, **premium** and **classic plus** and 65 for members of **nuvos**.

Further details about the Civil Service pension arrangements can be found at the website [www.civilservice.gov.uk/pensions](http://www.civilservice.gov.uk/pensions)

### Cash Equivalent Transfer Values

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. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

### Real increase in 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.

### Pension contributions

The Chief Executive and members of the Executive Management Team are members of the Principal Civil Service Pension Scheme (PCSPS) which provides benefits on a final salary or career average basis at normal retirement age of 60. The Scottish Housing Regulator's contributions to the scheme in respect of these members amounted to £65,629 for the year to 31 March 2013.



**Michael Cameron**

Chief Executive, 20 August 2013

# 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.

The accounts are prepared on an accruals basis and must give a true and fair view of the SHR's state of affairs at the year end and of its operating costs, changes in taxpayers' equity, and cash flows for the financial year.

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

In preparing the accounts, the Accountable Officer is required 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 he is answerable, for keeping proper records and for safeguarding the SHR's assets, are set out in the Accountable Officer's Memorandum issued by Scottish Ministers.

# Governance Statement

## Scope of responsibility

As Accountable Officer for the SHR, I am responsible for maintaining a sound governance framework and system of internal control that supports the achievement of the SHR's policies, aims and objectives, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The 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.

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 resources provided to the SHR;
- » 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.

These are the first financial statements for the SHR as an NMD.

## Purpose of the governance framework and system of internal control

Our governance framework comprises of the systems, processes, cultures and values by which the organisation is managed and controlled. It enables us to monitor progress against our aims and objectives and to ensure the efficient and effective use of resources.

Our system of internal control is a significant part of this framework, based on an ongoing process designed to:

- » identify the principal risks to the achievement of our statutory purpose, aims and objectives;
- » evaluate the nature and extent of those risks; and
- » manage them efficiently, effectively and economically.

This system is designed to manage risk to a reasonable level, rather than eliminate all risk. It can therefore only provide reasonable and not absolute assurance of effectiveness.

Our internal control processes accord 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 2013 and up to the date of approval of the annual report and accounts.

The SPFM is issued by Scottish Ministers to provide guidance to relevant bodies on the proper handling and reporting of public funds. It sets out the relevant statutory, parliamentary and administrative requirements, emphasises the need for economy, efficiency and effectiveness, and promotes good practice and high standards of propriety.

## Governance framework

We have a clearly defined governance framework which takes account of governance best practice principles and guidance for Board members of public bodies.

Our organisation is led by a Board consisting of our Chair and seven Board members. Four of our current members have recently been appointed (three from 1 March 2013 and one from 1 April 2013). Membership of the Board during the period April 2012 to the end of March 2013 is provided below:

- » Kay Blair, Chair
- » Simon Little
- » Sid Patten
- » Lisa Peebles
- » Alex Condie MBE (from April 2012- June 2012)
- » Mike Dailly (from 1 March 2013)
- » Anne Jarvie (from 1 March 2013)
- » Russell Pettigrew (from 1 March 2013)

Wesley Mitchell was appointed to the Board from 1 April 2013.

Board appointments are made by Scottish Ministers and overseen by the Scottish Public Appointments Commissioner. Each Board Member is subject to an annual appraisal by the Chair. Members participate in regular training and carry out an annual review of the Board's effectiveness.

The Board is responsible for providing strategic direction and oversight of our aims, objectives and financial performance. The Board met ten times in 2012/13 to fulfil this role. All meetings were quorate. Minutes of the meetings, our Board Code of Conduct and Board members' registers of interest are publicly available on our website. Members also took part in additional workshops and events to consider a wide range of topics, including regulatory policy development, our approach to risk management and other corporate governance matters.

The following members of the Board also served on our Audit & Risk Assurance Committee, which met four times in 2012/13:

- » Sid Patten, Chair
- » Simon Little
- » Lisa Peebles

The Committee's role is to provide assurance to our Board, and to me as Accountable Officer, that appropriate risk, control and governance structures are in place. I have considered the matters raised and discussed by the Board and Audit & Risk Assurance Committee when preparing this statement.

Throughout 2012/13 our Board and Executive Team received regular reports to monitor progress against the objectives in our Corporate Plan 2012-15 and annual operating plan, and to ensure the effective management of risk.

## Risk and control framework

All bodies subject to the requirements of the SPFM must operate a risk management strategy in accordance with relevant guidance issued by Scottish Ministers. The general principles for a successful risk management strategy are set out in the SPFM.

