

Scottish Housing Regulator: discussion paper - Summary of Questions

1. We believe that our regulatory priorities should be:

- listening and responding effectively to tenants and service users
- providing good quality and safe homes
- keeping homes as affordable as possible
- doing all they can to reduce the number of people who are experiencing homelessness

We are keen to hear your feedback on these priorities. Are they the right ones?

As one of the largest lenders to the housing association sector in Scotland, we welcome the opportunity to respond to this discussion paper and to input into the questions posed. Our view is that the regulatory framework has worked well since it was implemented in 2019 and lenders and investors take significant confidence and assurance from the role of the Scottish Housing Regulator. We would wish to see the independence of the Regulator being maintained, and for the Regulator to continue to demonstrate robust regulation of the sector and ability to intervene when necessary to protect tenants, stakeholders, and the reputation of the sector.

The priorities listed above appear relevant to today's market and in keeping with the core objectives of the current regulatory framework. We fully support the move to view tenants as consumers, with greater emphasis on good outcomes for tenants in terms of the priorities listed. Rightly, there should be a keen focus on the quality of the homes as well as the service provided to tenants, keeping health and safety (fire safety, damp and mould, etc) at the top of the agenda and informed by good quality stock condition data.

Whilst we agree with the priorities, given ongoing Scottish Government consultation on energy efficiency / EPC certification and EEESH-2, should there be a specific objective for the Regulator to track housing association sustainability / decarbonisation plans?

2. What are your views on amending the Statutory Guidance on Annual Assurance Statements to include provisions on specific assurance?

Providing a consistent approach is being sought across all housing associations around core critical governance and financial viability aspects, then this is fine. To the extent that additional specific assurances are required, this should be stated transparently along with rationale for why any additional assurances are required.

Housing associations, like the wider economy, are facing several headwinds such as high inflation, cost of living, construction cost growth, rent caps, etc, and there is definitely significantly less headroom in business plans to absorb further shocks. The Regulator should ensure that sufficient assurance is provided by each housing association's Board around effective governance to understand, make informed decisions and plan for the current economic environment as well as ensuring the continued viability of the organisation should be adequately covered in the annual Assurance Statements.

3. Do you think that we need to change any of the indicators in the ARC or add to these?

It would be good to see some specific sustainability/decarbonisation information added to the ARC (eg. Forecast/actual decarbonisation expenditure in MIFI/ business plans, average EPC ratings, information on any sustainability reporting standards being adopted etc.)

4. Are the proposed areas of focus for tenant and resident safety indicators the right ones, and what should those indicators be?

Yes. Providing there is transparency on the volume and materiality of any health & safety cases (particularly around fire safety or damp & mould) to ensure that individual HA's have a good grasp of any early warning indicators around these issues.

5. What do you think would be the most effective and appropriate way to monitor the effectiveness of landlords' approach to managing reports and instances of mould and dampness?

A fully transparent risk register on volume of damp and mould cases, seriousness of the material cases, aged profile and timing / cost to remedy. All of this should be informed by good quality stock condition data, updated and analysed on a regular cycle.

6. What are your views on strengthening the Framework further on landlords listening to tenants and service users?

We would encourage this, and it is in line with what the Regulator of Social Housing in England is seeking to achieve. Increased legislative obligations around consumer duty and continued scrutiny on the sector dealing with health & safety and rent affordability issues will make this even more important. Generally, the Scottish Housing Regulator and Scottish sector as a whole has a good track record in this regard.

7. How do you think we could streamline the requirements for landlords in the Notifiable Events statutory guidance?

There needs to be some form of materiality introduced to ensure that external stakeholders can better understand relatively minor notifiable events that will have no long lasting / material impact on the governance and financial viability of an organisation, as opposed to more serious notifiable events that are likely to have significant consequences.

8. Do you think there is value in using more direct language in the working towards compliance status, or in introducing an intermediary regulatory status between compliant and working towards compliance?

It would be helpful to have more clearly defined parameters around what is compliant and what is not compliant. If there is a more formalised intermediate status this may help, as the read across to a more formalised regulatory grading (ie G1/V1 – G4/V4) has always been the preferred methodology for external stakeholders given the increased transparency and consistency this provides. If an intermediary status is introduced then defined parameters or transparency as to why an RSL is not in the strongest category would be welcome (i.e. how material is the area(s) the RSL could improve upon). As this will be important for a lenders assessment and to RSLs striving to reach the top category (or avoid dropping to a lower category).

9. Are there any changes we should make to the Significant Performance Failures approach, including how we define these?

No.

10. Are there any other changes to the Regulatory Framework and associated guidance that you would suggest?

As commented, some form of read across to sustainability / decarbonisation assessment would be helpful, to better track this against known Scottish Government legislative targets.