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**1. 23 January 2018 - Extracts of quarterly risk report - redaction covered by exemptions set out in Appendix A and the rest is not in scope**

**Red risks- immediate action required**

Risk ref:	Risk:	Risk owner:
O1	An RSL becomes insolvent and we are unable to effect a rescue	[REDACTED]
<b>Actions:</b>		<b>Target dates:</b>
Governance risk assessments to be implemented in risk assessment 2017 and in regulatory engagement 2017/18.		Engagement by 31/3/2018
Data assurance visits to be carried out on 2017 Charter data after submission; and findings reported in Performance Matters		Target: December 2017 but now January 2018
Governance thematic inquiry will provide a guide to governance self-assessment and recommend actions to improve governance practice.		<b>Completed</b> Published 3/8/2017
Statutory Intervention case study reports will alert RSLs to lessons learned.		Publish three months from intervention end. MP now Q1 2018/19
Molendinar Park intervention report to be published in Q4 and to include lessons learned from first three concluded interventions.		<b>Wellhouse published 06/17</b> <b>Muirhouse published 10/16</b>
Make representations to SG about legislative changes to deal with the ONS classification to aim to ensure they do not affect our ability to tackle a potential insolvency		Ongoing- SG timetable
Contingency planning tool updated for 2016/17 data.		<b>Completed 30/6/17</b>
Review use of contingency planning tool during Antonine intervention		Q1 2018-19

**Yellow risks- review of current actions and controls required**

Risk ref:	Risk:	Risk owner:
O2	We do not have enough people, or the right skills or expertise, to identify and respond effectively to risks that come from the changing financial, funding and political landscape for social landlords and new landlord subsidiaries	Michael Cameron
<b>Review activities:</b>		<b>Target dates:</b>
Regular monitoring and review of planned work, our operating plan, and active prioritisation of resources through the MT		Throughout the year at monthly meetings
Alert Scottish Government colleagues to the resourcing pressures		<b>Completed</b>
<i>Cross refer to actions on risk O10</i>		
<i>Cross refer to actions on risk O13</i>		
Risk ref:	Risk:	Risk owner:
O10	Our current approach to regulation will not be sustainable due to future budgetary pressures and an inability to invest in our people and systems	Michael Cameron
<b>Review activities:</b>		<b>Target dates:</b>
Engage with our sponsor team to establish the timescale and process for Spending Review 2017.		<b>Completed</b>
Link to Review of Regulatory Framework (RRF) – the Spending Review is identified as a key dependency for the RRF		<b>Completed</b>
Continue to engage with Scottish Government and Ministers to promote the value that our effective regulation delivers.		Ongoing

Strategy days with Board in October to discuss RRF and SR17	<b>Completed</b> 17 October 2017
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Risk ref:	Risk:	Risk owner:
O13	There is a risk that our day to day regulatory operations are impacted due to resources being diverted to manage periods of change/transition arising from external factors	Michael Cameron
<b>Review activities:</b>		<b>Target dates:</b>
Engage regularly with SG on changes to <b>legislation re ONS</b> to identify impact on SHR and scale of change needed, including to BI system		By March 2018
Initiated <b>Review of Regulatory Framework</b> on programme management basis with phases and workstreams identified. Programme Board established to oversee delivery of programme.		<b>Completed</b>
Senior Information Risk Owner/ Information Asset Owner Group to oversee work to prepare for the <b>General Data Protection Regulation (GDPR)</b> and ensure that our Data Protection Officer has the support and resources required to deliver the agreed project plan.  The impact of this work on our regulatory operations will continue to be monitored by MT.		Ongoing to May 2018
Regular monitoring and review of planned work, our operating plan, and active prioritisation of resources through the MT		Throughout the year at monthly meetings
<i>Cross refer to actions on risk O10</i>		

Risk ref:	Risk:	Risk owner:
O8	We are unable to source the external support we require to respond effectively to risks that come from the changing landscape for social landlords and new landlord subsidiaries, or to respond to serious governance concerns and/or potential business failures	[REDACTED]
<b>Review activities:</b>		<b>Target dates:</b>
Procurement policy gives us flexibility to undertake bespoke procurement or access SG framework agreements.		Ongoing
Cross-divisional intelligence sharing to identify support needs in the landlord and identify and match from network of suitable people the external skills/knowledge needed and induct and support appointees/co-optees		Ongoing and under continual review/refresh
We have put in place a new selection list for statutory managers		<b>Completed</b>
Develop a business case process to request additional funding from SG		<b>Completed</b>
Review our experiences with the first three statutory interventions. And specifically review our approach to how we support appointees in their role.		On the conclusion of the 1 <sup>st</sup> 3 interventions
Regular liaison with other stakeholders to identify and discuss new issues and risks.		Ongoing

## 2. 23 January 2018 - Extracts of quarter 3 performance report – the rest is not in scope or covered by exemptions set out in appendix A

### Performance

- 5.1 We are delivering against the majority of our work plans, but we have had to postpone and reschedule some work to account for the continuing high volume of regulatory work and significant unplanned work. This is detailed within the report. We envisage that the pressure on our resource capacity will continue during into 2017/18 and we will keep the Board updated of the impact.

**Active Statutory Interventions**



RSL	From	Total Homes	Board member	Manager	Failure in:
Dalmuir Park	Dec 2017	654	6	1	Governance & management
Kincardine	Nov 2017	72	0	1	Governance & delivery of services, protection of assets & management
Wishaw & District	Feb 2017	979	5	1	Governance, financial & risk management
Arklet	Feb 2017	361	3	1	Governance & financial management
Antonine	Aug 2016	337	6	1	Governance
Ferguslie Park	Feb 2016	803	3	1	Governance

**Regulation Plans Summary**



	Mar	Aug	Nov	Jan	Movement from Nov
High	7	7	6	8	<ul style="list-style-type: none"> <li>Dalmuir Park &amp; Kincardine moved to high due to statutory action.</li> <li>We reviewed Antonine, it remains high due to statutory action.</li> <li>We reviewed West of Scotland, Maryhill, Langstane &amp; Thistle. All remain medium engagement.</li> </ul>
Medium	49	51	53	51	
Total RSLs with Regulation Plans <sup>1</sup>	56	58	59	59	
RSLs with no regulation plan (Low)	105	103	103	103	

We have high engagement/scrutiny with: Dumfries & Galloway, Glasgow City, Highland and Shetland Councils

We have on-going monitoring with 16 other local authorities

**Sources of engagement & regulatory intelligence**

- Risk Assessment
- Allegations brought to us & whistleblowing
- Data accuracy visits & notifiable events
- Information from a managing agent
- Former statutory intervention continues as high engagement

**Reasons**



- Misconduct of the senior officer
- Breaches of, and failure to manage, Board code of conduct
- Board and management incompetence
- Poor Board control and understanding of conflicts of interest
- Poor management / control of RSL's maintenance function
- Homelessness services and service quality

<sup>1</sup> Total includes 5 RSLs covered by a parent plan

**Planned Work Completed since November**



- ✓ Published a thematic inquiry on gas safety performance
- ✓ Published RSL financial statements data and initial analysis
- ✓ Published the areas of risk we will focus on in our annual risk assessment
- ✓ Published a review of factoring services in Scotland
- ✓ Presented our annual report and accounts to the Local Government and Communities Committee
- ✓ Communication plan for the Regulatory Framework review
- ✓ Regulatory Review Discussion paper (published by 23 Jan 2018)
- ✓ Published corporate parenting plan

**Significant new additional & unplanned activity during 2017/18 (completed since November & on-going)**



- Completed**
- ✓ Published biodiversity report
  - ✓ Data Protection Officer appointed
  - ✓ Published updated technical guidance for landlords for both the Energy Efficiency Standards for Social Housing and the Scottish Social Housing Charter
- On-going**
- Increase in reactive regulation (see page 1)
  - Engagement with Scottish Government, Councils and RSLs on transfer of tenanted properties
  - Scope and deliver new package of BI changes
  - Deliver office move by March 2018 and manage ongoing contractor relationships as building work progresses in North Wing
  - Detailed preparation for our responsibilities under the European Data Protection Regulation (effective May 2018)
  - Consider actions in response to SG's Cyber resilience action plan
  - Submit update on Records Management Plan to Keeper by end March
  - Spike FOI in requests, reviews and appeals
  - Review approach to FOI
  - Publish an account of intervention at Molendinar Park
  - Map tenant safety obligations.
  - Behavioural insights workshop for Management Team
  - Stakeholder Communications research
  - Statutory Manager workshop
  - Regulatory review stakeholder engagement
  - Exploring opportunity to become a CivTech challenge sponsor
  - Procedures for reporting to the relevant authorities

**Impact of significant new or unplanned activity <sup>2</sup>**

We have postponed or reprioritised:

- presenting the results of our GCC homeless work; initially pushed back to Q3 and further postponed to Q4;
- publishing our report on data accuracy in Q4 instead of Q3;
- publishing our repairs thematic report; pushed back to Q4;
- developing and publishing our account of intervention in Molendinar Park (we are now beyond the target of within three months of ending our intervention);
- developing and publishing a lessons learned report on our first three statutory interventions;
- the outputs from the project on the display of our poster at Gypsy/Traveller sites;

<sup>2</sup> Please also refer to previous CEO reports and the Q2 performance report covering the impact of unplanned and new work.

