



Scottish Housing  
Regulator

# Annual Performance Report & Accounts 2022/23



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# 1. Welcome message



Welcome to our annual report and accounts for 2022/23.

This year we focused our work on our priorities around giving tenants a strong voice, the quality and safety of homes, discharge of homelessness duties, and rent affordability and supporting landlords. We worked with stakeholders to provide landlords with advice on damp and mould and we published thematic reviews on rents and homelessness.

We also published our National Report on the Charter and findings from our research with our National Panel of Tenants and Service Users.

We engaged with landlords as set out in the plans we published in March 2022 and updated throughout the year. We carried out a comprehensive regulatory risk assessment of social landlords and published the outcome in engagement plans in March 2023. For

Registered Social Landlords (RSLs), we assessed 131 as compliant and 5 as working towards compliance. At 31 March 2023, we were not using our statutory powers to intervene in any landlords.

Moving into 2023/24 social landlords are faced with cost inflation, higher interest rates, and increasing requirements on quality of homes. This is all combined with huge demand for support from tenants who are facing genuine financial hardship, and there is pressure to keep rents as affordable as possible. We are seeing acute issues around homelessness, and temporary accommodation in particular. The year ahead is likely to remain unpredictable, volatile and difficult.

We recognise that the current context means that social landlords are likely to have to prioritise their attention and resources on the most critical and immediate issues, including tackling the acute problems in homelessness, alleviating fuel poverty and maintaining tenant safety. We are working with our stakeholders to understand what achievable priorities at a sustainable pace look like for social housing for the next year.

At the start of 2023/24 we published a new strategy detailing our regulatory priorities including homelessness, quality of homes, affordability and value for money. In 2023/24 we will carry out a periodic review of our Regulatory Framework as it is time to ensure that it remains up to date and effective. We will also respond to the Scottish Government's public service reform agenda.

We would like to thank our resilient and professional staff team, Board members and all the tenants, service users and stakeholders who have worked with us. We are grateful to Bob Gil who retired at the end of March 2023 having completed his second term with SHR Board. We welcomed the appointment of Andrew Watson from our Board to become our Deputy Chair. In 2023 we look forward to welcoming new staff, as we recruit to ensure we have the resources to continue to regulate effectively. We are also pleased that Scottish Ministers have reappointed Ewan Fraser, Colin Stewart and Helen Trouten Torres to our Board for a second term.

We would like to pay tribute to the hard work of all those who volunteer and work in social housing in Scotland. Together, they are supporting some of the most vulnerable people in Scotland.

**George Walker, Chair and Michael Cameron, Chief Executive**

## 2. Who we are and what we do

### Who we are

We are the independent regulator of social landlords in Scotland. Social landlords are made up of registered social landlords (RSLs) – housing associations and co-operatives – and local authorities (LAs) that provide housing and homelessness services. Our organisational structure is set out in the Directors' Report within the Accountability Report.

### What we do

We regulate to safeguard and promote the interests of current and future tenants of social landlords, people who are or may become homeless, and people who use housing services provided by RSLs and LAs.

We regulate social landlords by:

- keeping a register of social landlords and making this available for the public – all landlords on the register need to meet regulatory requirements;
- monitoring, assessing and reporting on how well social landlords are run and how they manage their money – we call this governance and financial management; and
- taking action, where we need to, to protect the interests of tenants and other service users.

We do this in a way that:

- is proportionate, accountable and transparent - this means we are open about how we work and we take responsibility for our decisions;
- is targeted – this means we only take action where it is needed;
- encourages treating people fairly and promotes equal opportunities; and
- is consistent with the Scottish Regulators' Strategic Code of Practice.

[Who we are](#)

[Watch a video about who we are and what we do](#)

### 3. Overview – Our work performance & achievements

This is a summary of our work during the year set out under the priorities we set out in our 202/23 Strategy. Further detail on all of this work can be found in section four of our annual report – performance analysis.

**We included tenants and service users in our work and we worked with our stakeholders by:**

- meeting with our [Regional Network SHR Liaison Group](#);
- carrying out research with our [National Panel of Tenants and Service Users](#);
- working with our new group of [tenant advisors](#);
- publishing a refreshed [strategy](#) and [video](#) on how we include tenants and service users in our work;
- meeting homelessness advice bodies;
- continuing our work with the Scottish Social Housing Resilience Group;
- meeting with our forum of Systemically Important RSLs;
- forming two new forums to hear from groups of urban and rural & islands RSLs;
- meeting with lenders and investors to the sector; and
- participating in a range of Scottish Government’s workgroups and task and finish groups with our stakeholders.

**We focused on the quality of the homes social landlords provide and with that the safety of tenants and residents, including the standards of Gypsy/Traveller sites by:**

- making tenant and resident safety, including gas safety, electrical testing and fire safety a key aspect of our risk assessment;
- meeting with Gypsy/Travellers representatives to discuss their priorities around standards;
- highlighting the importance of proactive systems and approaches to [mould and damp](#) to landlords and supporting sector work around briefings and advice;
- publishing [recommended practice on integrated asset management](#);
- updating our factsheets on [making complaints about a regulated body](#) and reporting [Significant Performance Failures](#); and
- engaging with Scottish Government around its review of Energy Efficiency Standards for Social Housing.

**We prioritise how Landlords’ discharge their duties to people who are or have experienced homelessness, with a particular focus on duties to provide temporary and settled accommodation by:**

- engaging with all local authorities on delivery of services and work with RSL partners;
- publishing a [thematic review of homelessness services in Scotland](#); and
- calling for Scottish Government to consider what further urgent measures it can take to support councils to respond to the challenges in delivering services for people who are homeless.

**We continued to support and review Landlords' recovery from the pandemic including handling of any backlogs in housing services by publishing:**

- the final [Covid dashboard](#) for the Scottish Social Housing Resilience Group;
- our [national report](#) on social landlords' performance against the standards and outcomes of the Scottish Social Housing Charter;
- a suite of performance information including individual [landlord reports](#), [comparison tool](#) and all the [statistical information](#) landlords provide under the Charter; and
- updated [advisory guidance](#) for landlords on surveying their tenants and service users.

**We focused on rent affordability and value for money by:**

- publishing a [thematic review of rent increases](#) by social landlords;
- [writing to landlords](#) on the developing policy position on rent increases and to advise them on tenant consultations;
- participating in the Scottish Government's emergency legislation task & finish group; and
- gathering and publishing information on [planned rent increases](#) from April 2023.

**We continued to prioritise Governance & financial health in RSLs with a focus on business planning by:**

- publishing [advisory guidance](#) on conducting reviews of compliance with Regulatory Standards of Governance and Financial Health;
- supporting landlords with guidance on [Annual Assurance Statement preparation](#);
- preparing for forthcoming visits to learn more about how landlords prepare their Annual Assurance Statements;
- publishing all submitted annual assurance statements;
- supporting landlords seeking to register or deregister;
- publishing our [analysis of RSL annual loan portfolio returns](#), an [overview of aggregate financial forecasts](#) and business plans and our annual [analysis of RSL Audited Financial Statement returns](#);
- engaging with social landlords as set out in our [engagement plans](#) for 2022/23;
- carrying out an [regulatory risk assessment](#) of every RSL and local authority and publishing updated engagement plans to reflect our plans for 2023/24;
- reporting on our previous [intervention at Fairfield Housing Association](#);
- completing a review of an RSL's approach to treasury management; and
- considering [whistleblowing](#) concerns raised with us.

**We demonstrated we were an effective public body by:**

- managing risks to our objectives and priorities and adjusting our workplans to mitigate and prioritise;
- continuing to support our staff team to work effectively in our office spaces and at home;
- operating within our budget;
- publishing and using [research on communications](#) with our stakeholders to inform our work;

- publishing our annual [statement of compliance](#) with the Public Sector Reform Act;
- maintaining our Cyber Essentials Plus accreditation;
- submitting a report on our progress towards climate change targets and setting dates for targets to reduce carbon emissions;
- responding in line with our [corporate targets](#) and the statutory targets for Freedom of Information and Subject Access requests;
- keeping our stakeholders up to date through our website, our twitter account - [@shrnews](#) and our SHR update ezine;
- giving evidence to the Scottish Parliament's Local Government and Communities Committee;
- taking part in the Civil Service [People Survey](#);
- publishing an [updated Equalities Statement](#); and
- achieving substantial assurance from our internal auditor and an unqualified audit opinion from our external audit.



## 4. Performance Analysis

This section of the annual report provides further detail to that covered in the overview around our work and performance during 2022/23 and is aligned to [our Strategy](#) for 2022/23, which we published in April 2022. This set out our vision for:

Well-run social landlords delivering what tenants, people who are homeless, Gypsy/Travellers and others who use social housing services need and want, and at a price they can afford to pay.

It also laid out our priorities for the year including:

- the quality of the homes social landlords provide and with that the safety of tenants and residents, including the standards of Gypsy/Traveller sites;
- landlords' discharge of their duties to people who are or have experienced homelessness, with a particular focus on duties to provide temporary and settled accommodation;
- landlords' recovery from the pandemic including handling of any backlogs in housing services;
- rent affordability and value for money;
- governance & financial health in RSLs with a focus on business planning; and
- being an effective public body.

In the Strategy we committed to achieve our objective & priorities, which have been informed by tenants and other stakeholders by:

- promoting a strong tenant voice;
- supporting landlords to do the right things for their tenants, people who are homeless and other service users; and
- taking effective, proportionate action where we need to protect tenants and others

We also recognise that our work will help to maintain lenders' and funders' confidence in social housing and contribute to the Scottish Government's National Outcomes.

### **Including tenants and service users in our work**

Including tenants and other service users in our work is very important to us. In March 2023 we published a refreshed strategy setting out how we do this. In this we set out our key objectives to:

- understand tenants' and service users' priorities and views;
- involve tenants and other service users in our regulation; and
- communicate with tenants and service users about our work.

We are fortunate to also have some Board members, appointed by Scottish Ministers, who are tenants and provide a valuable perspective to our work.

Read [our strategy](#) on how we include tenants and others or watch [our video summary](#).

The Regional Network SHR Liaison Group continues to be an important way for us to have meaningful dialogue directly with tenants. We met with the group four times during 2022/23. Some of our Board members attended these meetings to hear directly from tenants. At these meetings we discussed both our approach and the work going on throughout the four regions. We use this engagement to inform our approach to regulation. [Read the minutes of the meetings](#).

