

**REGULATION BOARD  
MINUTES OF MEETING**

**Room 2, Highlander House, Glasgow**

**14:00 Thursday 13 November 2008,**

**Present:**

Karen Watt	Chief Executive (Chair)
Michael Cameron	Head of Inspection (from item 2)
Iain Muirhead	Head of Policy & Corporate Services
Christine MacLeod	Head of Support & Intervention
Linda Scott	Senior Regulation Manager
Alex Condie	Non Executive Board Member
Mairi Keddie	Non Executive Board Member
Lucia Webster	Non Executive Board Member

**In attendance:**

Roisin Harris	Secretary
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**Agenda  
Item****1(a) Apologies**  
None**1(b) Declaration of Interests**

Lucia Webster's declared she is no longer working for the Association of British Credit Unions Ltd.

Iain Muirhead declared an interest in the statutory intervention in Cumbernauld Housing Partnership; his mother is an owner receiving factoring services.

**1(c) Matters Arising**

Karen presented a matters arising report from the last meeting; all actions have been completed.

**Action**    **Roisin Harris to amend Lucia Webster's declaration of interests on the SHR's website.**

**Strategic Management****2. Business Plan**

Karen Watt introduced the Business Plan. The Corporate Plan is the outward facing document for the Scottish Housing Regulator setting out its objectives – the Business Plan sets out the internal tasks and targets staff will use to meet those objectives. All staff were involved in the development of the plan.

The Board agreed to amend the Business Plan to:

- prioritise key tasks;
- emphasise the reactive nature of much of our work, which may affect our planned priorities;
- capture the greater attention we will give to on the financial viability of RSLs, given the current environment;
- reflect better the amount of work involved in working with the Scottish Government on legislative and investment reform; and
- set out a short glossary of terms.

**Action:** **Iain Muirhead to amend the Business Plan to reflect the discussions with input from Branch heads for ranking of priorities.**

### **3. Performance Report**

Iain Muirhead presented a report on the Regulator's performance during the first half of 2008/09. The Board noted that all operational targets have been met to date and noted some key achievements in the agency's first six months, namely:

- establishing a Regulation Board, Executive Management Team, Corporate Services Team, reorganising the Business Analysis branch structure to build financial and economic regulation capacity, and recruiting to eleven posts;
- carrying out regulatory assessments for 163 mainstream RSLs to determine the level of regulatory engagement; and developing regulation plans for all high and medium engagement RSLs;
- publishing key documents including: Corporate Plan, seven inspection reports, Guide to How we Regulate, Financial Digest, guidance on treasury management; and an assessment of the Mazar's report on GHA's SST valuation methodology for Ministers;
- contributing to post Crerar action groups, Audit Scotland Operational Group and round table scrutiny meetings; and the Accounts Commission's strategic scrutiny group; and
- issuing a letter to all RSLs about complying with borrowing arrangements.

Iain said the format of the performance reports will change to reflect the Business Plan, when the new performance framework is implemented. The new framework and style of report will be presented at the next meeting of the Regulation Board. The Board asked that consideration be given to better staff monitoring information and a move towards indicators of impact.

**Action Points:** **Iain Muirhead to develop the new performance management framework and performance report.**

### **4. Budget Report**

Iain Muirhead presented the mid year budget report. The 2008/09 budget was recently reviewed by the Executive Management team. The budget

includes efficiency savings of two percent each year.

Iain told the Board underspend in the first six months was largely due to IT and accommodation costs not yet having been invoiced by the Scottish Government; and delays to recruitment and in consultancy spend. There is likely to be an underspend of at least 5% to the end of 2008/09.

**Action Point: Iain Muirhead to explore underspend options and implications with Scottish Government Finance and report back to the Executive Management Team.**

**5. Staffing and Recruitment Update**

The Board noted a report on the outcomes of recent recruitment campaigns and future workforce and resource plans. In particular the Board noted the summary equalities information about external applicants and our commitment to place adverts with agencies that may help us to recruit a more diverse workforce.

**6. Risk Register**

The Board discussed the agency's risk register and agreed to review some of the risks so it reflects the current operating environment better. The Board agreed to:

- increase the likelihood rating to medium of an RSL getting into financial difficulty and SHR failing to manage the situation; and
- adjust the impact of SHR suffering a catastrophic event rating to high.

The Board agreed the register should track actions and changes in risk ratings over time.

**Action Point: Iain Muirhead to amend risk register to reflect the points agreed by the Board.**

## Regulation Management

**7. Risk Engagement Activities**

Linda Scott presented a report for information on RSLs that the Regulator has more than routine engagement with (including any statutory intervention).

The Board agreed the report was useful and it would like to receive this level of detail twice a year in addition to material on statutory intervention cases.

## Policy and Wider Environment

**8. Ujima Housing Association**

Christine MacLeod presented a report, which looked at the findings of an inquiry into the collapse of Ujima Housing Association in England and set out lessons for the Scottish Housing Regulator.

The Board noted these actions are already in train to address many of the issues:

- Agreeing a protocol with Scottish Government about information sharing.
- Reviewing our approach to financial scrutiny.
- Shifting resources into restructuring around risk assessment, financial analysis, and managing closer relationships with higher engagement RSLs.
- Reviewing the sector's business plans and business planning capabilities.
- Reviewing our Intervention Strategy.
- Established a cross-agency case conference approach to assessing risk.
- Held staff training session on the lessons from Ujima.
- Developed a closer relationship with lenders.

The Board agreed that these further actions are including in the agency's business plan:

- Agree an investment-specific protocol with the Scottish Government and Glasgow and Edinburgh City Councils and new information returns from Investment teams in Scottish Government and councils.
- Carry out scenario planning for an insolvent RSL.
- Explore our access to funds if needed in crisis cases for expert advice or to provide short-term bridging finance.
- Carry out greater stress testing of key assumptions in RSL business plans.
- Training and development for staff on risk assessment, changing the place of value-for-money and finance in all our processes and engagements.
- Assess the intervention and other powers we may need in new legislation.
- Review notifiable events guidance.
- Review regulatory returns to capture all development activity.

**Action: Iain Muirhead to ensure action plan and EMT members deliver relevant agreed actions.**

## **9. Policy and Economic Issues**

The Board noted a paper on current policy and economic issues which have the capacity to impact significantly on both the sector and regulatory activities. In particular, the Board discussed:

- the Scottish Government's Affordable Housing Investment Reform Programme;
- the impact of the Credit Crunch;
- the Housing Bill to establish a new housing regulator; and
- the outcome and recommendations from the post Crerar scrutiny review groups.

## Audit

### 10. **Audit Committee Report**

Alex Condie reported verbally that the first Audit Committee had taken place that day and a note of the minutes would be circulated to the Regulation Board.

**Action: Iain Muirhead to circulate minutes of the Audit Committee to the Regulation Board.**

### 11. **AOB - Statutory Intervention**

Christine MacLeod told the Board a decision on the Regulator's statutory intervention in Cumbernauld Housing Partnership would be required before the next meeting and papers would be circulated in December. Mairi Keddie will respond on behalf of the Non Executive Board members.

### 12. **Future meeting dates**

The Board agreed to meet on the following dates:

- Thursday 29 January 2009; and
- Tuesday 31<sup>st</sup> March 2009.

Both meetings will start at 10.00am and be held in Highlander House, Glasgow