Appendix B – Part 1 of request - Information provided FOI/15/00095 for 2018

- any new project work with our tenant advisors;
- a review of our contingency planning tool;
- how we further develop our open data approach;
- our historic review of G drive & paper files; and
- review of our business continuity plan.

We were also unable to process three disposal consent requests within our target timescale of 8 days.

<p><b>Notifiable events</b></p> <p>■ No. of notifiable events recorded 2016/17 ■ No. of notifiable events recorded 2017/18</p> <table border="1"> <caption>Notifiable Events Data</caption> <thead> <tr> <th>Quarter</th> <th>2016/17</th> <th>2017/18</th> </tr> </thead> <tbody> <tr> <td>Q1</td> <td>45</td> <td>55</td> </tr> <tr> <td>Q2</td> <td>40</td> <td>45</td> </tr> <tr> <td>Q3</td> <td>50</td> <td>70</td> </tr> <tr> <td>Q4</td> <td>55</td> <td>0</td> </tr> </tbody> </table>	Quarter	2016/17	2017/18	Q1	45	55	Q2	40	45	Q3	50	70	Q4	55	0	<p><b>Significant Performance Failures</b></p> <p>During Q3 we received 3 Significant Performance Failure applications. One is pending action from the landlord to address concerns. Two were assessed as not SPFs.</p> <p>We received a request to review one of these applications and on review our assessment was upheld.</p>
Quarter	2016/17	2017/18														
Q1	45	55														
Q2	40	45														
Q3	50	70														
Q4	55	0														
<p><b>Consents</b></p> <p>■ No. of consents received 2016/17 ■ No. of consents received 2017/18</p> <table border="1"> <caption>Consents Received Data</caption> <thead> <tr> <th>Quarter</th> <th>2016/17</th> <th>2017/18</th> </tr> </thead> <tbody> <tr> <td>Q1</td> <td>25</td> <td>35</td> </tr> <tr> <td>Q2</td> <td>20</td> <td>40</td> </tr> <tr> <td>Q3</td> <td>30</td> <td>30</td> </tr> <tr> <td>Q4</td> <td>45</td> <td>0</td> </tr> </tbody> </table>	Quarter	2016/17	2017/18	Q1	25	35	Q2	20	40	Q3	30	30	Q4	45	0	<p><b>Whistleblowing</b></p> <p>During Q3 we considered four cases.</p> <p>In one case we are engaging with the RSL following an independent investigation.</p> <p>We are engaging with a RSL about a further 2 cases and the fourth case was referred to the HSE.</p>
Quarter	2016/17	2017/18														
Q1	25	35														
Q2	20	40														
Q3	30	30														
Q4	45	0														
<p><b>Consents processed</b></p> <p>■ 2016/17 ■ 2017/18</p> <table border="1"> <caption>Consents Processed Data</caption> <thead> <tr> <th>Quarter</th> <th>2016/17</th> <th>2017/18</th> </tr> </thead> <tbody> <tr> <td>Q1</td> <td>85</td> <td>95</td> </tr> <tr> <td>Q2</td> <td>95</td> <td>95</td> </tr> <tr> <td>Q3</td> <td>95</td> <td>95</td> </tr> <tr> <td>Q4</td> <td>95</td> <td>0</td> </tr> </tbody> </table>	Quarter	2016/17	2017/18	Q1	85	95	Q2	95	95	Q3	95	95	Q4	95	0	<p><b>FOI/EIR/Data Protection requests</b></p> <p>We received 3 FOI requests (including 1 EIR request). We released all information in one request and in the other two we partially released information.</p> <p>We had three live appeals with the Scottish Information Commissioner (SIC). SIC issued its decision on one case, the other two are ongoing.</p>
Quarter	2016/17	2017/18														
Q1	85	95														
Q2	95	95														
Q3	95	95														
Q4	95	0														

**Complaints about SHR**

We received one complaint about us, which concluded at frontline resolution stage.

### 3. 20 March 2018 – Draft operating plan

#### The Board of the Scottish Housing Regulator

**Subject:** 2018/19 Operating Plan  
**Purpose:** Decision  
**Agenda item:** 03/18 AG 5  
**By:** Michael Cameron  
**Contact telephone number:** 0141 24225561  
**Meeting date:** 20 March 2018

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#### 1. Introduction & Purpose

1.1 This paper proposes SHR's operating plan for 2018/19.

#### 2. Recommendations

2.1 The Board is asked to agree the operating plan for 2018/19 and note:  
a. the work set out in appendix one that we will not currently prioritise; and  
b. that we will develop and publish a summary of our plan by May 2018.

#### 3. Context & Reporting

3.1 In response to our operating context set out on page two, and in particular the programme of work review of our Regulatory Framework, we are proposing an operating plan that prioritises:  

- delivering core regulatory activities;
- our review of the Regulatory Framework; and
- our public body compliance duties.

3.2 This is also reflected in our draft budget for 2018/19. We have set out in appendix one works area that we are not prioritising in 2018/19.

3.3 We will retain flexibility during the year to help us to regulate effectively and reprioritise as we need to and as our resources allow. Our Management Team will monitor delivery and resource capacity each month. We will report progress to the Board each quarter and highlight any issues or changes through the Chief Executive's report. We will report on overall progress in our annual report and accounts.

3.4 We will review the full operating plan at the same time as the mid-year budget review and at this time we will reflect if any amendments are needed to accommodate changes we may implement as a result of the Regulatory Framework review.

#### 4. Communication plan

4.1 We will communicate the Board's decisions and the final plan to staff following the Board meeting. This will allow us to develop divisional and other project plans as well as agree performance objectives for all staff.

4.2 We will develop and publish a summary of our work plans for 2017/18 on our website in a similar format to previous years. This has been welcomed by stakeholders. We will promote this through social media, our website, e-zine and a press release.

#### 5. Risks and implications

5.1 **Financial** – the work set out in the operating plan is aligned with the 2018/19 budget that the Board has also been asked to agree.

5.2 **Legal** – none

5.3 **Environmental** – none

5.4 **Equalities & Diversity** – none

5.5 **Communications & Media** – the agreed plan will be shared and promoted with all staff via the Residence. A summary will be published on our website and we will report on progress against this in our annual report.

5.6 **Reputation** – the plan sets out what we will hope to do in 2018/19. Appendix one sets out the work that we are were not able to resource or prioritise in 2018/19.

5.7 **For Regulated Bodies** – the plan sets out a high level our engagement and work with regulated bodies.

## Appendix One

During 2018/19 the Management Team has agreed work areas that we cannot currently prioritise as we do not have the capacity to take forward all activities that we would wish to at this point. Management Team will keep these under review, particularly at mid-year and discuss any changes with the Board. The work areas include:

- commencing any new or follow up areas of thematic inquiry work;
- data accuracy visits;
- hosting an insolvency case study workshop;
- developing a selection list of appointees/co-optees;
- developing Regulatory Advice Notes on - gas safety, succession planning and compliance with constitutional requirements;
- carrying out a survey of landlords with Gypsy/Travellers sites regarding minimum standards; and
- collaborating with partner scrutiny bodies on joint projects

In 2017/18 we did not:

- commence any new areas of thematic inquiry work;
- conclude the outstanding customer services thematic from the 15/16 programme;
- follow up work on already published thematic inquiries including:
  - housing options
  - equalities
  - factoring
  - Gypsy/Travellers
  - openness and accessibility
  - rent consultation
  - complaints
- host an insolvency case study workshop;
- develop a selection list of appointees/co-optees;
- develop Regulatory Advice Notes on - gas safety, succession planning and compliance with constitutional requirements;
- carrying out a survey of landlords with Gypsy/Travellers sites regarding minimum standards; and
- collaborate with partner scrutiny bodies on joint projects.

For context we have also set out our 2016/17 approach. The Board will recall at April 2016 we planned not to prioritise any treasury management work, but as the year progressed we were able to identify resources for this. We will adopt the same agile approach to prioritising resources during 2017/18.

In 2016/17 we did not:

- develop proposals for quarterly surveys of systemically important RSLs;
- participate in the shared risk assessment for local authorities to the same extent as we have before;
- publish a national report on the Charter in the same format and scale;
- review or update EESSH technical guidance;
- review or update our asset management recommended practice (2012);
- participate in the annual people survey every year (move to every three years);
- do further annual changes to the Charter technical guidance;
- do further Governance Matters reports or Governance Matters events;
- reinstate structured horizon scanning at this time; or



- resource thematic work beyond the areas identified in the plan.