*The Regional Network SHR Liaison Group said “Regular engagement with SHR via the Regional Network SHR Liaison Group is a very useful forum for exchanging information on work and priorities. We appreciate direct access to SHR staff and that SHR Board members also attend at times to hear directly from us.”*

We also work with a National Panel of tenants and service users. It is one of the ways we find out what matters most to them and helps us focus. During 2022 we retendered management of the panel. Engage Scotland manages the National Panel on our behalf and began a refresh of membership in later 2022/23. The National Panel has around 450 tenants and service users.

In August 2022 we published the most recent research with the National Panel, which highlighted some tenants were struggling to manage their housing costs and wider finances. Panel members also fed back through the survey on a range of issues relating to landlords' key attributes, accessibility and responsiveness.

*Iain Muirhead, the Regulator’s Director of Digital and Business Support, said: “Once again, the National Panel report has highlighted the very real and continuing challenges being faced by tenants and their families in the current difficult economic context. This is even more sobering given that the survey work took place last year before the cost of living crisis started to escalate to its current level. This report helps to illustrate the critical and continued importance of the work landlords can do to support their tenants, including those who are struggling financially.”*

Our research work with the refreshed National Panel is ongoing and we will seek to publish the research findings later in 2023.

If you would like to join the National Panel please contact Engage Scotland Tel: 0800 433 7212 Email: [natpan@engagescotland.co.uk](mailto:natpan@engagescotland.co.uk)  
[Read the research from our National Panel of Tenants and Service Users.](#)

In May we appointed a refreshed group of 12 voluntary tenant advisors who are tenants of RSLs or local authorities to participate in our work. We have completed induction and equalities training with them and will ask them to carry out specific pieces of work for us and help us keep

tenants views at the heart of our work. During 2022/23 they provided feedback on our refresh of our Equalities Statement and started work on a review of the availability of information on landlords' websites about their tenant participation strategies.

[Find out more about Tenant Advisors and the other ways we involve tenants in our work](#)

### **Working with our stakeholders**

We appreciate being able to work closely and engage with all our stakeholders. It is important for us to hear from stakeholders, be able to share our plans with them, influence and work with them. This engagement includes our Board and we are very grateful to the stakeholders who have met directly with our Board to discuss challenges, priorities and future plans.

During the year we established and hosted meeting of two new forums for RSLs; one for landlords working in rural areas and the islands, and one for landlords working in urban areas. These new groups help us to have regular, structured and open conversations about topical issues and developments in our regulatory approach and help us better understand the perspective of those we regulate. We also restarted our group meetings with all Systemically Important RSLs. Read more about them [here](#).

During 2022/23 we participated alongside many stakeholders in the Scottish Social Housing Resilience Group, the Housing to 2040 Strategic Board, the Energy Efficiency Standard for Social Housing (EESH) Review Group and a range of Scottish Government working groups/task and finish groups on homelessness, finance and rents.

We are very pleased to also make ourselves available to larger groups of stakeholders about our work. During 2022/23 we spoke at:

- Tenant Information Service (TIS) Rent Setting and Affordability Conference in September 2022
- Scottish Federation of Housing Associations (SFHA's) Scottish Rural & Islands Conference in October 2022
- Scottish Housing Network's (SHN) Annual Gathering in October 2022
- SFHA's Finance Conference in November 2022
- SFHA Highlands and Islands Liaison Group in March 2023
- Chartered Institute of Housing (CIH) Housing Festivals in May 2022 and March 2023.

[Read our speeches](#)

## Our Strategic Priorities

### 1. The quality of the homes social landlords provide and with that the safety of tenants and residents, including the standards of Gypsy/Travellers sites

Ensuring that tenants live in warm, safe and dry homes is at the heart of what we do and therefore a key element of our annual risk assessment.

In November 2022 we set out the risks that we focused on during our annual regulatory risk assessment of all social landlords. This includes stock quality as well as tenant and resident safety, including how landlords ensure homes are meeting the Scottish Housing Quality Standard and their statutory obligations on health and safety. Given the importance of gas safety we reviewed Charter returns and contacted landlords to get further assurance in this area in July 2022. We also considered the extent to which landlords were complying with new requirements in relation to electrical safety testing and the installation of linked heat and smoke detectors and engaged with some landlords about their plans to meet these requirements.

We met with Gypsy/Travellers representatives to hear about their priorities around site standards and discussed plans for potential thematic work when our resources allowed.

Following the publication of the coroner's report into the very tragic death of Awaab Ishak who died of a respiratory condition caused by mould in his home, we wrote to all social landlords in December 2022. We highlighted the full coroner's report, housing standards and also to ask governing bodies and committees to consider the systems that they have in place to ensure that their tenants' homes are not affected and they have proactive systems to identify and deal with any reported cases of mould and damp timeously.

In February 2023 we worked with SFHA, Association of Local Authority Chief Housing Officers (ALACHO) and CIH to support a programme of events and advice to help frontline staff through to board members to take a proactive approach to damp or mould in social homes. This included the publication of a briefing note to help landlords ensure they deal with damp and mould problems promptly and effectively. The briefing recognises that issues are often multi-layered and solutions can include tackling issues with the property and supporting tenants. We, along with CIH, SFHA and ALACHO continued to highlight the importance of this at the CIH Housing Festival in March 2023.

*Helen Shaw, SHR Director of Regulation, said: "Ensuring tenants are safe and warm in their homes is a critical priority for all social landlords, and we hope that this advice will help support them to keep their tenants' homes free from mould and damp and that they are able to respond to any reported cases of mould and dampness quickly and effectively."*

*Callum Chomczuk, national director of CIH Scotland said*

*"I am delighted to work with ALACHO, SFHA and the SHR on developing this advice for practitioners working in the social sector. The death of Awaab Ishak highlighted to everyone working in the sector how important it is to take instances of damp and mould seriously. This guidance will further help landlords and practitioners take the steps required to address the underlying cause."*

[Read our letter to landlords](#)

[Read the briefing on damp and mould on the CIH website](#)

Ensuring their assets – tenants' homes – are in good condition, sustainable and meet the needs of tenants is a key priority for social landlords. Doing so can also help landlords to protect the interests of current and future tenants.

We know that landlords are carefully considering the impact of various challenges including the cost crisis and the requirements arising from energy efficiency and net zero targets on their investment plans and their asset management strategy. In February 2023 we published updated recommended practice to support social landlords to review and develop their approach to integrated asset management.

We hope that the principles in this will help support social landlords to balance investment in their homes while keeping tenants' rents affordable.

[Read our integrated asset management recommended practice.](#)

A Significant Performance Failure is a serious concern about a landlord which significantly affects a number of tenants. In April 2022, we published updated information for tenants and landlords to explain how to contact us about this and to explain how we will handle a report about a Significant Performance Failure. We also updated our factsheet on how to make a complaint about a regulated body.

[Read Complaints about a regulated body](#)

[Read Significant performance failures: information for tenants of social landlords](#)

[Read Significant performance failures: information for social landlords](#)

In addition to the factsheets a video on how to raise concerns about social landlords is available on our website.

[Video: How to raise a concern about a social landlord | Scottish Housing Regulator](#)

The Scottish Government undertook a review of the Energy Efficiency Standard for Social Housing (ESSH) and is working towards reporting on this later in 2023. We therefore paused our data collection of the ESSH indicators until the outcomes of this review are clear. We will then consider whether new indicators are required and consult with landlords. We will respond to the Scottish Government's review of ESSH.

## **2. Landlords' discharge of their duties to people who are or have experienced homelessness, with a particular focus on duties to provide temporary and settled accommodation**

As part of our annual risk assessment in 2021/22 and 2022/23, we engaged with all councils to develop a better understanding of the extent of the impact of the pandemic on their ability to deliver homelessness services and consequently on the outcomes for people who are homeless or at risk of homelessness. We also discussed with councils how they are working with RSL partners to provide permanent accommodation.

In February 2023 we published a thematic review of homelessness services in Scotland. It draws on the evidence from our engagement and from the information we gather to inform our annual risk assessment. To also help inform the review and our approach to regulation, some of our staff and Board members met with homelessness and advocacy bodies to hear about their work and perspectives in December 2022.

In the report we highlighted that councils face three major strategic challenges in providing homelessness services:

- dealing with the significant numbers of people currently in temporary accommodation;
- maintaining a sufficient supply of appropriate temporary accommodation; and
- ensuring access to the number of permanent homes that are needed.

We found that there is considerable pressure on councils in the provision of homelessness services, and there are actions councils should and can take to respond to these challenges and to meet their statutory obligations; however, for some there is an emerging risk of systemic failure. It is in this context that we called upon the Scottish Government to consider what further urgent measures it can take to support councils to respond to the immediate challenges they face in delivering services for people who are homeless.

[Read the full thematic report on homelessness services in Scotland](#)

## **3. Landlords' recovery from the pandemic including handling of any backlogs in housing services**

We continued to work with the Scottish Social Housing Resilience Group during 2022/23. In May 2022 we published the final quarterly dashboard report for the group, covering the period 1 January to 31 March 2022. The dashboard was introduced by the Social Housing Resilience Group in March 2020 to help understand the impact of the pandemic and where support was needed. Landlords provided short monthly returns covering core areas including rent arrears, empty homes, lettings, staff absences (for RSLs) and homeless applications and offers (for local authorities).

[Access all dashboards](#)

In August 2022 we published our national report on social landlords' performance against the standards and outcome of the Scottish Social Housing Charter during 2021/22. The report showed that:

- the number of times households experiencing homelessness were not offered temporary accommodation by local authorities rose;
- rent arrears are at the highest level since reporting against the Charter began;
- tenant satisfaction remains high - almost 9 out of 10 tenants are satisfied with the homes and services their landlord provides; and
- landlords let substantially more homes than in the previous year.

Alongside this we published a suite of performance information including individual landlord reports, comparison tool and all the statistical information landlords provided under the Charter. This allows tenants to find out more about their landlord's performance in the areas that tenants have told us matter most:

- Emergency repairs response time remains at 4.2 hours
- Tenants satisfied with the quality of their homes decreased slightly to 85%
- Tenants satisfied that their rent is good value for money remains at 83%
- Average weekly rent increased to £85.36
- Tenants satisfied with their landlord's contribution to neighbourhood management decreased slightly to 85%
- Anti-social behaviour cases which were resolved increased slightly to 95%
- First stage complaints responded to in full remains at 97%
- Average planned rent increases for 2022/23 went up to 3%

[Read the National Report on the Scottish Social Housing Charter - Headline Findings 2021/22](#)

[Read the landlord reports and use the comparison tool](#)

[See all of the statistical information about landlord performance](#)

In January 2023 we published updated advisory guidance for landlords on surveying their tenants and service users about how they are performing against the Scottish Social Housing Charter. This was developed by an independent research firm and outlines the range of methods available to landlords and sets out best practice approaches.