Our risk management strategy was developed by the Board in early 2012, along with our risk register. The register identifies the key risks that threaten the achievement of our statutory purpose. Our Executive Team reviews and updates the risk register monthly, and then 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 objective;
- » assess existing controls (i.e. measures in place to reduce or limit risk);
- » determine the appropriate response to each risk; and
- » allocate responsibility for managing each risk to a risk owner.

For each risk on our register, we have developed an action plan which sets out the controls we have in place to manage the risk and any further actions we are taking. I am satisfied that our arrangements have enabled us to identify and manage risk effectively during 2012/13.

In 2012/13 we commenced a significant project to develop a new business intelligence IT system. We have established specific governance and assurance arrangements for this project, including independent Gateway Review health checks undertaken by the Scottish Government's Centre of Excellence. Progress, risks and mitigating actions are monitored by a Project Board, with regular update reports provided to the Board.

For data and information handling risks, I am assisted by our Senior Information Risk Officer and Information Asset Officer. I can confirm that no losses of data were identified during 2012/13.

We continue to embed our new electronic records management system, which we had introduced in March 2012. This work has brought improvements in how we record and retain information. In early 2013 we also commenced a new project to review our approach to information management and information security. This work will conclude in 2013/14.

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

This year we undertook a significant change process to restructure our organisation and align our resources to our strategic priorities. Much of our focus this year has been on managing the risks associated with this process. We have continued to deliver our business effectively throughout this period.

During the last year we also identified a significant business continuity risk in relation to the support arrangements for our current regulatory information systems. We are seeking to address this in two ways. Firstly our new business intelligence system will replace all of these systems progressively from 2014/15 onwards. Until then, we are continuing to engage with the Scottish Government's IT division, ISIS, to ensure that our current systems remain functional and to develop a formal service level agreement (SLA). This work will continue into 2013/14 and progress is being made.

### Best Value

In accordance with the principles of Best Value, we aim to foster a culture of continuous improvement. Our Executive Team and managers are encouraged to review, identify and improve our ways of working in order to ensure the most efficient and effective use of resources.

We have established a framework for reviewing our progress against the seven Best Value themes in the Scottish Government's Guidance for Accountable Officers. We plan to review all seven themes within the three year period of our Corporate Plan 2012-15. During 2012/13 we carried out an assessment of our arrangements relating to 'vision and leadership' and 'governance and accountability'. We reported the findings to our Audit & Risk Assurance Committee and produced an action plan in response. The plan will be monitored by the Executive Team during 2013/14.

Review of adequacy and effectiveness of internal control  
As Accountable Officer, I have responsibility for reviewing the effectiveness of our systems of internal control and corporate governance. 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; and
- » quarterly reports to our Board from the Chair of the Audit & Risk Assurance Committee.



Our system of internal control and corporate governance has been supported by:

- » regular Board meetings and workshops;
- » monthly meetings of our Executive Team; 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 2012/13.

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 2013 and up to the signing of the accounts, we liaised with Scottish Government Internal Audit, Audit Scotland and Scottish Government Accountancy Services to ensure that our internal control procedures were fit for purpose and compliant. We also commissioned the accountancy firm, Scott-Moncrieff, to carry out an independent review of our budget reporting and took action in response to their recommendations.

During 2012/13, our internal auditors have carried out reviews of our governance and risk management arrangements and regulatory framework. They also carried out advisory work in relation to our IT project, for example by reviewing the systems in place for project governance and assurance.

Internal Audit has provided substantial assurance in relation to our internal control and governance arrangements. It also identified a small number of recommendations to address risks and further enhance controls. We will take action to respond to these recommendations during 2013/14.

I am satisfied that no significant control weaknesses or issues have arisen during 2012/13. There have been no significant failures in expected standards for good governance, risk management and control.



**Michael Cameron**

Chief Executive, 20 August 2013



# Independent Auditor's Report

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

I have audited the financial statements of the Scottish Housing Regulator for the year ended 31 March 2013 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise of the Statement of Financial Position, the Statement of Comprehensive Net Expenditure, the Statement of Cash Flow, the Statement of Changes in Taxpayers' Equity and the related notes. 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 2012/13 Government Financial Reporting Manual (the 2012/13 FReM).

