



**Scottish Housing  
Regulator**

**Risk Assessment  
Summary outcomes  
April 2019**

## About us

We are the independent Regulator of social landlords in Scotland.

**We protect & promote the interests of:** **We regulate:**

Around:

**600,000**

Tenants who live in homes provided by social landlords

Over:

**125,000**

Home owners who receive services of social landlords

Over:

**45,000**

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

Around:

**2,000**

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



**190** Social landlords

**158** Registered social landlords

**32** Local authorities

### Our role

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

Our Regulatory Framework explains how we regulate social landlords. It is available at [www.scottishhousingregulator.gov.uk](http://www.scottishhousingregulator.gov.uk)

## About this booklet

Each year we carry out an annual assessment of the risks facing all registered social landlords (RSLs). We also work with Audit Scotland and other scrutiny bodies through Local Area Networks (LANs) on a joint approach to the scrutiny of local authorities.

This booklet summarises the outcome from this year's risk assessment and sets out the reasons for our engagement with RSLs and local authorities (LAs) during 2019/20. We published more information about the focus of our risk assessment in our [summary of the risks we will focus on.](#)



[Read our engagement plans](#)

## Our new regulatory framework

Our new [Regulatory Framework](#) and statutory guidance went live from 1 April 2019.

We developed our new Framework following consultation with stakeholders including landlords and tenants.

As part of the changes introduced by our new framework we have now published, for the first time, **engagement plans** for **all** RSLs and local authorities.

We will also publish a regulatory status for all RSLs after each landlord has made its first annual assurance statement by October 2019.



## Summary of changes under our new Regulatory Framework

From 1st April 2019, we will publish:	For:	These replace:
Engagement plans	All RSLs and LAs	Regulation plans for some RSLs
From 1st April 2020, we will publish:	For:	These replace:
A regulatory status	All RSLs	Engagement levels of 'medium' and 'high' in regulation plans

## Our engagement with RSLs

We monitor, assess and report on the service performance, financial well-being, and governance of RSLs through our annual risk assessment.

We use the best and most up-to-date information available to us to form a view on each RSL's compliance with regulatory requirements and the Standards of Governance and Financial Management. This includes the annual returns that RSLs are required to submit to us:

- the Annual Report on Charter (ARC)
- the Audited Financial Statements (AFS)
- Financial Forecasts
- Loan Portfolio details.

Where we judge that we need further information and assurance from an RSL, we will engage with it and publish details of this in the RSL's engagement plan.

## RSLs where we are using our statutory powers to intervene

We are currently using our statutory powers of intervention to protect the interests of tenants in the following landlords:



Arklet Housing Association Ltd



Thistle Housing Association Ltd



Fairfield Housing Cooperative Ltd



Wishaw & District Housing Association Ltd



Ruchazie Housing Association Ltd

## Risks and issues facing registered social landlords

Many RSLs are increasingly complex businesses operating in a riskier and more uncertain world. They are having to deal with a range of challenges including the impact of Welfare Reform, developments in health and social care, meeting the Energy Efficiency Standard for Social Housing and, for some, more complex treasury management arrangements and managing their pension liabilities.

The aggregate financial performance of RSLs remains strong. Aggregate turnover has increased faster than operating costs and interest cover has increased to its highest level since 2014/15. RSLs have invested more than £900m in acquisition and construction of property, and this has taken outstanding borrowing to around £4bn. So, RSLs need to manage their finances carefully to ensure continued financial health.

At the same time, RSLs are considering how they can contribute to the Scottish Government's target for 50,000 new affordable homes over the period from 2016 to 2021 whilst keeping rents affordable and ensuring tenant safety in existing homes.

We are seeing a number of landlords embark on sizeable development programmes to build new homes, often after a significant period of time since they last developed. We are therefore planning to engage with a number of landlords to get assurance about how they plan to manage the risks associated with development.

At the heart of these challenges is the need for landlords to be well governed, financially viable and deliver good services. We are therefore engaging with a number of RSLs to get assurance about how they are managing these challenges and risks.

## Overview of the main reasons for our engagement

RSL size (by number of homes)	Finance 	Development 	Governance 	Service quality 
Fewer than 1,000	10	1	17	0
1,000 to 5,000	23	5	07	2
5,000 to 10,000	9	0	0	0
More than 10,000	1	0	1	0

## Systemically important RSLs

Some RSLs are of a size, have a level of turnover and debt, or a geographical location that means it could be more difficult for us to fulfil our statutory objective of protecting tenants and others if they were to experience financial difficulty.

We refer to these RSLs as systemically important. We develop and maintain a detailed understanding of the business plans for these RSLs.