[Read the advice for landlord on carrying out surveys of tenants and service users.](#)

#### **4. Rent affordability and value for money**

At the start of the year in April 2022 we set out that rent affordability and value for money continued to be a priority for us. We acknowledged the most challenging economic context in a generation with a range of inflationary pressures and that many tenants and their families are facing increasing financial hardship with significant pressures on their household incomes from increasing costs, most notably for domestic energy.

In September 2022 the Scottish Government announced its intention to introduce emergency legislation. The Cost of living (Tenant Protection) (Scotland) Act 2022) was passed by the Scottish Parliament in October introducing a cap on increases in rents at 0% until the end of March 2023 for homes provided by social and private landlords. The legislation gave Scottish Ministers the ability to extend the rent cap beyond March 2023 for two periods of six months and committed Scottish Ministers to set out no later than 14 January 2023 their decision on whether to expire the rent restrictions at the end of March, continue with a 0% cap for a further six months or set a different level for the cap from 1 April.

In September, at a time when social landlords are starting the process to set rent levels for 2023/24, we published a thematic review on rent increases by social landlords.

We reported that the average weekly rent was £85.36 in 2021/22 – that's up by 1.8% from £83.84 on the previous year. Also that landlords' rent increases for 2022/23 ranged from 0% to 6% and averaged 2.98% meaning every social landlord in Scotland applied a rent increase in April 2022 that was below inflation at that time and some did not apply any rent increases.

We encouraged landlords to continue to vigorously challenge every element of their expenditure to ensure that it is necessary; it is focused on delivery of outcomes for tenants and others who use their services, and that it represents value for money.

*Speaking to tenants at the Tenants Information Service Annual conference, and later with landlords at the Employers in Voluntary Housing (EVH) conference, Michael Cameron, SHR Chief Executive, said:*

*“The Scottish Government’s recent announcement of a rent freeze is a clear demonstration of the importance it places on landlords keeping rents affordable, to help it achieve its social justice objectives on child poverty and fuel poverty. It is also looking to social landlords to invest significantly in tenants’ homes, including to improve energy efficiency and to decarbonise heating. In the context of a cost of living crisis for tenants and an emerging cost crisis for social landlords, the Scottish Government may need to consider what more it can do to help landlords to keep rents affordable and to continue to deliver for current and future tenants.”*

[Read our thematic review on rent increases by social landlords.](#)

In October 2022, we also wrote to all social landlords providing advice on the developing policy position on rent increases and landlords' approach to tenant consultation and on the critical importance of reviewing business plans. [Read the letter here.](#)

We, along with many other housing sector stakeholders, participated in the Scottish Government's task and finish group on rent increases.

In December 2022 the Convention of Scottish Local Authorities (COSLA) and the SFHA announced their members' intentions for rent in 2023/24. COSLA committed to keeping local authority rent increases to an average of no more than £5 a week.



Members of the Scottish Federation of Housing Associations and Glasgow West of Scotland Forum of Housing Associations reported planned increases averaging 6.1%. The use of average figures, rather than a fixed cap, allows landlords flexibility to honour the outcomes of the statutory tenant consultations social landlords must undertake each year on rent setting. No social landlord consulted on a rent increase at or above CPI inflation, which was 11.1% at the time of the data being collected.

In January 2023 the Scottish Government confirmed that regulations will be submitted to the Scottish Parliament to expire the provisions in the Cost of Living (Tenant Protection) (Scotland) Act 2022 relating to the rent cap in the social rented sector.

In January 2023 we wrote to all landlords to ask them to confirm their planned rent increases from 1 April – we would normally gather this information from the Charter returns submitted every May. To help the Scottish Government report to Parliament on the position with rent increases after 1 April 2023, we published this information in March 2023. We reported that the average increases in weekly rent social landlords will charge in 2023/24 is 5.07%, with the average for local authorities at 3.80% and for RSLs at 5.34%. The report notes that average increases range from 0.00% to 8.00% for all social landlords with a median of 5.00%.

[Read our report here.](#)

We also continue to participate in the Scottish Government's working group on rent affordability, which aims to agree a common understanding of affordability.

## **5. Governance & financial health in RSLs with a focus on business planning**

In July 2022 we published advisory guidance on lessons learned to support RSLs when they are conducting reviews of compliance with Regulatory Standards of Governance and Financial Management. This guidance shares advice and lessons from real-life reviews with a particular focus on preparation of Annual Assurance Statements and sits alongside and complements the SFHA's self-assurance toolkit.

[Read the advisory guidance for RSLs on conducting reviews of compliance with Regulatory Standards of Governance and Financial Management](#)

Each year, RSL governing bodies or local authority committees must submit to us an Annual Assurance Statement providing assurance that their organisation complies with the [relevant requirements of chapter 3 of the Regulatory Framework](#). This includes regulatory requirements that apply to all social landlords and the Standards of Governance and Financial Management that apply to RSLs.

In July 2022 we wrote to all social landlords with information to complement our guidance and support preparation of their Annual Assurance Statements, which they submitted at the end of October 2022. We highlighted some areas for landlords to consider including:

- any areas of non-compliance that may still relate to pandemic recovery or have been exacerbated by it;
- assurance on implementing an effective approach to the collection of equalities information and how their organisation is adopting a human rights approach to its work; and
- tenant and resident safety.

Internally we prepared for carrying out a programme of annual assurance visits to learn more about how landlords prepare statements and share good practice. We will start these visits in 2023/24.

[Read our letter here](#)

[Access our Annual Assurance Statement Statutory Guidance here](#)

[Access our FAQs on annual Assurance Statements here](#)

[View all social landlord annual assurance statements in our Directory](#)

We keep a public Register of Social Landlords ('the Register'). To be admitted an organisation must meet the registration criteria set out in the Housing (Scotland) Act 2010 and in the Regulatory Framework. During 2022/23 we registered one new RSL in October 2022: Link Housing Association, in connection with Link Group restructuring. We also considered and approved voluntary deregistration applications from seven RSLs, which transferred to other RSLs, including: Aberdeen Soroptimists, Abbeyfield Scotland, Fairfield, Cube, Faifley, Pentland and Charing Cross.

[Access our Register of Social Landlords](#)

[Read more about how to register as a social landlord here.](#)

[Read our guidance on de-registration here.](#)

In October 2022 we published our analysis of RSLs' annual loan portfolio returns for the period April 2021 to March 2022. We reported that as well as the existing £6.55 billion borrowing, RSLs plan to increase their borrowing by an additional £1.3 billion over the next five years and that interest rates were at their highest level in 14 years and are forecast to rise further. We highlighted that 27% of RSLs' total loan debt outstanding at the 31 March 2022 was on a variable interest rate, and every 1% increase would increase annual interest charges by around £13 million.

In December 2022 we published an overview of the aggregate financial forecasts and business plans data submitted to us by RSLs. We collect five-year financial projections from all RSLs annually and our report covered the period April 2022 – March 2027. We reported that financial performance should remain robust over the next five years. However, RSLs also continue to face a very challenging operating context. RSLs were forecasting continued surpluses, and annual growth of 5% on average.

They also forecast significant investment in new and existing homes with plans to develop more than 30,000 new homes and invest £1.7 billion in existing homes over the next five years.

In early March 2023 we published our annual analysis of RSL Audited Financial Statement returns for the year to 31 March 2022. We reported that, in general, RSLs robust financial performance and strong liquidity means they remain in a relatively strong position to respond to the financial challenges ahead, although those challenges are significant. RSL turnover increased by 5.5% to £1.90 billion while operating costs increased by 9.1% to £1.55 billion, well above both inflation and average rent increases during the period.

*Shaun Keenan, SHR Assistant Director of Financial Regulation, said:*

*“Despite the many challenges, RSL financial performance was generally robust with turnover up, operating surplus dropping marginally and healthy interest cover. The financial performance in the year was backed up by strong liquidity with total cash and undrawn facilities totalling £1.81 billion as at 31 March 2022.*

*“The level of economic volatility and uncertainty facing RSLs and their tenants over the reporting period was unprecedented and since 31 March 2022 the complex and uncertain economic environment that RSLs operate in has worsened.*

*“It will be vital that RSLs are able to adjust their business plans and continue to manage their resources to ensure their financial well-being, while maintaining rents at a level that tenants can afford to pay.”*

[Read our report on RSL loan portfolio returns](#)

[Read our Summary of Registered Social Landlord Financial Projections](#)

[Read the annual analysis of the finances of RSLs.](#)

Each year we carry out a regulatory risk assessment to enable us to plan our engagement with social landlords. We publish information on our engagement with each social landlord in our engagement plans, and we publish a Regulatory Status for all RSLs. The Regulatory Status shows whether an RSL complies with the Regulatory Standards of Governance and Financial Management (the Regulatory Standards) and regulatory requirements, or is working towards compliance or where we are taking statutory action. We also highlight where a Regulatory Status is under review.

At the end of March 2022 we published engagement plans for all social landlords setting out the outcome of our risk assessment and our plans for engaging with organisations during the year. We continued to review our engagement during the year as new information became available or circumstances changed and we updated 18 engagement plans to reflect this during 2022/23.

In November 2022 we set out the risks that we planned to focus on in our 2022/23 risk assessment including: homelessness, landlord performance in delivering services, quality of homes, tenant and resident safety, the development of new homes, financial health, and governance in RSLs. We published the outcome of our risk assessment in March 2023 and reported:

<b>No. RSLs</b>	<b>RSL Status</b>	<b>What this means</b>
131	Compliant ( 3 under review)	The RSL meets the Standards of Governance and Financial Management and regulatory requirements.
5	Working towards compliance	The RSL does not meet the Standards of Governance and Financial Management and regulatory requirements, and it is working to achieve compliance.
0	Statutory Action	The RSL does not meet the Standards of Governance and Financial Management and regulatory requirements, and we are using statutory powers to address the non-compliance.

We also set out plans to continue our approach from the previous two years and engage with all local authorities around their services to people who are experiencing homelessness, with a particular focus on temporary accommodation. All our local authority scrutiny work is also directed through the Shared Risk Assessment (SRA) process with all the main scrutiny bodies for local government. We share information through a Local Area Network (LAN) – made up of officers from each of the scrutiny bodies – for each local authority.