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 125 of the Code of Audit Practice approved by the Auditor General for Scotland, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

## Respective responsibilities of Accountable Officer and auditor

As explained more fully in the Statement of the Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors. I am also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## Scope of the audit of the financial statements

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. It also involves obtaining evidence about the regularity of expenditure and income. In addition, I read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements, irregularities, or inconsistencies I consider the implications for my report.

## Opinion on financial statements

In my opinion the 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 2013 and of its net operating cost 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 2012/13 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.

## Opinion on regularity

In my 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.

## Opinion on other prescribed matters

In my opinion:

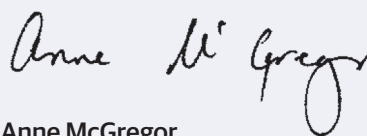
- » the part of the Remuneration Report to be audited has been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- » the information given in the Management Commentary and Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I am required to report by exception

I am required to report to you if, in my opinion:

- » adequate accounting records have not been kept; or
- » the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or
- » I have not received all the information and explanations I require for my audit; or
- » the Governance Statement does not comply with guidance from the Scottish Ministers

I have nothing to report on these matters.



**Anne McGregor**

Senior Audit Manager  
Audit Scotland  
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## Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Note	2012-13 £000	Restated 2011-12 £000
<b>Administration costs:</b>			
Staff costs	2	2,902	3,006
Other administrative costs	3	791	924
<b>Total</b>		<b>3,693</b>	<b>3,930</b>
<b>Net operating cost</b>		<b>3,693</b>	<b>3,930</b>

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 2013 derive from the ordinary activities of the Scottish Housing Regulator, all of which are continuing.

## Statement of Financial Position as at 31 March 2013

	Note	2013 £000	2012 £000
<b>Non-current assets</b>			
Property, plant and equipment	4	3	11
<b>Total non-current assets</b>		<b>3</b>	<b>11</b>
<b>Current assets</b>			
Trade and other receivables	6	-	1
Cash and cash equivalents	7	1	1
<b>Total current assets</b>		<b>-</b>	<b>2</b>
<b>Total assets</b>		<b>4</b>	<b>13</b>
<b>Current liabilities</b>			
Trade and other payables	8	(239)	(240)
Provisions	9	(44)	(44)
<b>Total current liabilities</b>		<b>(283)</b>	<b>(284)</b>
<b>Non-current assets less net current liabilities</b>		<b>(279)</b>	<b>(271)</b>
<b>Non-current liabilities</b>			
Provisions	9	(184)	(228)
<b>Total non-current liabilities</b>		<b>(184)</b>	<b>(228)</b>
<b>Assets less liabilities</b>		<b>(463)</b>	<b>(499)</b>
<b>Taxpayers' equity</b>			
General Fund		(463)	(499)
<b>Total taxpayers' equity</b>		<b>(463)</b>	<b>(499)</b>



**Michael Cameron**  
Chief Executive, 20 August 2013

## Statement of Cash Flows for the year ended 31 March 2013

	Note	2012-13 £000	2011-12 £000
<b>Cash flows from operating activities</b>			
Net operating cost		(3,693)	(3,930)
<b>Adjustments for Items not involving cash:</b>			
Depreciation	4	8	10
Auditor's remuneration	10	21	22
<b>Movement in working capital:</b>			
(Increase) / Decrease in trade and other receivables	6	1	(1)
Increase / (Decrease) in trade and other payables	8	(1)	114
Movement in provisions	9	(44)	(14)
<b>Net cash outflow from operating activities</b>		<b>(3,708)</b>	<b>(3,799)</b>
<b>Cash flows from investment activities</b>			
Purchase of property, plant & equipment	4	–	(12)
		(3,708)	(3,811)
<b>Cash flows from financing activities</b>			
Scottish Government funding		3,708	3,811
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>0</b>	<b>0</b>
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 2013

	Note	2012-13 £000	2011-12 £000
<b>Balance at 1 April 2012</b>		<b>(499)</b>	<b>(402)</b>
Non-cash charges – auditor's remuneration	10	21	22
Net operating costs for period		(3,693)	(3,930)
Net funding		3,708	3,811
<b>Balance at 31 March 2013</b>		<b>(463)</b>	<b>(499)</b>

# Notes to the Accounts

## 1. Accounting Policies

The financial statements have been prepared in accordance with the 2012-13 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 accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment 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 2013 show a deficit on the general fund of £0.463m (11-12 – £0.499m). 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 Consolidating Budgeting Guidance 2012-13 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

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.