We have identified 21 RSLs as systemically important. This is two less than last year:

Albyn Housing Society	Argyll Community Housing Association
Bield Housing & Care	Caledonia Housing Association
Castle Rosk Edinvar Housing Association	Clyde Valley Housing Association
Cunninghame Housing Association	Dumfries & Galloway Housing Partnership
Grampian Housing Association	Hanover (Scotland) Housing Association
Hebridean Housing Partnership	Hillcrest Housing Association
Home in Scotland Ltd	Key Housing Association
Kingdom Housing Association	Link Group
North Glasgow Housing Association	River Clyde Homes
Sanctuary Scotland Housing Association	Scottish Borders Housing Association
Wheatley Housing Group*	

\*Glasgow Housing Association, Dunedin Canmore and Cube Housing Associations all meet the criteria for systemic importance. As they are subsidiaries of Wheatley Housing Group, which is systemically important, we engage with the Group.

## Our engagement with local authorities

Local authorities face many of the same challenges as RSLs:

- > the impact of Welfare Reform
- > developments in health and social care
- > meeting the Energy Efficiency Standard for Social Housing.

Local authorities are also considering how they can contribute to the Scottish Government's targets for 50,000 affordable homes by 2021 whilst keeping rents affordable and ensuring tenant safety.

Local authorities also provide vital services to people who are homeless or threatened with homelessness. The factors that can lead to homelessness can be multiple and complex and the solutions can be equally complex, often involving a range of providers and resources from across and beyond each single local authority.

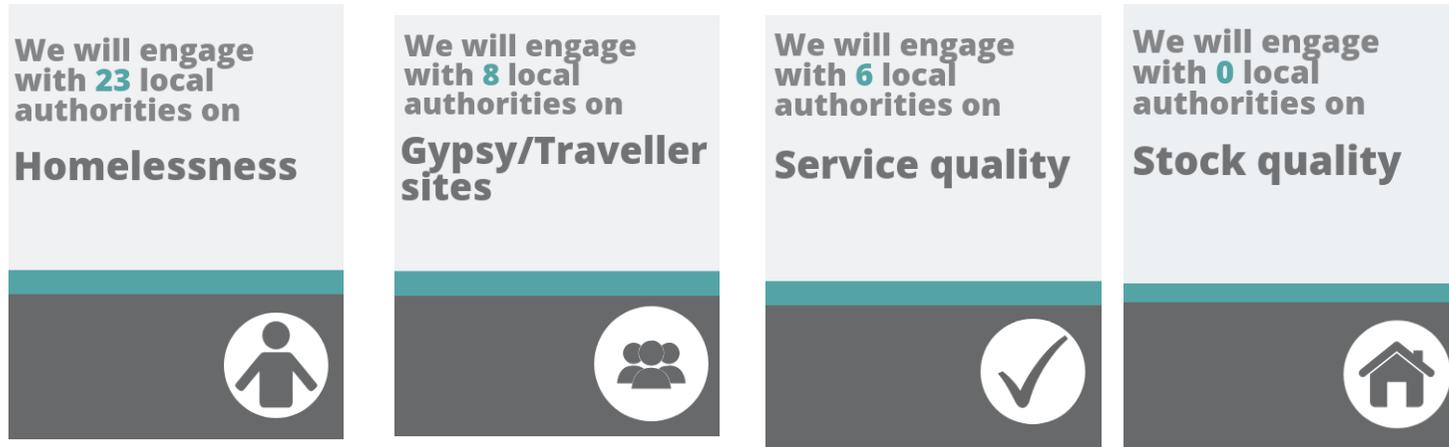
All 32 local authorities have been asked by the Scottish Government to produce rapid re-housing transition plans. This was a key recommendation from the Homelessness and Rough Sleeping Action Group (HARSAG), appointed by Scottish Ministers to identify what was needed to eradicate rough sleeping and transform the use of temporary accommodation in Scotland. We will review our engagement with local authorities when they have finalised their Rapid Rehousing Transition Plans.

Local authorities also provide the majority of sites for Gypsy/Traveller in Scotland. The Scottish Government introduced minimum site standards in 2015 which local authorities, and one RSL, have had to meet or make plans to meet. All local authorities were expected to meet these standards by June 2018.

Several local authorities also provide factoring services to private owners. We engage with some local authorities on the services they provide to factored owners through our service quality engagement.

## Reasons for our engagement with local authorities

We will engage with 26 of the 32 local authorities in 2019/20



## Services to people who are homeless

Services to people who are homeless continues to be the main reason for our engagement with local authorities. In 2019/2020 we will engage with 23 local authorities on one or more of the following aspects of their homelessness services.



## Reviewing our regulatory engagement

We determine how we engage with each landlord through our annual risk assessment. We will review our level of engagement with a landlord during the year if circumstances change or new information becomes available. This may mean we will publish an updated engagement plan.



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