We also:

- reduced our speaking commitments as we apply more robust selection criteria;
- reduced our external budget for staff and Board learning and development;
- kept all our work under review, seeking to deliver in the most proportionate and cost effective way;
- kept all of the above under review and reinstate actions if resources become available or priorities change; and
- planned for our response to further spending reviews and any legislative changes.

## Draft operating plan 2018/19

### The Statutory & Corporate context for SHR's 2018/19 Operating Plan

#### What we do: Main activities

##### Our objective

To safeguard and promote the interests of tenants, people who may be homeless, and those who use social housing services provided by social landlords.

##### Our vision

Successful social landlords delivering good outcomes for tenants, homeless people and others.

##### Our corporate plan

In our Corporate Plan 2015-18 we set out the priorities that flow from our objective and vision, they are:

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

##### What we will do

- 1 empower tenants and other service users to hold their landlords to account
- 2 be a catalyst for landlords to improve their services, governance and financial health
- 3 identify and raise awareness of risks to the interests of tenants and other service users
- 4 act to protect the interests of tenants and other service users, quickly and decisively when necessary
- 5 help to maintain lender, investor and public funder confidence in social housing.

#### Context for 2018/19 operating plan

- a high level of serious regulatory cases including statutory interventions
- our review of our Regulatory Framework (including a review of the Scottish Social Housing Charter indicators and creation of a new Corporate Plan)
- scoping and delivering changes and improvements to our BI system to utilise capital funding
- our work to support the Scottish Government's legislative response to the classification of RSLs
- our compliance obligations as a public body

#### Our 2018/19 budget

- Revenue budget of £3.885m, up by £85k from 2017/18.
- Capital budget of £600k
- Non-cash budget of £240k (for depreciation of our IT assets and our notional external audit fee)

#### Risk & oversight

We identify in our risk register those key risks that could prevent us from fully achieving our priorities and statutory objective. Our Management Team reviews the register each month and develops risk treatment plans to manage and mitigate specific risks. Many of the activities in our operating plan help us to manage the identified risks. Our Management Team considers the progress in achieving our operating plan alongside our budget position, risk register and risk treatment plans each month. It will assess new and emerging risks and reprioritise activity and resources accordingly. We will report on risk, budget and corporate performance to the Board quarterly and if required via the Chief Executive's Board report.

## Appendix B – Part 1 of request - Information provided FOI/15/00095 for 2018

Below this overarching operating plan, we also have divisional plans and individual project plans, which set out further detail on our work, milestones, timescales and responsibilities that support our operating plan. Directors monitor and report Divisional progress to the Chief Executive.

This year we have set our operating plan to develop and deliver change as well as meet our duties. We will monitor our capacity and the resources available throughout the year and discuss any changes with the Board.

### Communications

We will publish a summary of our annual operating plan on our website and report on our performance in our annual report and accounts.

#### Review of the Regulatory Framework

We manage the review of our Regulatory Framework through a detailed programme. The Programme Board has oversight of the programme and the Board is provided with regular updates on progress. Key tasks for 2018/19 include:

- Support the Programme Board and Management Team to oversee the Framework review regularly update SHR's Board
- Consider findings from our stakeholder communications survey by May 2018
- Consider analysis of feedback from the Discussion paper and publish a summary of our response by end September 2018
- Take forward our CivTech challenge to improve data accessibility by end December 2018
- Agree the proposed Regulatory Framework with the Board by October 2018
- Draft a package for formal consultation including the Regulatory Framework and all association guidance for publication in October 2018
- Deliver a programme of stakeholder engagement to support the consultation, including working with TPAS and TIS to deliver 8 tenant events.
- Agree and communicate our response to the conclusion of the Ministerial action groups on homelessness and tenant safety.
- Develop proposals, consult and finalise any amendments to the Charter indicators.
- Issue revised Charter indicators by end February 2019
- Scope out BI changes required to deliver the new Regulatory Framework for implementation by end March 2019.
- Analyse and consider feedback from the formal consultation and develop our new Framework for publication in February 2019 and implementation by April 2019
- Deliver changes related to RSL reclassification in line with the legislative timetable.
- Develop a new Corporate plan for publication in April 2019 and agree a schedule for refreshing related policies and guidance such as Equalities Strategy, Anti-bribery policy and the Health & Safety statement

#### Planned and cyclical regulation work

##### Cyclical Scottish Social Housing Charter work

- Collect 2017/18 Charter data by end May 2018
- Complete data sense and integrity checks by June 2018 including follow up discussions with landlords
- Publish landlord reports and updated comparison tools by end August 2018
- Publish national report on the Charter by end August 2018

##### Oversee our current and any future statutory interventions

- For each intervention:

- Assess achievement of regulatory strategy
- Consider reports from appointed managers and appointees
- Review appointments
- Publish case study reports following conclusion.

#### Current statutory intervention work

RSL	From	To	Total Homes	Board members appointed	Statutory Managers appointed
Dalmuir Park	Dec 2017	→	654	6	1
Kincardine	Nov 2017	→	72	0	1
Molendinar Park	March 2017	Oct 2017	583	4	n/a
Wishaw & District	Feb 2017	→	973	5	1
Arklet	Feb 2017	→	361	3	1
Antonine	Aug 2016	→	337	6	1
Ferguslie Park	Feb 2016	→	803	3	1

- Publish a lessons learned report on the first three interventions

#### Risk Assessments

- Throughout 2018/19 we will deliver regulatory engagement as set out in the Regulation Plans and Local Scrutiny Plans published at the end of March 2018.
- Develop approach to the 2018/19 risk assessment and agree this with the Board by October 2018 taking account of the Regulatory Framework review and changing landscape.
- Publish information on the indicators that we will use in 2018/19 to assess risk by November 2018.
- Carry out a full risk assessment for all social landlords for our planned scrutiny work in 2019/20 by March 2019.
- Publish Regulation Plans and Local Scrutiny Plans by end of March 2019 and a summary of the outcomes of the 2018/19 risk assessments by end of March 2019.

#### Finance

- Publish tables on key financial metrics for RSLs – by November 2018.
- Carry out two treasury management reviews by March 2019.
- Publish a report on loan portfolios by November 2018 and report on the financial health of RSLs by March 2019.

#### Responsive regulatory work (Subject to any changes implemented by new legislation)

##### Scrutinise and respond to:

- consents applications within published timescales
- notifiable events
- Significant Performance Failure reports and publish details of confirmed SPFs on our website
- complaints about landlords, whistleblowing concerns, allegations, risk events and S72 notifications
- Develop and implement a strategy for any landlord with significant weaknesses in performance, governance or financial health
- Respond to complaints about SHR, reviews and appeals in line with published timescales and refresh the related policy and guidance by March 2019
- Respond to any registration or deregistration applications

#### How we involve tenants and other stakeholders in our work

We will engage with all our stakeholders as part of our Regulatory Framework review. The engagement below reflects our general engagement with stakeholders on operational regulation.

##### Involving tenants & others in our work

- Work with our National Panel, which will involve a retendering exercise for a new contract for 2018/19 ahead of the 2018/19 programme of work
- Review our approach to engaging with tenants following the conclusion of the Scottish Government's review of the Regional Tenant Organisation Networks
- Continue to work with our Tenant Advisors and RTO Liaison Group until we conclude the review or our approach.
- Engage with TIS/TPAS

#### Stakeholder Engagement

- Continue to engage with statutory stakeholders and partner scrutiny bodies on our regulatory work
- Participate in, and represent SHR's interests at, the Strategic Scrutiny Group
- Participate in, and represent SHR's interests at, the Scottish Delivery Bodies Group

#### Landlords and their representative groups

- Meet with the Boards of SFHA and GWSF at least once in the year
- Meet regularly with ALACHO, SFHA and GWSF at operational level
- Meet with the Systemic Importance Forum

#### Lenders and investors in social housing

- Engage with the UK Finance
- Engage with individual current investors in social housing
- Engage with prospective investors in social housing
- Engage with Scottish Government with particular focus on the new build target

#### Engage Scottish Government to discuss emerging issues and risks for RSLs

- Regular meetings with the Chair and the Director of Housing, Regeneration & Welfare
- Regular liaison with Scottish Government's deputy directors and policy staff
- Regular liaison with Scottish Ministers in line with our Framework agreement
- Participate in the Scottish Government's Scottish Housing Policy Delivery Group

#### Engage with Auditors

- Host auditors forum in 2017/18

### Our Corporate work

#### Consider and respond proportionally to corporate compliance duties:

- Ensure we are fully prepared for the introduction of the new data protection regime (General Data Protection Regulation) by May 2018
- Continue to refine our **records management & information security** practices led by our SIRO / Information Asset Owner group and provide an update on our Records Management Plan to the Keeper by end May 2018.
- Publish a statement of compliance with the **Public Services Reform** (Scotland) Act by August 2018.
- Report on **whistleblowing** in our annual report by end of Sep 2018.
- Meet our **environmental** and **biodiversity** duties by submitting a **Climate Change** report by November 2018.
- Publish a **sign language** plan by October 2018.
- Meet our statutory **health and safety** duties: Including quarterly cross-divisional health and safety committee and trade union rep meetings, active risk management and regular workplace inspections.