Software licences are disclosed as intangible assets in accordance with the FReM. The licences are amortised on a straight line basis over their expected useful lives, which will be no greater than the legal term of the licence.

## 1.5. Leases

The Scottish Housing Regulator leases two floors within a Scottish Government leased building. This lease is an operating lease 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 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. 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.

## **1.12. Post Balance Sheet Events**

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

## 2. Staff Costs

	2012-13 £000	Restated 2011-12 £000
Wages and salaries	1,912	2,026
Social security costs	170	177
Other pension costs	386	407
Inward secondments	192	98
Temporary staff	178	16
Movement in short term employee benefits	2	8
Severance pay	-	-
Early retirement	62	274
	<b>2,902</b>	<b>3,006</b>

The annual accounts for the year ended 31 March 2012 separately disclosed the costs between the previous Scottish Housing Regulator Executive Agency and the new Scottish Housing Regulator which is a non-ministerial department. The assets, liabilities and operations of the previous Regulator were transferred to the New Regulator on 1 April 2012 and the comparative year costs have been restated to reflect this. The comparative figure for staff costs was £3,002k with the additional £4k being allocated to social security costs for the new Regulator.

The figure for temporary staff in 2012-13 includes £159k in relation to IT Project staff.

## Number of Employees

The average number of whole time equivalent persons employed during the year ended 31 March 2013 was as follows:

	Senior Managers	Civil Service Staff	Seconded Staff	Temporary Staff	12-13 Total	11-12 Total
Chief Executive's Team	1	-	-	-	1	2
Regulation (Finance and Risk)	1	11.6	1.3	-	13.9	13.2
Regulation (Governance and Performance)	1.8	21.2	3.6	-	26.6	28.5
Strategy and Communications	1	8.7	-	1	10.7	10.1
IT Project	-	-	-	1.3	1.3	-
<b>Total</b>	<b>4.8</b>	<b>41.5</b>	<b>4.9</b>	<b>2.3</b>	<b>53.5</b>	<b>53.8</b>

## Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	0 (0)	0 (0)	0 (0)
£10,000 – £25,000	0 (0)	<5 (<5)	<5 (<5)
£25,000 – £50,000	0 (0)	0 (<5)	0 (<5)
£50,000 – £100,000	0 (0)	0 (<5)	0 (<5)
£100,000 – £150,000	0 (0)	0 (0)	0 (0)
£150,000 – £200,000	0 (0)	0 (0)	0 (0)
Total number of exit packages	0 (0)	<5 (<5)	<5 (<5)
Total resource cost / £000	0 (0)	20 (246)	20 (246)

(Prior year figures are in brackets)

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Scottish Housing Regulator has agreed early retirements, the additional costs are met by the Scottish Housing Regulator and not by the Civil Service Pension Scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

### 3. Other Administrative Costs

	2012-13 £000	Restated 2011-12 £000
Accommodation expenses	339	318
Travel and subsistence	40	66
IT costs	57	116
Support and consultancy	46	156
Conferences and seminars	14	56
Stakeholder engagement	82	10
Marketing	24	42
Professional fees and subscriptions	6	7
Non-executive board members' fees & expenses	56	67
Training and development	52	5
Catering	7	7
HR and recruitment costs	1	5
Office expenses	38	37
Auditor's remuneration (notional charge – note 10)	21	22
Depreciation	8	10
<b>Total</b>	<b>791</b>	<b>924</b>

Auditor's remuneration relates to a charge notified by Audit Scotland in respect of audit work carried out during 2012-13. No other services were supplied by Audit Scotland during the year ended 31 March 2013.

The annual accounts for the year ended 31 March 2012 separately disclosed the costs between the previous Scottish Housing Regulator Executive Agency and the new Scottish Housing Regulator which is a non-ministerial department. The assets, liabilities and operations of the previous Regulator were transferred to the New Regulator on 1 April 2012 and the comparative year costs have been restated to reflect this. The comparative figure for other administrative costs was £719k with the additional £205k being allocated to the new Regulator.

The tenant assessor line in the 2011-12 accounts has been reclassified as stakeholder engagement in 2012-13 to more accurately reflect the costs that have been included.