[Read about the risks that we focused on in our assessment of all social landlords](#)

[Read the outcome of our 2022/23 risk assessment](#)

[Read the engagement plans on our Social Landlord Directory](#)

We had no new or ongoing statutory interventions in social landlords during 2022/23. We published the final report on previous intervention at Fairfield Housing Association in January 2023. We share these reports so that governing bodies can consider the points when carrying out their own regular self-assurance and assessment of compliance with the Regulatory Standards.

[Read our report on our statutory intervention at Fairfield Housing Association](#)

[Read all our reports on statutory intervention](#)

To help inform our annual risk assessment and seek additional assurance, we carried out a review of one RSL's approach to treasury management.

As part of our annual risk assessment, we also reviewed the minutes for three recent meetings of all RSLs. As part of this work, we found that some RSLs faced a number of challenges. We fed back our findings to individual landlords where we noted challenges.

SHR is a prescribed person under whistleblowing legislation. Read more information for potential whistle blowers and also about how we deal with whistleblowing concerns about a social landlord.

During 2022/23, four whistle-blowers contacted us. None qualified as protected disclosures.

We sought further assurance from social landlords in three of these four cases.

Since 1 April 2019, we have required through our Regulatory Framework all social landlords to have effective arrangements and a policy for whistleblowing by staff and governing body/elected members which it makes easily available and which it promotes.

## **6. Being an effective public body**

### **Managing risk**

Alongside our regulatory risk assessment of social landlords, which is set out above, we identify and manage risks to us achieving our statutory objective through actively considering our corporate risk register and using our operating plan to plan any mitigating actions. This work is led each month by our Management Team, with regular input from our Audit & Risk Assurance Committee and Board.

We currently have one overarching risk, which is that we do not achieve our statutory objective. Below that sit seven additional risks covering our resources, shared services we receive from the Scottish Government, our Regulatory Framework, stakeholder support, business failure, public body compliance and the impact of developments out with our control.

During 2022/23, we saw an overall downward trend in a number of our risks, including those relating to our regulatory framework, business failure and public body compliance.

In 2023/24 we will use our positive budget settlement to recruit to our structure, and this will enable us to deliver our priorities. We will review our Regulatory Framework with our stakeholders to ensure it remains effective. We will remain agile and responsive, recognising the very complex environment for tenants, people who use social housing services and the landlords that deliver them.

We will continue to use our approach to risk management to remain responsive to the changing environment and mitigate the risks that could impact how we deliver against our objectives and priorities.

### **Our resources, duties and responsiveness as a public body and the outcome of audits about our work**

We spent £4.75m of our £4.92m revenue and £0.2m capital budget. We achieved savings primarily because we held vacancies in response to Scottish Government's budget planning. We are grateful for our 2023/24 budget settlement, which includes £5.3 million revenue and £0.4 million capital funding. This allows us to recruit to fill our structure and deliver on the priorities set out in our most recent strategy.

Our staff account for around 81% of our revenue budget. Our staff have continued to work flexibly and effectively during 2022/23 at home and in our offices. During 2022/23 we continued to work predominantly at home. The principal reason for this was a building-related problem in our Buchanan House office after Covid restrictions were eased. We had restricted access to Buchanan House until November 2022, at which point we left the building. For a short period from late November to March 2023 we worked predominantly at home with access to some space in the Scottish Government estate. In April 2023 we moved to temporary accommodation at George House and continue to plan for a move to a new permanent office no later than mid 2024. We ensured that our team continued to have the equipment and technical support they needed to work effectively at home and in our office spaces throughout the year.

In April 2022, we reported on our contribution to gender equality on public boards in Scotland. During 2022/23 we had four women and five men on our Board. For 2023/24 this will change to four women and four men. In March 2023 we published an update to our equalities statement highlighting the work we have done and future plans.

We commissioned independent research on our communications with stakeholders. So much has changed in recent years around how we communicate. We welcomed that overall our stakeholders continue to find the information we publish useful. We are grateful to all who participated and we continue to use the feedback to help shape how we work.

[Read the full stakeholder communications research report.](#)

Our staff participated in the Civil Service people survey. [Read the results here.](#)

We published our annual statement on how we comply with the Public Service Reform Act. We also retained Cyber Essentials Plus accreditation and developed our approach to cyber resilience.

[Read our statement of compliance with the Public Services Reform \(Scotland\) Act 2010 2021-2022](#)

We agreed targets for achieving net zero carbon emissions. These include targets to:

- achieve net zero for 'scope 1' emissions – direct emissions from fuel used for heating and air-conditioning associated with our office accommodation – by 2025;
- achieve net zero for 'scope 2' emissions - indirect emissions associated with the consumption of purchased electricity, heat, steam and cooling – by 2025; and
- achieve the national ambition to reduce annual car miles by 20% - by 2030.

Our office accommodation is our main source of emissions. We will review these targets when we finalise our new permanent office arrangements. Like all public bodies, we operate in a challenging financial context. We will continue to invest in technology that enables us to work flexibly, harness technology and enables us to reduce the need for business travel.

We submitted a report on our compliance with climate change duties in November 2022, which included these new targets. Our Board and Management Team monitor our performance against our Corporate and operational plans, including our targets.

Type	Response Time	Target	Performance (met/not met)
General Correspondence	8 working days	95%	met
FOI requests	20 working days	100%	Not met*
FOI reviews	20 working days	100%	Not met*
Significant Performance Failures	5 working days	100%	met
Invoice Payments	10 working days	100%	met

\*One FOI request & one FOI review request responded to out with target timescales.

We received no appeals or requests to review our regulatory decisions in 2022/23.

In December 2022, we presented evidence in our 2021/22 annual report and accounts to the Scottish Parliament's [Local Government, Housing and Planning Committee](#) who are responsible for scrutinising our work. We kept the Committee updated on all our publications and news throughout the year.

Join our 1813 twitter followers @shr\_news and over 1800 SHR Update e-zine subscribers to keep up to date with our news. In 2022/23 we achieved substantial assurance from our internal auditor and an unqualified audit opinion from Audit Scotland.



**Michael Cameron**  
Chief Executive

# 5. Accountability report

## Corporate Governance Report

### Directors' Report

#### Introduction

We have prepared these accounts for the financial year 2022/23 in accordance with the Accounts Direction given by Scottish Ministers and section 19(4) of the Public Finance and Accountability (Scotland) Act 2000.

#### Statutory Background

The Scottish Housing Regulator (SHR) was established on 1 April 2011 under the Housing (Scotland) Act 2010. We are a Non-Ministerial Department (NMD), part of the Scottish Administration and directly accountable to the Scottish Parliament. We commenced our full regulatory powers, duties and corporate responsibilities under the 2010 Act in April 2012.

Our relationship with Scottish Ministers is set out in a published **Framework Agreement**, available on our website <https://www.housingregulator.gov.scot>

#### Our Board

Our organisation is led by a Board of non-executive members, appointed by Scottish Ministers following an open public appointments process. The Board sets our strategic direction and is responsible for oversight of our aims, objectives and performance.

Membership of the Board during the period April 2022 to the end of March 2023 is provided below:

- George Walker, Chair
- Andrew Watson, Deputy Chair from June 2022
- Robert Gil, retired March 2023
- Siobhan White, Audit and Risk Assurance Committee Chair
- Colin Stewart
- Helen Trouten Torres



- Ewan Fraser
- Marieke Dwarshuis
- Lindsay Paterson

Details of our governance framework for Board appointments, appraisal and reviewing the Board's effectiveness are described in the Governance Statement of this report.

### **Our Executive Team**

Our Executive Team is made up of our Chief Executive and Directors. Our Executive Team is responsible for providing strategic management and leadership.

Our Executive Team is:

- Michael Cameron, Chief Executive
- Helen Shaw, Director of Regulation
- Iain Muirhead, Director of Digital and Business Support.

Each member of the Executive Team has confirmed that so far as they are aware, there is no relevant audit information of which the auditor is unaware.

Details of Executive Team remuneration can be found in the Remuneration Report.

### **Register of interests**

Our Board members and Executive Team have to complete a declaration of interests. No significant company directorships or other interests were held which may have conflicted with their management responsibilities, and there were no related party interests.

Our Board members' declarations of interest are published on our [website](#).

### **Our resources**

Our budget as set out in the Budget (Scotland) Act for 2022/23 was £5.120m, comprising a £0.200m capital budget and a £4.920m revenue budget, and representing an increase of around 4% from 2021/22 (£4.900m including a £0.200m capital budget). In 2022/23, as a result of a decision to freeze recruitment, we accumulated staff cost savings and at the mid-year review point returned £0.100m of our revenue funding, revising our revenue budget to £5.020m. Subsequently, due to delays in the fitout of our

new office, we returned £0.180m of our capital funding, revising our capital budget to £0.020m. We spent £4.806m (2021/22 - £4.392m). We also had a non-cash spend of £0.099m for depreciation of IT assets (2021/22- £0.054m).

Around 81% of our revenue costs were staff costs, 7% were IT equipment and support and 3% was accommodation.

From April to November 2022 our access to our office space in Buchanan House was restricted because of building-related issues, and we operated with reduced office occupancy levels. We left Buchanan House at the end November 2022, and between then and the end of March our staff worked predominantly from home. We are exploring options for a move to a new permanent office by mid 2024. Until then, interim office space will be available from April 2023 alongside Transport Scotland.

Our Business Intelligence Systems represent the majority of our IT costs. These systems support our regulatory data collection, data analysis and our engagement with the bodies we regulate.

Our revenue budget for 2023/24 is £5.318m, an increase of £0.298m from 2022/23 before taking account of the impact of inflation on staff salaries and other costs. In 2023/24 our funding settlement enables us to recruit to posts that we have identified as necessary to enable us to operate effectively.

### **Reporting of personal data related incidents**

During 2022/23 there were no incidences of data loss which required to be reported to the Information Commissioner.

### **Appointment of auditors**

Audit Scotland have been appointed to audit our accounts. Our notional audit fee of £24,100 is shown at note 9. Audit Scotland supplied no other services to us during the year. The Scottish Government Internal Audit and Assurance Directorate provided internal audit services.

### **Post-balance sheet events**

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

### **Supplier payment policy**

Our policy is to pay all invoices not in dispute within 10 days from receipt of the invoice. We aim to pay 100% of invoices on time in these terms. This includes disputed invoices once the dispute has been settled. We process invoices on the Scottish Government's Accounting System (SEAS). We are reliant upon the financial information and management system provided by the Scottish

Government for all our financial functions.