- Meet our other statutory duties as a public body on other corporate activities such as:

- equalities
- SPSO complaints handling and reporting duties
- freedom of Information
- procurement

#### Support good governance in SHR

- Support Board recruitment of two new members by 1 April 2019.
- Provide secretariat support and corporate governance advice to the Board, Audit & Risk Assurance Committee, Regulatory Framework Programme Board and any appeals panel, including:
  - Standing orders review for April 2019, Board & ARAC meetings, appraisals, development sessions, governance reviews, events & workshops, regulatory updates & briefings, stakeholder engagement
- Provide secretariat support for Management Team and if required the Executive Team
- Support our risk management strategy

- o including supporting Management Team, ARAC and Board reviews and the Annual Board risk workshop

#### **Development and workforce planning**

- Co-ordinate learning and development activities and events within available resources
- Maximise budget spend on staff resources

#### **Budget management, accounts preparation and corporate performance**

- Manage our budget, including monthly (management team) and quarterly (Board monitoring reports)
- Support the annual internal and external audit programmes and onsite work
- Produce quarterly corporate Board performance reports
- Design & publish SHR's 2017/18 annual report & accounts by September 2018 and support presentation to Parliament Committees by December 2018
- Publish a summary of our 2018/19 operating plan by May 2018
- Produce our 2018/19 annual report & accounts for Board approval by March 2019
- Engage with Scottish Government on the next Spending Review in Autumn/ Winter 2019
- Respond in line with all our published performance targets

#### **Effective Communications**

- Promote our profile proactively through media and stakeholder channels in line with our communications strategy
- Provide guidance for staff on tone and style and further develop our use of infographics, to help us communicate succinctly and confidently
- Develop and implement a refresh of our website to improve accessibility & reflect the new Regulatory Framework by March 2019
- Continue to engage proactively with Scottish Parliament Committees

#### **Business Intelligence**

- Provide user support and a helpdesk throughout the year
- Manage the BI Contract and support governance oversight
- Procure a new BI contract to be in place from June 2018
- Scope and deliver a programme of capital work to respond to user feedback, future proof our systems and support implementation of the Regulatory Framework Review.
- Establish and work with a Loan Portfolio user group to drive improvements in user experience.

#### **4. 20 March 2018 Extracts of Regulatory Framework update– the rest is not in scope or covered by exemptions set out in appendix A**

##### **Update on stakeholder feedback, March 2018**

We have now had roundtable meetings with stakeholders in Edinburgh (31 January), Aberdeen (6 February) and Glasgow (7 March), with the advice agencies (2 February), with the Board of the CIH (9 February) and at the CIH conference (27 February).

We have also met with LGBT Youth Scotland, the RTO regional networks, our RTO Liaison Group, UK Finance, HouseMark's Value for Money Club, and our forum of systemically important RSLs. Here are the main themes from the feedback so far.

**Overall** feedback has been extremely positive. Stakeholders are comfortable with the direction we are proposing, they recognise that there is much continuity, and they understand what we are trying to change and achieve with our new proposals.

#### **5. 20 March 2018 Extracts of Chief Executive report– the rest is not in scope**

We presented the findings of our work on the **section 5 homeless referral process in Glasgow** to the Housing Access Board on 7<sup>th</sup> February. The Board comprises the Council, Glasgow and West of Scotland Forum, Glasgow Homeless Network and the Wheatley Group. Thereafter we have engaged with each of the participating landlords to provide direct feedback on our findings. We will publish a report on our findings

and recommendations and provide this to the Minister and the Local Government and Communities Committee. We've had to divert some of our resource from this work to deal with some new serious cases in RSLs, and this has means that the earliest we will publish is the end of the month. We will set up a an opportunity for the Board to more fully consider the outcomes from this work at a future Board meeting.

We met with the **Health & Safety Executive** (HSE) in early February to discuss the tenant safety landscape and our respective roles. We agreed that there is potential for them to share more information with us in relation to their engagement with landlords. This could be particularly useful for local authorities, as they are not covered by our notifiable events requirements. We discussed developing a Memorandum of Understanding to codify this information exchange and will explore this further with them. The HSE's role in relation to social landlords is primarily reactive, however they would be interested in contributing to joint messages for landlords in relation to specific issues and risks. For example they suggested highlighting landlords' responsibilities to vulnerable tenants in relation to scalding (particularly for landlords who provide care homes and other supported accommodation). Again we will explore this further with them.

## 6. 29 May 2018 - Kincardine Housing Cooperative – redacted information is covered by the exemptions set out in Appendix A

**Status: Official sensitive**

### The Board of the Scottish Housing Regulator

**Subject:** Kincardine Housing Co-operative

**Purpose:** For decision

**Agenda item:** AG7 05/18

**By:** [REDACTED]

**Meeting date:** 29 May 2018

#### 1. Introduction and purpose

This paper sets out our regulatory engagement with Kincardine Housing Co-operative (KHC) and the evidence for recommending that the Board directs KHC's assets to another RSL. Under SHR's standing orders a decision to direct the transfer of an RSL's assets to another RSL is reserved to the Board.

#### 2. Recommendations

The Management Team recommends that:

- the Board agrees to KHC's tenants being consulted about a proposed direction under s67 of the Housing (Scotland) Act 2010 ('the Act') to transfer all of KHC's assets to a suitable RSL; and
- the Board delegates authority to the Chief Executive to approve the transferee RSL to be included in the tenant consultation; and
- that a further report is brought to seek the Board's decision about making a direction to transfer, having regard to any views expressed by KHC's tenants.

#### 3. Background

3.1 KHC registered as a social landlord in 1991. It is a non-charitable, fully mutual co-operative which owns and manages 72 socially-rented homes in Aberdeenshire with housing stock in the towns of Portlethen (around 80 per cent of its stock), Fordoun and Stonehaven. It does not employ any staff but manages its stock through a managing agent – currently Osprey Housing Ltd – which delivers all its services. Its turnover for the year to 31 March 2017 was just over £287k. It has no loans and currently has cash reserves of £617k based on the draft management accounts as at 31 March 2018.

3.2 We had no engagement with KHC before December 2015. KHC had been submitting its annual regulatory returns and we had no concerns about the information submitted. However, in December 2015 a new Chairman was appointed and our interaction with KHC increased from then. We provided advice and signposted the Chair to sources of information and support and we found an experienced Chair who agreed to mentor KHC's Chair. Over time, more issues came to our attention which raised concerns for us about KHC's governance and we investigated matters further and increased our engagement. We issued a Regulation Plan in September 2017 (medium engagement) highlighting our concerns and that KHC had agreed to an independent investigation into potential breaches of its code of conduct.

3.3 In November 2017 we issued a further Regulation Plan (high engagement) and stated that the management committee did not understand its role and responsibilities, was unable to function effectively, and that there was a serious and imminent risk to the interests of tenants. To ensure tenants were provided with housing services and to protect KHC's assets we:

- appointed a manager under s58 and s59 of the Act;
- restricted Kincardine's dealings under S66 of the Act; this restricted Kincardine from undertaking financial or other transactions and making payments; and

- suspended the Chair of the management committee under s61 of the Act. Since then we have continued to engage with the management committee and direct the statutory manager.

#### 4. Inquiries

4.1 Section 67 of the Act empowers SHR to direct an RSL to transfer some or all of its assets to another RSL if certain conditions are met:

- the Regulator must have made inquiries; and
- must consider that there has been misconduct or mismanagement in an RSL's financial or other affairs (s. 67(1)(a)), or, that an RSL's viability is in jeopardy for financial or governance reasons or, because it cannot provide housing services to an acceptable standard (s.67(1)(b)); and in either case,
- the Regulator must also consider that a transfer of some or all of an RSL's assets would improve the management of the assets.

4.2 Our "inquiries" include our engagement with KHC, information from the statutory manager and information contained in two independent investigation reports. We have involved KHC at every stage.

4.3 The statutory manager instructed Altair (consultants) to conduct a review of KHC's governance and financial management systems. Altair produced a report in April 2018. This was in addition to an earlier review commissioned by KHC's management committee which was carried out by CGPM into governance issues which resulted in a report in February 2018. Both reports give rise to serious concerns about the manner in which KHC has been managed by the committee. We have studied these reports and agree with their conclusions.