## 4. Property, plant and equipment

	ICT Equipment £000	2013 Total £000
<b>Cost</b>		
At 1 April 2012	38	38
Additions	–	–
Disposals	(5)	(5)
<b>At 31 March 2013</b>	<b>33</b>	<b>33</b>
<b>Depreciation</b>		
At 1 April 2012	27	27
Charge for year	8	8
Disposals	(5)	(5)
<b>At 31 March 2013</b>	<b>30</b>	<b>30</b>
<b>Net book value at 31 March 2013</b>	<b>3</b>	<b>3</b>

	ICT Equipment £000	2012 Total £000
<b>Cost</b>		
At 1 April 2011	35	35
Additions	11	11
Disposals	(8)	(8)
<b>At 31 March 2012</b>	<b>38</b>	<b>38</b>
<b>Depreciation</b>		
At 1 April 2011	26	26
Charge for year	10	10
Disposals	(9)	(9)
<b>At 31 March 2012</b>	<b>27</b>	<b>27</b>
<b>Net book value at 31 March 2012</b>	<b>11</b>	<b>11</b>

### Intangible Assets

There were no intangible assets purchased during the year where the collective value exceeded the £5,000 capitalisation threshold.



## 5. 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 Balance Sheet of the Scottish Housing Regulator. The Scottish Housing Regulator's financial assets consist of cash at bank (note 7) and trade receivables (note 6). The financial liabilities consist of trade payables and other current liabilities (note 8).

## 6. Trade Receivables

	2012-13 £000	2011-12 £000
Prepayments	–	1
Input VAT Debtor	–	–
	<b>–</b>	<b>1</b>

Intra-government balances	2012-13 £000	2011-12 £000
Balances with other central government bodies	–	–
Balances with bodies external to government	–	1
	<b>–</b>	<b>1</b>

## 7. Cash and cash equivalents

The following balances were held at 31 March 2013:

	2012-13 £000	2011-12 £000
Commercial banks and cash in hand	1	1
<b>Balance at 31 March 2013</b>	<b>1</b>	<b>1</b>

## 8. Trade Payables and other current liabilities

	2012-13 £000	2011-12 £000
Trade Payables	47	44
Accruals	192	196
Other Payables	–	–
	<b>239</b>	<b>240</b>

Intra-government balances	2012-13 £000	2011-12 £000
Balances with other central government bodies	–	–
Balances with bodies external to government	239	240
	<b>239</b>	<b>240</b>



## 9. Provisions for liabilities and charges at 31 March 2013

	Early Departure Costs £000	Other £000	Total £000	2012 £000
Balance at 1 April 2012	272	-	272	286
Provided in the year	-	-	-	28
Provisions not required written back	-	-	-	-
Provisions utilised in the year	(44)	-	(44)	(42)
Unwinding of discount	-	-	-	-
<b>Balance at 31 March 2013</b>	<b>228</b>	<b>-</b>	<b>228</b>	<b>272</b>

Analysis of the expected timing of cash flows

	Early Departure Costs £000	Other £000	Total £000
Not later than 1 year	44	-	44
Later than 1 year and not later than 5 years	178	-	178
Later than 5 years	6	-	6
<b>Balance at 31 March 2013</b>	<b>228</b>	<b>-</b>	<b>228</b>

## 10. Notional Charges

The following charge has been included in the accounts:

	2012-13 £000	2011-12 £000
Auditors remuneration	21	22
	<b>21</b>	<b>22</b>

## 11. 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. Pensions

Pension benefits are provided through the Civil Service pension arrangements.

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. The Scottish Housing Regulator is unable to identify its share of the underlying assets and liabilities. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation ([www.civilservice-pensions.gov.uk](http://www.civilservice-pensions.gov.uk)).

During the year ended 31 March 2013, employers' contributions of £0.386m (2012 £0.407m) 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's Actuary valued the scheme at 31 March 2010 and revised contribution rates took effect from April 2012.

## 13. Capital Commitments and Contingent Liabilities

There were no contracted capital commitments outstanding at 31 March 2013 and not included in the balance sheet. No contingent liabilities existed at 31 March 2013.

## 14. Leasing Commitments

At 31 March 2013, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods were:

	2012-13 £000	2011-12 £000
Not later than one year	157	166
Later than one year and not later than five years	311	497
Later than five years	–	–

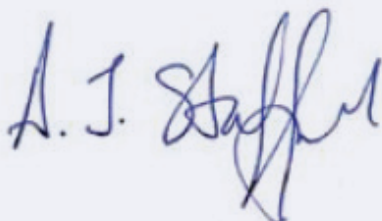
## 15. Losses

No losses were incurred by the Scottish Housing Regulator during the year ended 31 March 2013.

**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 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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**Scottish Housing**  
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