For the year ended 31 March 2023, we paid 100% of all invoices received within the terms of our payment policy.

## Statement of Accountable Officer's Responsibilities

In accordance with section 19(4) of the Public Finance and Accountability (Scotland) Act 2000, Scottish Ministers have directed the Scottish Housing Regulator (SHR) to prepare a statement of accounts for each financial year in the form and on the basis set out in the Accounts Direction at the end of these financial statements.

We prepare the accounts on an accruals basis and they give a true and fair view of our state of affairs at the year end, and of our operating costs, recognised gains and losses, and cash flows for the financial year.

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

In preparing the accounts, I am required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- observe the Accounts Direction issued by Scottish Ministers, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the financial statements; and
- prepare the accounts on a going-concern basis.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which I am answerable, for keeping proper records and for safeguarding SHR's assets, are set out in the Accountable Officer's Memorandum issued by Scottish Ministers.

As Accountable Officer, I am not aware of any relevant audit information of which our auditors are unaware. I have taken all necessary steps to ensure that I am aware of any relevant audit information and to establish that our auditors are also aware of this information.

I confirm that the annual report and accounts as a whole are fair, balanced and understandable. I take personal responsibility for the annual report and accounts and the judgements required for determining that they are fair, balanced and understandable.

## Governance Statement

### Scope of responsibility

As Accountable Officer, I am responsible for sound governance and internal controls that help us to achieve our statutory objective. I am also responsible for safeguarding SHR's public funds and assets.

As Accountable Officer, I am responsible for:

- the propriety and regularity of financial transactions which have taken place under my control;
- the economic, efficient and effective use of our resources;
- ensuring that arrangements are made to secure Best Value;
- signing our annual accounts;
- ensuring that effective governance and management systems are in place; and
- ensuring that all risks are identified, assessed and managed appropriately.

### Our governance, internal control and Best Value arrangements

Our governance framework is made up of the systems, processes, cultures and values by which we manage and control our organisation. It enables us to monitor progress against our objectives and to ensure that we use our resources efficiently and effectively.

We have a clearly defined governance framework which fits with best practice principles. I am satisfied that this framework works well.

During the year the Board and Management Team's workshops focussed on responding to the Scottish Government's spending review, homelessness, future strategies and preparation for the forthcoming Regulatory Framework review.

The Board approved SHR's annual report and accounts for 2021/22 for the Chief Executive as accountable officer to sign in August 2022. The Chair and Chief Executive presented SHR's Annual Report 2021/22 to the Scottish Parliament's Local Government, Housing and Planning Committee in December 2022.

During the year, the Board hosted guest speakers from Scottish Government and UK Finance and also met with the Cabinet Secretary for Social Justice, Housing and Local Government in December 2022.

It monitored work plans and the budget each quarter in the context of managing risks to achieving SHR's objective. The Board also adopted a new model code of conduct for members of devolved public bodies, reviewed its Standing Orders, set dates for targets to reduce carbon emissions. It heard updates on SHR's cyber resilience and business intelligence systems work. The Board approved an Equalities Statement for 2023-26, Communications Strategy for 2023-26 and updates to SHR's fraud, security and whistleblowing strategies.

In March 2022 the Board agreed a new Strategy for 2022/23, work plans and budget for 2022/23. Our system of internal control is an important part of this framework. We identify, evaluate and manage risk to a reasonable level, rather than attempt to eliminate all risk. Our approach is proportionate and provides reasonable assurance of effectiveness.

Our internal control processes comply with guidance from Scottish Ministers provided in the Scottish Public Finance Manual (SPFM). These processes have been in place for the year ended 31 March 2023 and up to the date of approval of the annual report and accounts.

We aim to foster a culture of continuous improvement, in accordance with the principles of Best Value. In 2022/23 we reviewed our approach to Best Value with ARAC and introduced a new format for Best Value monitoring and review.

### **Our Board**

Our organisation is led by a Board of non-executive members, appointed by Scottish Ministers following an open public appointments process. The Board is responsible for providing strategic direction and oversight of our aims, objectives and performance.

Details of Board membership is provided in the Directors' Report.

The Board met to take decisions nine times in 2022/23, three of these included Board workshops, all meetings were quorate. We publish minutes of the meetings, our Board Code of Conduct and Board members' registers of interest on our website.

Board appointments are made by Scottish Ministers and overseen by the Commissioner for Ethical Standards in Public Life in Scotland. One Board member, Robert Gil, retired at the end of March 2023 after serving two terms on our Board.

The Scottish Government's Director for Housing and Social Justice appraises our Chair's performance annually. Our Chair appraises each Board Member's performance annually. The Chair and Board Members participate in regular training and carry out reviews of the Board's collective effectiveness.

### **Audit and Risk Assurance Committee**

Our Audit & Risk Assurance Committee provides assurance to our Board and to me, as Accountable Officer, that appropriate risk, control and governance structures are in place. The Audit & Risk Assurance Committee met four times in 2022/23. Our Audit and Risk Assurance Committee meeting minutes are published on our website alongside information about membership and the terms of reference.

Membership comprised the following members of the Board:

- Siobhan White, Chair
- Robert Gil
- Ewan Fraser

I have considered the matters raised and discussed by the Board and Audit & Risk Assurance Committee when preparing this statement.

### **Executive Team and Management Team**

I am joined by our Directors to form our Executive Team. We are responsible for providing strategic management and leadership. We have two Groups, each with a Director.

Our Management Team supplements the Executive Team and is responsible for oversight of operational management. Our Management Team comprises the Executive Team along with our four Assistant Directors of Regulation and our Assistant Director of Digital. I chair the Management Team.

Throughout 2022/23 our Board, Executive Team and Management Team received regular reports to monitor progress against our statutory objective, the objectives in our corporate plan and annual operating plan, and to ensure we are managing risk effectively.

### **Risk framework**

Our risk management strategy was developed by our Board and along with our risk register, identifies the key risks to the delivery of our statutory, strategic and corporate objectives.

During 2022/23 our Management Team reviewed the risk register regularly and reported to both the Audit & Risk Assurance Committee and Board on a quarterly basis. These reviews enable us to:

- discuss and evaluate key risks that could affect our ability to deliver our statutory objective;
- assess existing controls (i.e. measures in place to reduce or limit risk);
- determine the appropriate response to each risk;
- profile our risks by ranking them in order of overall risk exposure (in terms of likelihood and impact)

In 2022/23 our strategic risk remained the same as the previous year and the following strategic risks were identified as those potentially having the greatest impact on our activities:

- a significant reduction in quality or break in shared services from Scottish Government, which impacts on our ability to operate effectively
- our regulatory framework not working effectively
- losing stakeholder support
- suffering a serious business failure
- failing to comply with the duties and expectations on us as a public body
- suffering reputational damage as a result of a development outwith our control
- insufficient resources to deliver effectively.

Our risk register is aligned to the activities in our operating plan. This ensures we are targeting our activities at areas that address the risks we face, so far as this is possible. I am satisfied that our arrangements have enabled us to identify and manage risk effectively during 2022/23.

For data and information handling risks, I am assisted by our Senior Information Risk Owner and five Information Asset Owners. There were no significant data incidents in 2022/23 that required us to report to the Information Commissioner. We share a Data

Protection Officer with Transport Scotland. We provided training and awareness-raising for our staff. Our Data Protection Officer completed a data protection compliance review in early 2023 and reported that we retained a good level of compliance with data protection legislation.

We have fraud, whistleblowing and anti-bribery policies in place, and a fraud response plan, to ensure the effective management of risks associated with these issues. We reviewed these policies early in 2023.

### **Review of effectiveness of internal control and risk management**

As Accountable Officer, I have responsibility for reviewing the effectiveness of our systems of internal control and risk management arrangements. My review is informed by:

- annual certificates of assurance and internal control checklists from the Director of each of our Groups;
- the work of our internal auditors, who submitted regular reports to our Audit Risk & Assurance Committee;
- comments made by our external auditors, Audit Scotland, in their management letters and other reports; and
- quarterly reports to our Board from the Chair of the Audit & Risk Assurance Committee.

Our systems of internal control have been supported by:

- regular Board meetings and workshops;
- meetings of our Executive and Management Teams; and
- regular monitoring and reporting of performance against our operating plan and other areas of corporate performance, including finance and risk management.

We use and rely on the core financial management systems of the Scottish Government to carry out accounting and payment functions. I have received assurances from the Scottish Government that reliance can be placed on the central systems they provided in 2022/23.

We are committed to a process of continuous improvement and we develop our systems in response to any relevant reviews and advancements in best practice. In the period covering the year to 31 March 2023 and up to the signing of the accounts, we liaised with Scottish Government Internal Audit and Assurance Directorate, Audit Scotland and Scottish Government Finance colleagues to ensure that our internal control procedures were fit for purpose and compliant.

During 2022/23, our internal auditors completed their risk-based internal audit plan with specific assurance work on how we engage with tenants and service users and our cyber resilience. Internal Audit and Assurance Directorate has provided substantial



assurance in relation to both of these reviews. Overall, we received a rating of substantial assurance from Internal Audit and Assurance Directorate.

I am satisfied that no significant control weaknesses or issues have arisen during 2022/23. There have been no significant failures in expected standards for good governance, risk management and control.

## Remuneration and Staff Report

### Remuneration policy (unaudited)

Our staff are civil servants and our Chief Executive is a senior civil servant.

The remuneration of senior civil servants is set in accordance with the Civil Service Management Code (available at [www.civilservice.gov.uk](http://www.civilservice.gov.uk)) and with independent advice from the Senior Salaries Review Body (SSRB). Information about the work of the SSRB can be found at [www.ome.uk.com](http://www.ome.uk.com). Within the Scottish Government, the Top Level Pay Committee ensures that the Pay and Performance Management System (PPMS) policy falls within the parameters set by the SSRB and Cabinet Office.