4.4 Issues from our inquiries that give rise to significant concern include:

- A lack of engagement with tenants; KHC's committee does not recognise its accountability to tenants and others and does not seek out the needs and views of tenants to take these into account in its decisions.
- The management committee has not set a strategic direction and does not have financial plans in place to achieve its purpose; it has no long-term vision for the future of its properties or direction of its business.
- No business planning, control framework or systems in place to monitor or report delivery of its plans; no asset management strategy.
- Absence of an effective risk management control framework.
- Failure to recognise conflicts of interest; declarations of interests are not managed properly.
- The committee has not demonstrated an understanding of its legal obligations, the regulatory framework or sector good practice; it does not understand its role and is not able to discharge its responsibilities.
- Critical business decisions (such as on rent proposals) taken without important strategic information and without considering the financial impact of such decisions.
- Decision making did not comply with its constitution or adhere to Regulatory Standards or its legal obligations, and some decisions could not be evidenced.
- The Chairman acted autonomously, making decisions and authorising payments he was neither delegated nor authorised to do.
- Failure to recognise behaviours as potential breaches of KHC's code of conduct.
- Sixteen percent of KHC's properties (11 homes) do not meet the Scottish Housing Quality Standard and it has no robust plans to address these failings; the lack of knowledge and strategic planning in relation to the maintenance of its homes is a serious risk to KHC's financial health.
- Committee members do not act in the best interests of KHC and demonstrate very poor governance behaviours and standards of conduct such as committee members taking decisions which personally benefit them.
- No committee member induction, role profiles, effectiveness reviews, appraisals, skills analysis, reviews or assessments taking place. No formal process in place to recruit committee members; no training of committee members to obtain the collective expertise required.
- Activities which fall within the remit of the managing agent being carried out by the Chair.
- Findings by Altair (with which we agree) that KHC is non-compliant or only partially compliant with all six Regulatory Standards.
- Mismanagement by KHC of its relationship with its management agent, Osprey, such that Osprey intends to discontinue the provision of services to KHC by 30 June 2018.

4.5 The independent investigation commissioned by KHC into alleged breaches of the code of conduct by [REDACTED] has also been completed and this found serious governance weaknesses and that most of the allegations against [REDACTED] were upheld. The investigation report also found that [REDACTED] resigned from the committee on 27 February 2018 [REDACTED]

4.6 The current managing agent, Osprey, has advised that it no longer wishes to provide services from the end of June 2018 because of its concerns about KHC's governance. KHC carried out a tendering exercise for managing agent services in 2017 and this tendering exercise failed to attract any tenders for a new managing agent. The governance failures at KHC are directly affecting its ability to deliver housing services to its tenants. There are no alternative arrangements to provide managing agent services and KHC will be unable to provide housing services to an acceptable standard.

4.7 We asked KHC's management committee for its comments on the failings identified in both reports and, in particular, for its proposals on how it could rectify its failings. The deadline for that response was 4 May 2018 and we met the committee on 15 May 2018 to discuss its proposals. Although only formally submitting one proposal via its solicitor (to appoint a new managing agent), the committee told us on 15 May that it had agreed three options. The other two were: to form a constitutional partnership, or to agree to whatever SHR thought was the best way forward for the RSL. We discussed the first two options pointing out that both would require the commitment of the committee members and vastly improved governance. The committee openly accepted that it could not guarantee either of these. It has been in

a state of extreme flux since 2016 with eleven members joining, seven of whom have since resigned. In fact the committee's membership has now dropped to less than the constitutionally required seven members and so it can no longer function. The committee confirmed it could not find new governing body members. In addition it currently has no Chairperson, no Secretary and no Treasurer.

4.8 Despite being given this opportunity to engage constructively with us to provide assurances that they are able and willing to deal effectively with their governance problems, KHC's proposals for remedying the issues are unsatisfactory and lacking in detail. Consequently we are not satisfied that KHC are presently capable of addressing the failings that are identified in the reports. In the interim there will be a need for costly professional support to ensure that KHC functions effectively, delivers services to its tenants and has some form of stable strategic direction.

4.9 Our concerns about governance issues at KHC, particularly the recent change in KHC committee numbers to below the minimum required for continued operation, also point to the viability of KHC being in jeopardy for governance reasons. KHC would require statutory appointees to make the committee quorate and KHC's committee will not be able to function independently otherwise.

4.10 We consider that the governance and financial management weaknesses are serious and expose KHC and its tenants to substantial risks. We consider that the weaknesses require to be urgently addressed. We do not have confidence that KHC can address our concerns and resolve its governance problems. We have used three statutory powers and this has given us assurance that the immediate risks to tenants' interests are being addressed. But we are clear that our statutory action will not resolve the underlying poor governance at KHC because KHC does not have the willingness or ability to address its weaknesses.

4.11 In all the circumstances we believe that it is necessary and reasonable that KHC's assets are transferred to another RSL. The alternative would be to extend the appointment of the statutory manager, to find and appoint experienced committee members to lead the RSL, and find a new managing agent. This is not sustainable in the long term and a costly option for an RSL with limited funds.

4.12 We have considered all of this evidence about the governance and management of KHC to arrive at our own view on whether the conditions for exercising the powers under section 67 are satisfied. Having made inquiries, we consider that there has been misconduct and mismanagement in KHC's financial and other affairs, that its viability is in jeopardy for governance reasons, and that a transfer of all its assets to another RSL under s67 of the Act would improve their management.

4.13 The Act allows for the transfer of some or all of KHC's assets to another RSL. KHC only has 72 properties and we recommend that all should be transferred to a recipient RSL, to be identified.

## 5 Tenant consultation

5.1 Should the Board agree to the proposed transfer of assets, our next step will be to identify the transferee RSL and consult with KHC's tenants about the transfer. We will identify a transferee RSL that is in good financial health, meets Regulatory Standards and can improve the management of KHC's assets. We will carry out an assessment of each potential transferee landlord and select one landlord to be included in the proposal for tenant consultation.

5.2 The Act requires that before making a direction we must consult the tenants of any houses we propose to transfer. This requirement is a 'consultation' and not a requirement to hold a ballot as in the case of a voluntary transfer of engagements. We are required to have regard to the views expressed but tenants cannot veto the transfer. We are very conscious that KHC's tenants may be worried about the potential transfer and the effect on their tenancy and their homes so we will work with the statutory manager and appoint an experienced independent tenant advisor (such as TIS or TPAS) to work with tenants to ensure they are fully informed about the proposal and to gather their views. We will have to pay for this independent advice and fund it from our contingency budget. This is unplanned expenditure and we will need to review the budget position at mid-year review.

5.3 It is also important to note that the consultation will be about the proposal to transfer KHC's assets. No decision will have been made at that stage. It will be necessary to confirm the reasons for SHR considering the transfer while making it clear that we have not pre-judged matters or made a final decision pre-consultation.

5.4 We will bring back to the Board the views expressed by KHC's tenants in order that the Board can make its final decision on whether or not to direct a transfer taking account of the tenants' views.

## 6 Risks and implications

6.1 **Financial** – we have incurred costs for legal advice and will require further legal advice. However we are already archiving our legal advice on potential directed transfer cases and we will ensure that this and our experience of dealing with KHC feeds into future cases of this nature. In addition we will have to fund the consultation with tenants about the proposed transfer.

6.2 **Legal** – we will obtain legal advice on this proposal to ensure we are fully discharging our duties and working within our legislative framework. We have received advice throughout our engagement with KHC to guide our actions and will continue to do so. The legal advice we have received to date is reflected in the evidence we have considered and the approach set out in this report.

6.3 **Environmental** – none.

6.4 **Equalities & Diversity** – we will carry out an Equalities Impact Assessment and take this into account particularly when developing the tenant consultation process and material.

6.5 **Privacy & Data Protection** – we will carry out a screening exercise to consider the potential implications of our proposal and consider whether a full Privacy Impact Assessment is required. The proposal will result in us collecting data on KHC's tenants to allow us to carry out the consultation exercise and we will carefully consider the implications and take advice on how this must be handled.



6.6 **Communications & Media** – we anticipate there will be media interest because this would be the first directed transfer using the current legislation. We will develop a detailed communications plan to ensure the messages are managed.

6.7 **Reputation** – we will engage with key stakeholders. The successful management of the tenant consultation process and our communications will be critical for our good reputation.

6.8 **For Regulated Bodies** – this will have a direct effect on KHC and the transferee landlord.

## 7. 29 May 2018 - Extracts of Chief Executive Report and appended quarter four performance report– the rest is not in scope or covered by exemptions set out in appendix A

As the Board is aware, we commissioned **independent stakeholder communications research** earlier this year. We hope to have the report finalised ahead of the May Board meeting and we will circulate it to Board members separately.

The findings are positive and indicate that, overall, stakeholders feel the amount, frequency and quality of information we produce is generally about right. There is broad support for the improvements we have made to modernise our publications. The detailed feedback is helpful, and we will play this into our regulatory framework review and related work. We plan to publish the report over the next few weeks.

In a similar vein, we are working with Craigforth to finalise the report of the **National Panel's 2017/18 feedback**. As with the stakeholder research, we will share it with the Board as soon as it is finalised. Again, there is a wealth of feedback in the report that is relevant to our framework review, around:

- tenant safety
- our reporting and communications
- landlord performance information
- rent affordability
- users of homelessness services.

The management team has reflected on the discussion on our **risk register** at the Board strategy day. We have begun reviewing and redrafting our risks with a clear eye on reducing the number and giving a sharper focus to strategic risks that relate directly to our objective. Our early discussions have identified issues of both timing and scope, leading us to conclude that there is value in broadening our review of the risks themselves to a wider review of our risk management strategy. We believe this is the most effective way to align our risk management with wider strategic work strands.

On *timing*, consideration of our key risks is inevitably - and rightly - framed around our emerging regulatory framework and our future corporate priorities. And the Board development workshop on 26 June will be important in this regard. On *scope*, changes to our approach are likely to go beyond individual risks and impact on our broader risk management strategy.

We propose that in the very short term we continue to work with our current risk register, and we bring that register to ARAC in June and September with follow-up reporting to the Board in August. Alongside that, we will continue to develop a new, shorter register of risks and to review our risk management strategy. We would bring a proposed new register and refreshed risk management strategy to the 30 October Board. This timing would enable us to take full account of strategic risk in the development of our corporate plan.

We will be meeting with the **Equalities & Human Rights Commission** (EHRC) on 31 May to discuss our respective roles with a particular eye to our Framework Review. We will update the Board on developments following our meeting.

The Scottish Government reports this week on its review of social landlords' progress towards meeting **minimum site standards for Gypsy Traveller sites**. In May 2015 Scottish Government published guidance on minimum site standards, and site tenants' core rights, which it expected every local authority and Registered Social Landlord Gypsy/Traveller site to meet by June 2018. It carried out its review to assess progress towards meeting the standards. It found that many sites will meet the standards by the deadline however some sites will not. It has confirmed that it expects site providers not currently meeting the standards to make the required improvements as soon as possible.

The Housing Minister has emphasised to site providers his personal interest in ensuring site residents receive these minimum standards and that improvements need to be made.

The minimum site standards are part of outcome 16 of the Scottish Social Housing Charter – the outcome that describes what social landlords with responsibility for managing Gypsy/Traveller sites should be aiming to achieve.

We assess and report on how well social landlords perform against all of the standards and outcomes in the Charter, including outcome 16. Scottish Government colleagues have kept us informed about the review and we will analyse the review findings to ensure we can carry out appropriate follow up work and engage with landlords about their site standards.

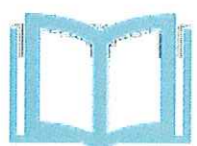
We have appended the end of year **corporate performance report**. This shows the work that we completed in 2017/18 and the tasks that have rolled into 2018/19

**Active Statutory Interventions**



RSL	From	Total Homes	Board member	Manager	Failure in:
Ruchazie	Ma 18	225	4	1	Governance
Dalmuir Park	Dec 17	654	6	1	Governance & management
Kincardine	Nov 17	72	0	1	Governance & delivery of services, protection of assets & management
Wishaw & District	Feb 17	979	5	1	Governance, financial & risk management
Arklet	Feb 17	361	3	1	Governance & financial management
Antonine	Aug 16	337	6	1	Governance
Ferguslie Park	Feb 16	803	3	1	Governance

**Regulation Plans Summary**



	Mar	Aug	Nov	Jan	May	Movement
High	7	7	6	8	8	At the end of March we published new regulation plans reflecting the outcome of our risk assessments
Medium	49	51	53	51	56	
Total RSLs with Regulation Plans <sup>3</sup>	56	58	59	59	64	
RSLs with no regulation plan (Low)	105	103	103	103	94	

We have high engagement/scrutiny with: Dumfries & Galloway, Glasgow City, East Dunbartonshire & Shetland Councils  
 We have on-going monitoring with 16 other local authorities

**Sources of engagement & regulatory intelligence**

**Reasons**



- Risk Assessment
- Allegations brought to us & whistleblowing
- Data accuracy visits & notifiable events
- Information from a managing agent
- Former statutory intervention continues as high engagement
- Misconduct of the senior officer
- Breaches of, and failure to manage, Board code of conduct
- Board and management incompetence
- Poor Board control and understanding of conflicts of interest
- Poor management / control of RSL's maintenance function
- Homelessness services and service quality

**Planned Work Completed in Q4**



- ✓ Reported on data accuracy visits
- ✓ Moved office
- ✓ Agreed risk assessment outcome & published regulation plans & scrutiny plans
- ✓ Published an outcome summary of our risk assessments
- ✓ Published reports on RSL borrowing and financial health
- ✓ Published repairs thematic
- ✓ Scoped out preparation for sign language plan
- ✓ Discussion paper published & related stakeholder engagement

**Unplanned activity completed in Q4**



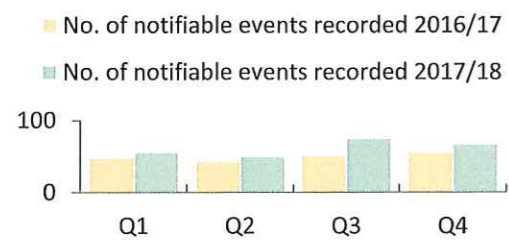
- Completed**
- ✓ Mapped landlords' tenant safety obligations
  - ✓ Published account of intervention at Molendinar Park
  - ✓ Prepared for GDPR
  - ✓ Carried out communication research with stakeholders
  - ✓ Participate in CivTech bid
  - ✓ Statutory Manager workshop

**Work re-prioritised and rolled into 2018/19**



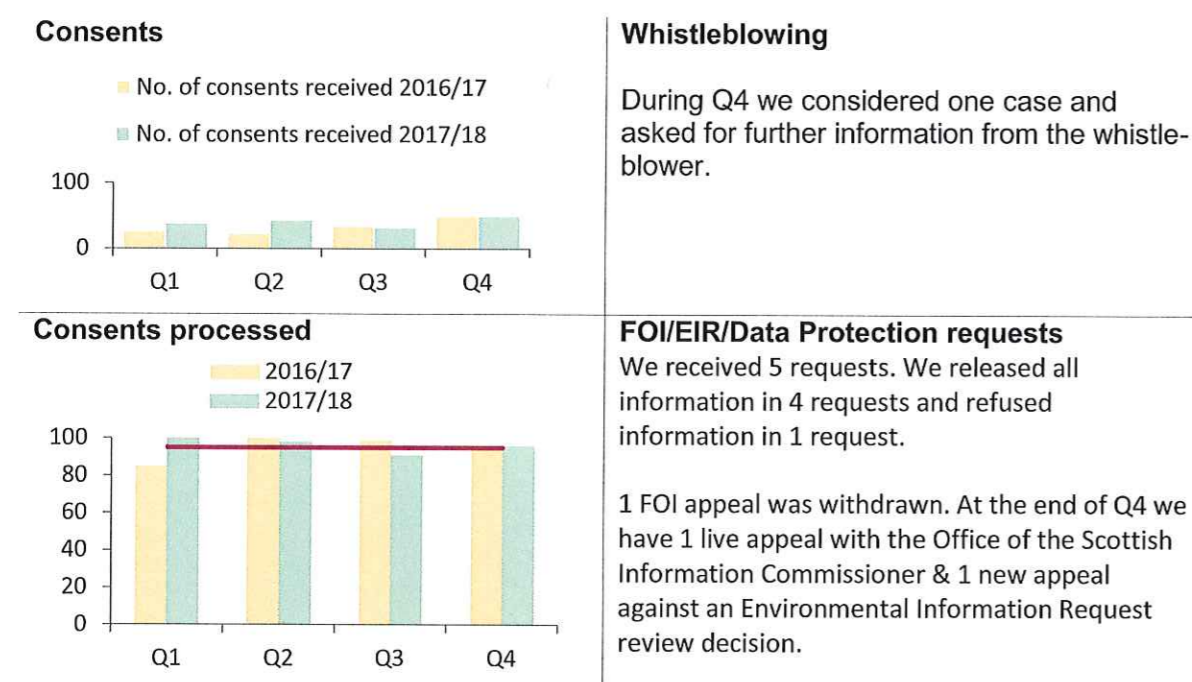
- Increase in reactive regulation (see page 1)
- Engagement with Scottish Government, Councils and RSLs on transfer of tenanted properties
- Scope and deliver new package of BI changes
- Spike FOI in requests, reviews and appeals
- Review approach to FOI
- Behavioural insights workshop for Management Team
- Procedures for reporting to the relevant authorities
- Published outcome of our work with the National Panel
- A lessons learned report on our first three statutory interventions;
- A review of our contingency planning tool;
- Our open data approach;
- Historic review of G drive & paper files;
- Review of our business continuity plan;
- Reviewing our approach to engaging with the new RTO Regional network structure;
- agreeing a plan in response to the Scottish Government's Cyber Security Action Plan
- submitting an updated records management plan to the Keeper

**Notifiable events**



**Significant Performance Failures**

During Q4 we did not receive any Significant Performance Failure applications.