### Remuneration (audited)

<b>Single total figure of remuneration:</b>										
	<b>Salary (£'000)</b>		<b>Bonus payments (£'000)</b>		<b>Benefits in kind (to nearest £100)</b>		<b>Pension benefits (£'000)</b>		<b>Total (£'000)</b>	
	<b>2022-23</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2021-22</b>	<b>2022-23</b>	<b>2021-22</b>
<b>Officials</b>										
<b>Chief Executive</b>										
Michael Cameron	85 - 90	80 - 85	-	-	-	-	0 <sup>1</sup>	10 - 15	75 - 80	90 - 95
<b>Executive Team</b>										
Ian Brennan (retired – 21/03/22)	0 - 5	80 - 85	-	-	-	-	-	25 - 30	0 - 5	110 - 115
Iain Muirhead	80 - 85	75 - 80	-	-	-	-	5 - 10	25 - 30	95 - 100	100 - 105
Helen Shaw (promoted – 24/01/22)	80 - 85	15 - 20	-	-	-	-	0 - 5	5 - 10	90 - 95	25 - 30

<sup>1</sup> Increase in pension due to extra service was not sufficient to offset the inflation increase, therefore in real terms the pension value has reduced, this is presented as nil above.

<b>Board Members Fees (NMD)</b>										
Marieke Dwarshuis (appointed - Nov 2021)	5 - 10	0 - 5	-	-	-	-	-	-	5 - 10	0 - 5
Ewan Fraser	5 - 10	5 - 10	-	-	-	-	-	-	5 - 10	5 - 10
Robert Gil	5 - 10	5 - 10	-	-	-	-	-	-	5 - 10	5 - 10
Lindsay Paterson (appointed - Nov 2021)	5 - 10	0 - 5	-	-	-	-	-	-	5 - 10	0 - 5
Colin Stewart	5 - 10	5 - 10	-	-	-	-	-	-	5 - 10	5 - 10
Helen Trouten Torres	5 - 10	5 - 10	-	-	-	-	-	-	5 - 10	5 - 10
George Walker (Chair)	20 - 25	20 - 25	-	-	-	-	-	-	20 - 25	20 - 25
Andrew Watson (Deputy Chair from 1 June 2022)	10 - 15	5 - 10	-	-	-	-	-	-	10 - 15	5 - 10
Siobhan White	5 - 10	5 - 10	-	-	-	-	-	-	5 - 10	5 - 10

During 2022/23, total expenses paid to members was £5.9k

### **Annualised salaries**

There were no changes to the Executive Team during the year and the annualised salaries are as per the table above.

No new members joined the Board during 2022/23. Robert Gil has retired with effect from March 2023 and his annualised salary is as per the table above.

## Pensions

	<b>Accrued pension (P) at pension age and lump sum (LS) at 31/03/23 £'000 Band</b>	<b>Real pension increase (P) and lump sum (LS) at pension age £'000 Band</b>	<b>CETV at 31/03/23 £'000</b>	<b>CETV at 31/03/22 £'000</b>	<b>Real increase/(decrease) in CETV £'000</b>
<b>Michael Cameron</b> Chief Executive	45 - 50 (P) 90 - 95 (LS)	0 (P) 0 (LS)	920	851	(32)
<b>Iain Muirhead</b> Director of Digital and Business Support	30 - 35 (P) 50 - 55 (LS)	0 - 2.5 (P) 0 (LS)	562	508	(5)
<b>Helen Shaw</b> Director of Regulation	35 - 40 (P) 75 - 80 (LS)	0 - 2.5 (P) 0 (LS)	767	694	(8)

### Salary

'Salary' includes gross salary, overtime and any other allowance to the extent that it is subject to UK taxation. This report is based on accrued payments made by SHR and recorded in these accounts.

### The Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the

Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

The real increase/(decrease) in the value of the CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

**Pay multiples**

The banded remuneration of our highest-paid director in 2022/23 was £85,000 - £90,000 (2021/22, £80,000-85,000). This was 1.67 times (2021/22, 1.65) the median remuneration of the workforce, which was £52,355 (2021/22, £49,861). The banded mid-point of our highest paid director in 2022/23 was £87,500 (2021/22, £82,500) which represented an increase of 6.1% on the previous year.

A summary of the pay multiples for 2021/22 and 2022/23 is provided in the table below.

	2022-23 25 <sup>th</sup> %	2021-22 25 <sup>th</sup> %	2022-23 50 <sup>th</sup> %	2021-22 50 <sup>th</sup> %	2022-23 75 <sup>th</sup> %	2021-22 75 <sup>th</sup> %
Highest paid director (band mid-point) (£)	87,500	82,500	87,500	82,500	87,500	82,500
All staff FTE pay and benefits (£)	42,613	42,996	52,355	49,861	65,276	62,167
Ratio	2.05	1.92	1.67	1.65	1.34	1.33

The average annualised FTE salary for all employees (excluding the highest paid director) in 2022/23 was £54,981 (2021/22, £52,881), which represented an increase of 4.0% on the previous year.

In 2022/23, no employees (2021/22, 0) received remuneration in excess of the highest-paid director. Annualised remuneration ranged from £27,335 – £86,563 (2021/22, £24,395 to £83,233).

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

### **Employment contracts**

Staff covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme. Further information about the work of the Civil Service Commission can be found at [www.civilservicecommission.org.uk](http://www.civilservicecommission.org.uk).

## **Staff Report**

### **Employee engagement, learning and development**

We ensure that our staff are kept informed and engaged in our work through a range of activities. These include staff briefing sessions, regular meetings, intranet updates and a range of other internal and external events. During the pandemic we continued to regularly engage with staff using tele and video conference.

Each of our Groups focuses on contributing to the delivery of our corporate strategic objectives. To support this, our performance management system ensures that all staff agree annual objectives with their line manager which are closely linked to our Corporate Plan and annual operating plans.

We are committed to investing in our staff, using our resources as effectively as possible to achieve our objectives and maximising value for money.

In the 2022-23 Civil Service People Survey the level of positive feedback across all survey themes remained high. The overall employee engagement index decreased slightly on the previous year to 74% (2021/22, 75%).

### **Trade unions**

We are party to the Scottish Government's Partnership Agreement with trade unions recognised by the Scottish Government (SG). Our staff are part of SG Main for the purposes of pay, terms and conditions. None of our staff have spent any part of their working week on trade union duties.

### **Employee recruitment**

We carry out our recruitment and promotion activities on the basis of fair and open competition, selection on merit and in accordance with Scottish Government guidance.

## Equal opportunities and diversity

We treat all staff equally. We are committed to increasing the diversity of staff within the organisation to reflect the people of Scotland, and to valuing positively the different perspectives and skills of all staff and making full use of these in our work.

## Health and safety

We aim to provide a safe and healthy working environment for all staff. We act in accordance with our Health and Safety Policy Statement, and have policies on particular matters available to support managers and staff. We offer a place on our staff Health and Safety Committee to a Trade Union Health and Safety Representative.

## Staff Costs (audited)

	£000	£000	2022-23 £000	2021-22 £000
	<b>Permanently employed staff</b>	<b>Others</b>	<b>Total</b>	<b>Total</b>
Wages and salaries	2,758	-	2,758	2,607
Social security costs	341	-	341	302
Other pension costs	776	-	776	723
Inward secondments	53	-	53	-
Temporary staff	-	-	-	14
Movement in short term employee benefits	47	-	47	(24)
Early retirement	-	-	-	-
Total net costs	<u>3,975</u>	<u>-</u>	<u>3,975</u>	<u>3,622</u>

Pension benefits are provided through the Civil Service pension arrangements. The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. The Scottish Housing Regulator is unable to identify its share of the underlying assets and liabilities. The Scheme Actuary valued the scheme as at 31 March 2022. You can find details in the resource accounts of the Cabinet Office: Civil Superannuation <https://www.civilservicepensionscheme.org.uk/knowledge-centre/resources/resource-accounts/>.

During the year ended 31 March 2023, employers' contributions of £0.776m (2021/22, £0.723m) were payable to the PCSPS at one of two rates in the range 27.1 to 30.3 per cent of pensionable pay, based on salary bands. The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022-23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Average number of persons employed

			2022-23	2021-22
	Permanently employed staff	Others	Total	Total
Directly employed	49.93	0	49.93	48.26
Other	-	-	-	-
Total	<u>49.93</u>	<u>0</u>	<u>49.93</u>	<u>48.26</u>

Number of Senior civil service staff employed

	2022-23	2021-21
Band	Total	Total
SCS - Deputy Director 1	1	1



### **Gender Balance**

At the end of the 2022/23 financial year, the number of persons of each sex who were Board Members, Senior Managers and employees was as follows:

	<u>Female</u>	<u>Male</u>
Board Members	4	5
Employees: Executive Team (including Chief Executive)	1	2
All Employees (including Executive Team)	34	19

### **Sickness absence data**

The average total number of sick days per full time employee in 2022/23 was 6.7 days (2021/22, 10.0 days).

### **Employment of disabled people**

We adhere to Scottish Government recruitment policies which ensure that all disabled applicants who meet the minimum advertised criteria for a job vacancy will be invited to interview. Disabled candidates are guaranteed the chance to be judged along with everyone else on their abilities.

### **Reporting of Civil Service and other compensation schemes – exit packages (audited)**

None of our staff received exit packages in 2022/23 (2021/22 none).

### **Expenditure on consultancy**

We incurred expenditure of £50.0k on external consultancy in 2022/23. This equates to 1.0% of our total revenue expenditure (2021/22, 1.3%). This includes our legal advice costs, a programme of work with our National Panel of Tenants and support for procurement of our future IT contracts.

## Parliamentary Accountability & Audit Report

SHR is a Non-Ministerial Department (NMD) and part of the Scottish Administration, with direct accountability to the Scottish Parliament. Whilst our accounts are not consolidated with those of the Scottish Government, we liaise with Scottish Government Finance colleagues on a regular basis to provide them with information relating to our expenditure and anticipated outturn. Our Framework Agreement sets out our relationship with Scottish Ministers.

### Statement of Losses and Special Payments

No losses or special payments were incurred by the Scottish Housing Regulator during the year ended 31 March 2023.

These accounts were authorised for issue on the 29 August 2023.

A handwritten signature in black ink that reads "Michael Cameron". The signature is written in a cursive, slightly slanted style.

**Michael Cameron**  
**Chief Executive**

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

### Reporting on the audit of the financial statements

#### Opinion on financial statements

I have audited the financial statements in the annual report and accounts of Scottish Housing Regulator for the year ended 31 March 2023 under the Public Finance and Accountability (Scotland) Act 2000. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

#### Basis for opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 2 December 2022. My period of appointment is five years, covering 2022/23 to 2026/27. I am independent of

the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Conclusions relating to going concern basis of accounting**

I have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

### **Risks of material misstatement**

I report in my Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

### **Responsibilities of the Accountable Officer for the financial statements**

As explained more fully in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for using the going concern basis of accounting unless there is an intention to discontinue the body's operations.

### **Auditor's responsibilities for the audit of the financial statements**

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my auditor's report.

## **Reporting on regularity of expenditure and income**

### **Opinion on regularity**

In my opinion in all material respects:

- the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers, the Budget (Scotland) Act covering the financial year and sections 4 to 7 of the Public Finance and Accountability (Scotland) Act 2000; and
- the sums paid out of the Scottish Consolidated Fund for the purpose of meeting the expenditure shown in the financial statements were applied in accordance with section 65 of the Scotland Act 1998.

### **Responsibilities for regularity**

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

## **Reporting on other requirements**

### **Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report**

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### **Other information**

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

### **Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Public Finance and Accountability (Scotland) Act 2000 and directions made thereunder by the Scottish Ministers.

### **Matters on which we required to report by exception**

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited parts of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

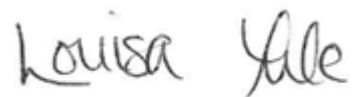
I have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

**Use of my report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 108 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

A handwritten signature in black ink that reads "Louisa Yule". The signature is written in a cursive, flowing style.

Louisa Yule CPFA  
Audit Scotland  
8 Nelson Mandela Place  
Glasgow  
G2 1BT



## 7. Financial statements

### Statement of Comprehensive Net Expenditure

For the year ended 31 March 2023

The Scottish Housing Regulator has made no gains or losses during the period, other than as reported above.

The results for the year ended 31 March 2023 derive from the ordinary activities of the Scottish Housing Regulator, all of which are continuing.

	Note	2022-23 £000	2021-22 £000
<b>Administration costs:</b>			
Staff costs	2	3,975	3,622
Purchase of goods and services	2	831	770
Depreciation and impairment charges	2	99	54
Other operating expenditure	2	-	-
		----	----
<b>Total</b>		4,905	4,446
		----	----
		----	----
<b>Net operating expenditure</b>		4,905	4,446
		====	====

The notes on pages 54 to 67 form part of the financial statements.

## Statement of Financial Position

As at 31 March 2023

	Note	2022-23 £000	2021-22 £000
<b>Non-current assets:</b>			
Property, plant and equipment	3	45	58
Intangible assets	4	199	284
		-----	-----
<b>Total non-current assets</b>		244	342
		-----	-----
<b>Current assets:</b>			
Trade and other receivables	6	0	19
Cash and cash equivalents	7	0	2
		-----	-----
<b>Total current assets</b>		0	21
		-----	-----
<b>Total assets</b>		244	363

Continued overleaf

The notes on pages 54 to 67 form part of the financial statements.

## Statement of Financial Position

Cont'd...

As at 31 March 2023



**Michael Cameron**  
Chief Executive

The financial statements have been  
authorised for approval on:  
Tuesday 29 August 2023

The notes on pages 54 to 67 form part of the financial statements.

	Note	2022-23 £000	2021-22 £000
<b>Current liabilities:</b>			
Trade and other payables	8	(454)	(400)
<b>Total current liabilities</b>		----- (454)	----- (400)
<b>Total assets less current liabilities</b>		----- (210)	----- (37)
<b>Net assets</b>		----- (210) =====	----- (37) =====
<b>Taxpayers' equity:</b>			
General Fund		(210)	(37)
<b>Total taxpayers' equity</b>		----- (210) =====	----- (37) =====

## Statement of Cash Flows

For the year ended 31 March 2023

	Note	2022-23 £000	2021-22 £000
<b>Cash flows from operating activities</b>			
Net operating expenditure		(4,905)	(4,446)
Adjustments for non-cash transactions:			
Depreciation and amortisation	3,4	99	54
Auditor's remuneration	9	24	24
Movement in working capital:			
(Increase)/decrease in trade and other receivables	6	19	(19)
Increase/(decrease) in trade and other payables	8	53	(57)
		----	----
<b>Net cash outflow from operating activities</b>		(4,710)	(4,444)
		----	----
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		-	(58)
Purchase of intangible assets		-	-
		----	----
<b>Net cash outflow from investing activities</b>		-	(58)
		----	----
<b>Cash flows from financing activities</b>			
1. Scottish Government funding		(4,710)	(4,502)
		----	----
<b>Net financing</b>		4,708	4,502
		----	----
<b>Net increase/(decrease) in cash and cash equivalents</b>		(2)	-
		=====	=====
<b>Cash and cash equivalents at beginning of period</b>	7	2	2
<b>Cash and cash equivalents at end of period</b>	7	-	2

The notes on pages 54 to 67 form part of the financial statements.

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

	Note	General Fund £000	Total Reserves £000
<b>Balance at 31 March 2021</b>		(117)	(117)
Net funding		4,502	4,502
Non-cash charges – auditor's remuneration	9	24	24
Comprehensive net expenditure for the year		(4,446)	(4,446)
<b>Balance at 31 March 2022</b>		(37)	(37)
Net funding		4,708	4,708
Non-cash charges – auditor's remuneration	9	24	24
Comprehensive net expenditure for the year		(4,905)	(4,905)
<b>Balance at 31 March 2023</b>		(210)	(2100)

The notes on pages 54 to 67 form part of the financial statements.

## Notes to the Accounts

### 1. Accounting Policies

The financial statements have been prepared in accordance with the 2022-23 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Scottish Housing Regulator for the purposes of giving a true and fair view has been chosen. The particular policies adopted by the Scottish Housing Regulator are described below and have been applied consistently in dealing with items considered material to the accounts.

#### 1.1 Accounting Convention

These financial statements have been prepared under the historical cost convention, modified to account for the revaluation of intangible assets where material, at their value to the organisation by reference to their current costs.

#### 1.2 Going Concern

The financial statements for the year ended 31 March 2023 show a deficit on the general fund of £0.210m (21-22 – £0.037m). This has arisen as a result of the requirement to account for the activities of the Scottish Housing Regulator on an accruals basis, whilst recording the receipt of Scottish Government funding on a cash basis. Net liabilities will be funded by the Scottish Government as they arise. As a consequence, these financial statements have been prepared on a going concern basis.

### 1.3 Administration and Programme Expenditure

The Statement of Comprehensive Net Expenditure is analysed between administration and programme expenditure. The classification of expenditure as administration or programme follows the definition of administration costs set out in Consolidated Budgeting Guidance 2022-23 by H M Treasury.

### 1.4 Non-Current Assets

#### 1.4.1 Property, Plant and Equipment

The minimum level for capitalisation of non-current assets is £7,500. Where multiples are purchased together, and individual values are less than £7,500, they are capitalised if their collective value exceeds £7,500.

Non-current assets are depreciated on a straight line basis at rates sufficient to write off their cost over their estimated useful lives, which are considered to be:

ICT equipment	4 years
Bespoke ICT equipment	7 years
Fixtures & fittings	4 years

ICT assets are carried at valuation in existing use. Depreciated historical cost has been used as a proxy for valuation in existing use for ICT equipment as it is not practicable to obtain valuations due to the low values and high volumes of this class of asset.

#### 1.4.2 Intangible Assets

The minimum level for capitalisation of intangible assets is £7,500. Where multiples are purchased together, and individual values are less than £7,500, they are capitalised if

their collective value exceeds £7,500.

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended. Subsequently, they are measured at amortised replacement cost, a proxy for fair value.

Software licences are disclosed separately as intangible assets in accordance with the FReM. However, the Scottish Housing Regulator only hold the Business Intelligence System as an intangible asset.

Intangible assets are amortised on a straight line basis at rates sufficient to write off their cost over their estimated useful lives, which are considered to be:

Internally developed software	5 years
Software licences	3 years, or life of licence if shorter

The Business Intelligence System will be fully amortised by 31<sup>st</sup> March 2026.

### 1.5 Leases

The Scottish Housing Regulator occupies office space under the basis of a Memorandum of Understanding. The arrangement is treated as an operating lease and the rentals payable in that respect are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

### 1.6 Provisions

Provisions are made to the extent that the Scottish Housing Regulator meets the additional costs of benefits beyond the

normal Principal Civil Service Pension Scheme (PCSPS) benefits in respect of employees who retire early by paying the required amounts annually to the PCSPS over the period between early departure and normal retirement date. The Scottish Housing Regulator provides for this in full when the early retirement programme becomes binding by establishing a provision for the estimated future years' payments.

### 1.7 Trade Payables

The Scottish Housing Regulator's policy is to pay all invoices not in dispute within 10 days of receipt. The Scottish Housing Regulator aims to pay 100% of invoices, including any disputed invoices, once any dispute has been resolved, on time in these terms.

### 1.8 Value Added Tax

Operating costs are stated net of Value Added Tax (VAT) where VAT is recoverable by the Scottish Housing Regulator.

The Scottish Housing Regulator is registered for VAT as part of the Scottish Government, which is responsible for recovering VAT from HM Revenue & Customs.

### 1.9 Pensions

Present and past employees are covered by the provisions of the PCSPS. The defined benefit scheme is unfunded and is non-contributory except in respect of dependants' benefits. The Scottish Housing Regulator is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2016. Details can be found in the resource accounts of the Cabinet Office: Civil Superannuation

[\(www.civilservicepensionscheme.org.uk/about-us/resource-accounts/\)](http://www.civilservicepensionscheme.org.uk/about-us/resource-accounts/).

The Scottish Housing Regulator recognises the expected cost of these elements on a systematic and rational basis, over the period during which it benefits from employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution scheme, the Scottish Housing Regulator recognises the contributions payable for the year.

#### **1.10 Income**

The Scottish Housing Regulator does not undertake any income generating activities.

#### **1.11 Cash and Cash Equivalents**

Banking arrangements are undertaken by the Scottish Government on behalf of the Scottish Housing Regulator. As a result, cash and cash equivalents are £nil at the year end.

#### **1.12 Short Term Employee Benefits**

A liability and an expense is recognised for holiday days, holiday pay, bonuses and other short-term benefits when the employees render service that increases their entitlement to these benefits. As a result, accruals have been charged for holidays and flexi time earned but not taken at the year end.

#### **1.13 Critical Accounting Estimates**

Accounting estimates are used to determine the valuation of property, plant and equipment, intangible assets and provisions. Details of the estimates are included in notes 1.4 and 1.6.

#### **1.14 Post Balance Sheet Events**

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

#### **1.15 Impact of new accounting standards issued but not yet in effect**

International Accounting Standard (IAS) 8 requires the disclosure of information on the expected impact of applying new accounting standards issued but not yet in effect.