**Complaints about SHR**

We received two complaints about us in Q4. Both were escalated to stage 2 and not upheld.

**8. 20 June 2018 – Audit & Risk Assurance Report – Extracts of the draft annual report cover paper – the rest is not in scope or covered by the exemptions set out in Appendix A**

Certificates of Assurance

Certificates of assurance were sought and received from Executive Team members for 2017/18. These were prepared together with internal control checklists to enable the completion of the Governance Statement section of the Accountability Report.

We also received certificates of assurance from Scottish Government in relation to the services we rely upon.

**9. 20 June 2018 – Audit & Risk Assurance Report – Extracts of risk report – the rest is not in scope or covered by the exemptions set out in Appendix A**

ARAC last reviewed the risk register at its meeting on 14 December 2017. Since then MT has kept the register under review. MT carried out its most recent review on 12 June.

At this meeting MT agreed to close risk R13 on the ONS changes, now that the Housing Amendment Act has been passed:

*“Stakeholder expectations of our role do not adjust in line with the proposed changes to our legislative framework following the ONS reclassification of RSLs, and therefore our reputation is damaged”.*

MT recognised that there is still a risk of a stakeholder expectations gap in relation to our role post-consents, so agreed to broaden risk R14 (rank 13) to encompass this and any other areas of our work. This risk had previously focussed solely on expectations in relation to homelessness.

MT also had a wider discussion about the sector’s risk profile, particularly in relation to investment and the increasing number of RSLs which are seeking finance through private placements. MT agreed to do some further scenario planning to explore how we might respond to potential landlord failure in these circumstances. It agreed to keep risk O1 (rank 4) under close review, but not to amend the scores at this time.

MT also noted that as part of the risk register review, it will be important to make linkages between our corporate risk register and the risk register for our Regulatory Framework Review.

MT will next review the risk register at its meeting on 24 July. The Board will review risk at its meeting on 7 August.

**10. 7 August 2018 - Extracts of quarter one performance report– the rest is not in scope or covered by exemptions set out in appendix A**

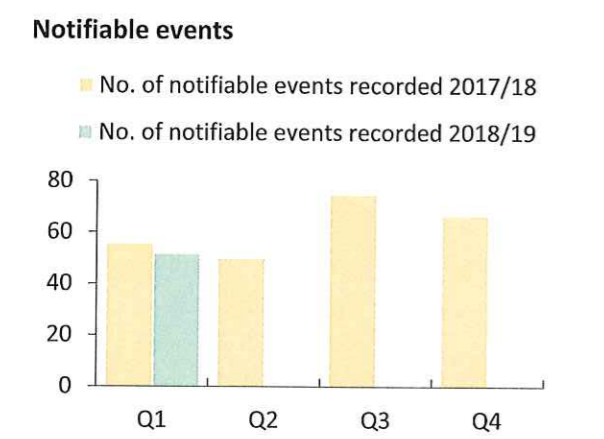
Statutory Intervention cases at end of Q4	RSLs	From	Total Homes	Board members	Stat Mgr	Failure in:
	Ruchazie	03/18	225	4	✓	Governance
	Dalmuir Park	12/17	654	6 now 5	✓	Governance
	Kincardine	11/17	72	0	✓	Gov, delivery of services, protection of assets & management
	Wishaw & District	02/17	979	5	✓	Gov, financial & risk management
	Arklet	02/17	361	3	✓	Gov & financial management
	Antonine	08/16	337	7 now 4	✓	Governance
	Ferguslie Park	02/16	803	3 now 2	✓ now none	Governance

Planned regulatory work	RSLs	Mar 18	June 18	Plan Movement ⇄	Local Authorities
	High	8	8	Charing Cross moved from low to medium	High engagement/scrutiny with: Dumfries & Galloway, Glasgow, East Dunbartonshire & Shetland Councils On-going monitoring with 16 local authorities.
	Medium	56	57		
	Total RSLs with Reg plans <sup>4</sup>	64	65		
	RSLs with no Reg plans (Low)	94	93		

Sources	Reasons for engagement
Risk Assessment, data accuracy visits & notifiable events Allegations brought to us & whistleblowing Information from a managing agent Two former statutory interventions continue as medium engagement	Misconduct of the senior officer. Breaches of and failure to manage code of conduct. Board and management incompetence. Poor board control/conduct & understanding of conflicts of interest. Poor management / control of services.

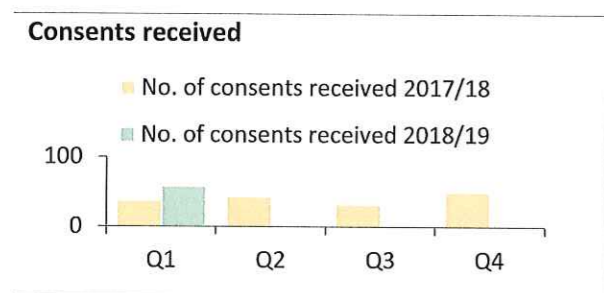
- Operating Plan work completed in Q1**
- ✓ Published 'What we will do 2018/19'
  - ✓ Considered and published stakeholder communications research
  - ✓ Collected Charter data
  - ✓ Prepared for GDPR
  - ✓ Submitted updated records plan to the Keeper
  - ✓ Reviewed statutory intervention at Kincardine and Dalmuir Park
  - ✓ Put in place new BI Contract
  - ✓ Held FOI awareness training from our legal advisors for staff
  - ✓ Held Board development day

- | Work rescheduled  | New tasks added to the operating plan   |
|---|---|
| <ul style="list-style-type: none"> <li>➤ Re-tender work for the National Panel contract will now be completed by Q2 instead of Q1</li> <li>➤ Bring forward hosting an auditor forum to Q2 instead of Q4.</li> </ul> | <ul style="list-style-type: none"> <li>➤ Scenario planning for RSL failure by March 2019</li> <li>➤ BI Homelessness work by Q2</li> <li>➤ Assess and report on Gypsy/Traveller site standards by end September 2018</li> <li>➤ Tenant consultation in relation to intervention in Kincardine</li> <li>➤ Produce new staff FOI guidance by Q2</li> <li>➤ Organisational restructure</li> </ul> |



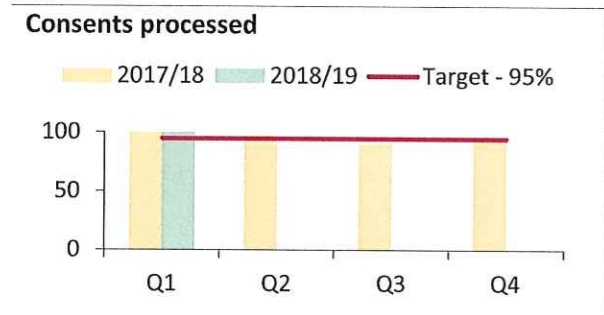
**Significant Performance Failures**  
 During Q1 we received 3 reports of a potential Significant Performance Failure. We assessed two as not being SPFs and are seeking more information on the third case.

**Whistleblowing**  
 During Q1 we considered 4 new cases:  
 1 - Concerns were not sufficient enough to raise with the governing body.  
 2 - Independent investigation ongoing.  
 3 - Related to an existing investigation.  
 4 - Repeat concerns. Considering if further engagement is required.



**FOI/EIR/Data Protection requests**  
 We received 4 requests. We released all information in 3 requests and partially released information in the fourth case.

The Scottish Information Commissioner (OSIC) ruled on one FOI appeal. During the appeal process we disclosed one email. OSIC found we should have disclosed this earlier but was satisfied that we correctly applied personal data and public affairs exemptions to all other withheld information.



The UK Information Commissioner contacted us about data protection concerns raised by an individual. After reviewing information from us they confirmed no breach of the DPA and took no further action.

**Complaints about SHR**  
 We received 1 complaint about us in Q1, which was not upheld at stage 1.

**11. 7 August 2018 - Extracts of Chief Executive report – the rest is not in scope or covered by the exemptions as set out in Appendix A**

In March we published the outcome of our inquiry into **Housing people who are homeless in Glasgow**. Following the inquiry, we required the Council to provide us with an action plan to address our findings and recommendations.