The only new accounting standard or amended existing accounting standard that has not yet been applied in these financial statements, but that is considered relevant to the Scottish Housing Regulator is IFRS17 – Insurance Contracts which will apply for accounting periods commencing on or after 1 January 2023.

It is anticipated that this accounting standard, when applied, will have no impact on the financial statements.



## 2. Administration Costs

Auditor's remuneration relates to a charge notified by Audit Scotland in respect of audit work carried out during 2022-23. No other services were supplied by Audit Scotland during 2022-23.

	2022-23 £000	2021-22 £000
Wages and salaries	2,758	2,607
Social security costs	341	302
Other pension costs	776	723
Inward secondments	53	-
Temporary staff	-	14
Movement in short term employee benefits	47	(24)
Early retirement	-	-
Depreciation and amortisation	99	54
IT costs	336	363
Accommodation expenses	137	168
Non-executive Board members' fees and expenses	101	86
Support and consultancy	50	56
Office expenses	35	27
Auditor's remuneration (notional charge – note 9)	24	24
Conferences and seminars	23	5
Professional fees and subscriptions	7	5
Stakeholder engagement	15	11
Travel and subsistence	16	3
Training and development	61	10
Marketing	9	-
HR and recruitment costs	11	12
Catering	6	-
	4,905	4,446

### 3. Property, Plant and Equipment

	ICT Equipment £000	Fixtures & Fittings £000	2022-23 Total £000
<b>Cost</b>			
At 1 April 2022	58	11	69
Additions	-	-	-
Disposals	(4)	(2)	(6)
	----	----	----
<b>At 31 March 2023</b>	54	9	63
	----	----	----
<b>Depreciation</b>			
At 1 April 2022	11	-	11
Charged in year	9	2	11
Disposals	(4)	-	(4)
	----	----	----
<b>At 31 March 2023</b>	16	2	18
	----	----	----
<b>Carrying value at 31 March 2023</b>	38	7	45
	=====	=====	=====
<b>Carrying value at 31 March 2022</b>	47	11	58
	=====	=====	=====
<b>Asset financing:</b>			
Owned			
<b>Carrying value at 31 March 2023</b>	38	7	45
	=====	=====	=====

### 3. Property, Plant and Equipment cont'd

	ICT Equipment £000	Fixtures & Fittings £000	2021-22 Total £000
<b>Cost</b>			
At 1 April 2021	24	-	24
Additions	47	11	58
Disposals	(14)	-	(14)
	----	----	----
<b>At 31 March 2022</b>	<b>57</b>	<b>11</b>	<b>68</b>
	----	----	----
<b>Depreciation</b>			
At 1 April 2021	18	-	18
Charged in year	6	-	6
Disposals	(14)	-	(14)
	----	----	----
<b>At 31 March 2022</b>	<b>10</b>	<b>-</b>	<b>10</b>
	----	----	----
<b>Carrying value at 31 March 2022</b>	<b>47</b>	<b>11</b>	<b>58</b>
	----	----	----
<b>Carrying value at 31 March 2021</b>	<b>49</b>	<b>-</b>	<b>49</b>
	=====	=====	=====
<b>Asset financing:</b>			
Owned			
	----	----	----
<b>Carrying value at 31 March 2022</b>	<b>6</b>	<b>-</b>	<b>6</b>
	=====	=====	=====

#### 4. Intangible Assets

	Information Technology £000	Software Licences £000	2022-23 Total £000
<b>Cost</b>			
At 1 April 2022	332	-	332
Additions	-	-	-
Disposals	-	-	-
	----	----	----
<b>At 31 March 2023</b>	<b>332</b>	<b>-</b>	<b>332</b>
	----	----	----
<b>Amortisation</b>			
At 1 April 2022	48	-	48
Charged in year	85	-	85
Disposals	-	-	-
	----	----	----
<b>At 31 March 2023</b>	<b>133</b>	<b>-</b>	<b>133</b>
	----	----	----
<b>Carrying value at 31 March 2023</b>	<b>199</b>	<b>-</b>	<b>199</b>
	----	----	----
<b>Carrying value at 31 March 2022</b>	<b>284</b>	<b>-</b>	<b>284</b>
	=====	=====	=====
<b>Asset financing:</b>			
Owned			
	----	----	----
<b>Carrying value at 31 March 2023</b>	<b>199</b>	<b>-</b>	<b>199</b>
	=====	=====	=====

*Continued overleaf*

4. Intangible Assets  
Cont'd

	Information Technology £000	Software Licences £000	2021-22 Total £000
<b>Cost</b>			
At 1 April 2021	332	-	332
Additions	-	-	-
Disposals	-	-	-
	----	----	----
<b>At 31 March 2022</b>	<b>332</b>	<b>-</b>	<b>332</b>
	----	----	----
<b>Amortisation</b>			
At 1 April 2021	-	-	-
Charged in year	48	-	48
Disposals	-	-	-
	----	----	----
<b>At 31 March 2022</b>	<b>48</b>	<b>-</b>	<b>48</b>
	----	----	----
<b>Carrying value at 31 March 2022</b>	<b>284</b>	<b>-</b>	<b>284</b>
	----	----	----
<b>Carrying value at 31 March 2021</b>	<b>332</b>	<b>-</b>	<b>332</b>
	=====	=====	=====
<b>Asset financing:</b>			
Owned			
	----	----	----
<b>Carrying value at 31 March 2022</b>	<b>284</b>	<b>-</b>	<b>284</b>
	=====	=====	=====

## 5. Financial Instruments

IFRS 7, Financial Instruments: Disclosures, requires disclosure of information about the significance of financial instruments held by the entity over the year and the nature and extent of risks arising from those financial instruments. The Scottish Housing Regulator is not exposed to the same degree of financial risk faced by many other business entities because of the non-trading nature of its activities and the way in which it is funded. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7 mainly applies. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the entity in undertaking its activities.

### Liquidity Risk

The Scottish Parliament makes provision for the use of resources by the Scottish Housing Regulator in a Budget Act for each financial year. Cash authorisation is provided by the Scottish Government to the extent that expenditure is covered by budget authority. The Scottish Housing Regulator is not therefore exposed to liquidity risks.

### Fair Values

Assets and liabilities are carried at fair value in the Statement of Financial Position. The Scottish Housing Regulator's financial assets comprise trade receivables, financial and other assets (Note 6) and cash and cash equivalents (Note 7). The financial liabilities comprise trade payables and other current liabilities (Note 8).

## 6. Trade Receivables, Financial and Other Assets

	2022-23 £000	2021-22 £000
<b>Amounts falling due within one year:</b>		
Prepayments	-	-
Other receivables	-	19
	----	----
	-	19
	====	====
<b>Intra-government balances</b>		
Balances with other central government bodies	-	-
Balances with bodies external to government	-	19
	----	----
	-	19
	====	====

## 7. Cash and cash equivalents

Petty cash represented the prior year balance at 31 March 2022 however the decision to move to a cash-free office means no corresponding petty cash balance was held at 31 March 2023.

	2022-23 £000	2021-22 £000
Balance at 1 April 2022	2	2
Net change in cash and cash equivalent balances	(2)	-
	----	----
Balance at 31 March 2023	-	2
	====	====

The following balances were held at 31 March 2023:

Commercial banks and cash in hand	-	2
	----	----
Balance at 31 March 2023	-	2
	====	====
	----	----
Balance at 31 March 2023	-	2
	====	====



## 8. Trade Payables and other current liabilities

	2022-23 £000	2021-22 £000
Trade payables	21	1
Accruals	259	226
Other payables	174	173
	----	----
Balance at 31 March	454	400
	=====	=====
<b>Intra-government balances</b>		
Balances with other central government bodies	-	-
Balances with bodies external to government	454	400
	----	----
	454	400
	=====	=====

## 9. Notional Charges

The following charge has been included in the accounts:

	2022-23 £000	2021-22 £000
Auditor's remuneration	24	24
	----	----
	24	24
	=====	=====

## 10. Related Party Transactions

The Scottish Housing Regulator is a Non-Ministerial Department within the Scottish Administration. The Scottish Government is regarded as a related party. During the year, the Scottish Housing Regulator had various material transactions with the Scottish Government, and with other entities, for which the Scottish Government is regarded as a parent body.

The Scottish Housing Regulator also had a small number of material transactions with other government departments, central government bodies, local government, non-departmental public bodies and similar organisations.

During the year, apart from their service contracts, no Board member, key manager or related party has undertaken any material transactions with the Scottish Housing Regulator. In addition, no Board member, key manager or related party received any benefits in kind. Further details are set out in the Remuneration and Staff Report that accompanies these financial statements.

## 11. Capital Commitments & Contingent Liabilities

No contracted capital commitments or contingent liabilities existed at 31 March 2023 (2022, none).

## 12. Leasing Commitments

At 31 March 2023, the total of future minimum lease payments under non-cancellable operating leases for each of the following periods was as noted. 2022/23 reflects the early termination of the Scottish Housing Regulator's previous lease arrangements for Buchanan House, with no new lease arrangements as yet in place.

	2022-23 £000	2021-22 £000
<b>Obligations under operating leases for the following periods comprise:</b>		
Buildings		
Not later than one year	-	177
Later than one year and not later than five years	-	124
Later than five years	-	-
	----	----
	-	301
	====	====
Other		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
	----	----
	-	-
	====	====

### 13. Other Financial Commitments


The Scottish Housing Regulator has entered into contracts (which are not leases) for the provision of support services to the Business Intelligence System. The contracts are fixed term with the option to add additional years. The total future payments for which the Scottish Housing Regulator is budgeting are as follows:

	2022-23 £000	2021-22 £000
Not later than one year	131	131
Later than one year and not later than five years	109	240
Later than five years	-	-
	-----	-----
	240	371
	=====	=====

**SCOTTISH HOUSING REGULATOR**

**DIRECTION BY THE SCOTTISH MINISTERS**  
**in accordance with section 19(4) of the Public Finance and Accountability (Scotland)**  
**Act 2000**

1. The statement of accounts for the financial year ended 31 March 2009 and subsequent years shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
2. The accounts shall be prepared so as to give a true and fair view of the income and expenditure, recognised gains and losses, and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
3. This direction shall be reproduced as an appendix to the statement of accounts.



Signed by the authority of the Scottish Ministers

Dated 11 March 2009

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Laid before the Scottish Parliament September 2023 SG/2023/177

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