The Council has accepted the findings from our inquiry and has told us that it intends to implement all the recommendations. We received a draft improvement plan from the Council on 11 May. We told the Council that the plan did not provide sufficient detail to assure us that the actions the Council is proposing will adequately address the recommendations in our report. We subsequently met with Council officials on 11 June and 3 July where they updated us on actions it has taken since March (including realigning management structures and resources across the locality teams to improve performance and accountability) and its plans to implement the recommendations by the end of October 2018. The Council advised us that it expects to see improvements in its performance figures when it has completed this work.

We received the revised draft improvement plan and accountability framework on 13 July. This is better than the first draft, but overall the improvement plan and draft accountability framework still lacks sufficient detail and some of the proposed targets do not meet our expectations. We will continue to discuss this with the Council’s relevant senior officials, however we will now ask the Council to arrange a meeting for us with the Board of the Glasgow City Health and Social Care Partnership – the body with responsibility for homelessness services in Glasgow. [REDACTED]

The Board at its meeting on 29 May agreed that **Kincardine Housing Cooperative's** tenants be consulted about a proposed transfer to another RSL. Since that date we have worked to take forward the Board's decision. We secured Grampian Housing Association to act as management agent and to deliver landlord services to Kincardine's tenants from the end of June. This included us having to oversee how this was being communicated to tenants and to confirm the legal position for transferring Kincardine's tenants' personal data between the existing and new managing agent to get assurance this was being managed appropriately.

We extended the statutory manager's appointment and updated his remit to reflect the Board's proposed direction to transfer. We also extended the statutory restriction on Kincardine's dealings, which prevents it from undertaking financial or other transactions and making payments.

We identified three RSLs as suitable to be considered as potential transferee RSLs; Hillcrest, Grampian and Castle Rock Edinvar. All three of these RSLs are in good financial health, meet Regulatory Standards and we are confident they can improve the management of Kincardine's assets. The statutory manager is finalising the prospectus (details of Kincardine's properties, stock condition, rents, investment, etc) for issuing to the three RSLs. We will ask the three RSLs to set out what they will offer Kincardine's tenants. We have established the selection criteria and process for assessing the RSLs' proposals and determining the preferred transferee RSL to be put forward to the tenants.

We have developed the brief for an independent tenant advisor and we have started the process of commissioning an appropriate organisation to undertake that role. We will write individually to tenants to inform them about the consultation process.

We have carried out an equalities impact assessment so that it can be taken into account particularly when developing the tenant consultation process and material.

Kincardine's committee has only five members, and so is unable to function. We are identifying six appointees to the committee. These appointments will allow the committee to function and make those decisions which only the committee (rather than the statutory manager) can make. This includes signing off Kincardine's management accounts and signing off the transfer of properties to the successful transferee RSL (if the Board decides to direct a transfer of assets).

The ex-Chair of Kincardine sued the Cooperative for non-payment of expenses from his time as Chair. We ensured the case was defended and the Sheriff dismissed the ex-Chair's claim.

We met with Police Scotland to provide it with information about what had happened at Kincardine. Police Scotland advised us that it considered what happened at Kincardine to be a civil rather than a criminal matter.

We have an extensive project plan to manage the next steps in this process. These include the final selection of a preferred RSL to be put forward to the tenants, the commissioning of the independent tenant advisor and undertaking the formal consultation process with tenants.

We anticipate coming back to the Board in October with the views expressed by Kincardine's tenants in order that the Board can make the final decision on whether or not to direct a transfer.

We are in the process of drafting a report on the **lessons learned** from the first three statutory interventions. We have published detailed reports on each of the first three and we committed to reflect on and publish lessons learned from these cases. In addition to the three concluded interventions, we have a further seven continuing live intervention cases, and the potential for a further two. So, we believe it makes sense to reflect the reality of the current circumstances rather than present the three interventions and lessons as historical events.

Overall, we consider the main messages for RSLs are around the governing body understanding its role and responsibilities and seeking independent means of assurance about the organisation's performance. For us, it is around the time it takes to work through each intervention, where there are no quick fixes and each engagement has to be tailor-made for the individual circumstances. We will also highlight that we have already changed our approach, for instance by moving more quickly to a strategic review at the start of an intervention.

We will identify opportunities for the Board to contribute to the lessons learned, particularly those for SHR, in advance of finalising the report. This would also create the opportunity to consider any relevance in terms of messages and timing of publication to the Regulatory Framework consultation.

The Scottish Government has advised that it plans to commence the **Housing (Amendment) (Scotland) Act 2018** as early as September 2018. Following discussions with us, it has confirmed that it intends to set an "appointed day" in early March 2019 on which the provisions of the Act that relate to SHR come into force. This is a positive development as it avoids the need for us to draft, consult on and implement new guidance ahead of the consultation on our new Regulatory Framework.

In May 2015 Scottish Government published guidance on **minimum site standards for Gypsy Traveller sites**. Landlords are expected to have met the standards by June 2018. The minimum site standards are part of outcome 16 of the Scottish Social Housing Charter – the outcome that describes what social landlords with responsibility for managing Gypsy/Traveller sites should be aiming to achieve.

We assess and report on how well social landlords perform against all of the standards and outcomes in the Charter, including outcome 16. We are currently gathering information on landlords' compliance with the site standards and we will publish the outcome of that work later this year. We will then engage with individual landlords as necessary through our risk assessment and engagement planning process.

## 12. 7 August 2018 - Extracts of Board paper on SHR's annual report & accounts– the rest is not in scope

### 2017/18 Statement of Assurance from the Audit and Risk Assurance Committee to the SHR Board and Accountable Officer

- 1.1 In accordance with the Scottish Government's Audit Committee Handbook and the Audit and Risk Assurance Committee's Terms of Reference, as approved by the SHR Board, I am required to provide an annual assurance statement on the work of the Committee in 2017/18 and the extent to which that work met the assurance needs of the Board and the Accountable Officer.
- 1.2 I am pleased to report that the Audit and Risk Assurance Committee (ARAC) has completed its review of risk management, governance and internal control arrangements for the year ended 31 March 2018.
- 1.3 The Committee met five times during 2017/18 (24 April 2017, 22 June 2017, 24 October 2017, 14 December 2017 and 7 March 2018). The main sources of assurance considered by the Committee during the year were as follows:
  - External Audit - The Auditor General for Scotland appointed Scott-Moncrieff to perform SHR's external audit in 2017/18. In its report to those charged with governance on the 2017/18 audit, Scott-Moncrieff has confirmed that no material weaknesses in the accounting and internal control systems were identified during the audit and that its work did not result in any significant issues which it is required to report. Scott-Moncrieff has confirmed that it intends to issue an unqualified auditor's report in August 2018.
  - Internal Audit - Internal Audit services were provided by the Scottish Government's Internal Audit Division during the year. The Committee received regular updates on the internal audit plan for 2017/18 from the internal auditor and noted that no significant control weaknesses were identified by this work. Internal Audit's Annual Assurance Report for 2017/18 provided 'substantial assurance' on the internal control environment.
  - Risk Management - The Committee reviewed the SHR risk register at its meetings in April, June, October and December, and considered the effectiveness of risk management arrangements.
  - Management Assurances – The Committee sought and received assurances from senior managers throughout the year on a range of significant business issues including our business intelligence systems development and Best Value arrangements.
- 1.4 In conclusion, the Committee is satisfied that it has received the necessary assurances to confirm that effective risk management, governance and internal control arrangements were in place during 2017/18. The Committee recommends that the Board approves, and the Accountable Officer signs, the Annual Report and Accounts for the year ended 31 March 2018.

Signed on behalf of the Audit & Risk Assurance Committee:



Lisa Peebles, Audit & Risk Assurance Committee Chair

## 13. 7 August 2018 - Extracts of quarterly risk review – redactions covered by exemptions set out in Appendix A and the rest is not in scope

Across its recent meetings MT agreed to:

- increase the likelihood of **risk 01** on RSL insolvency, reflecting current casework;
- further develop our approach to scenario and contingency planning over the medium term, for example to consider finance through private placements and how we might respond to potential landlord failure in these circumstances;
- reduce the likelihood score for **risk R5** on landlord performance given positive messages from the latest national Charter analysis; and
- make linkages between our corporate risk register and the register for our Regulatory Framework Review, as part of our risk management review.

MT closed **risk R13** on ONS changes as the Housing Amendment Act has now been passed:

*“Stakeholder expectations of our role do not adjust in line with the proposed changes to our legislative framework following the ONS reclassification of RSLs, and therefore our reputation is damaged”.*

We recognise that there is still a risk of a stakeholder expectations gap in relation to our role post-consents, so MT has broadened **risk R14** to encompass this and any other areas of our work. R14

**Red risks - immediate action required**