

SCOTTISH HOUSING REGULATOR BOARD

MINUTE OF THE BOARD MEETING 20 March 2018

Present

George Walker (GW)	SHR Chair
Anne Jarvie (AJ)	SHR Deputy Chair
Lisa Peebles (LP)	SHR Board member.
Bob Gil (BG)	SHR Board member
Andrew Watson (AW)	SHR Board member
Michael Cameron (MC)	Chief Executive
Ian Brennan (IB)	Director of Regulation (Finance & Risk) (items 1 – 13)
Christine Macleod (CM)	Director of Regulation (Governance & Performance) (items 1 – 13)
Iain Muirhead (IM)	Director of Strategy & Communications (items 1 – 13)
Roisin Harris (RH)	Corporate Governance Manager (items 1 – 13)
Susan Campbell (SC)	Head of Planning & Performance (items 1 – 4)
Helen Shaw (HS)	Assistant Director of Regulation (Finance & Risk) (Item 10)
Shaun Keenan (SK)	Assistant Director of Regulation (Finance & Risk) (item 10)

Observing

Luise Siekman (LS)	Regulation Manager (Finance & Risk) (item 1 – 13)
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1. Welcome, apologies and declaration of interest

GW welcomed all present. There were apologies from SHR Board members Siobhan White (SW), Simon Little (SL) and Mike Dailly (MD).

There were no declarations of interest.

2. Minutes & Matters Arising

The Board considered and approved minutes from the Board meeting on 23 January 2018 subject to a minor amendment and it noted a summary of its strategy session on 26 February 2018. The Board also considered the matters arising report and agreed items for removal.

3. Draft Budget & Operating Plan

SC presented the draft budget for 2018/19 highlighting the work done in follow up to the Board's strategy day in February 2018 and in particular how a 4% vacancy rate has been applied. SC also highlighted:

- uncertainties around the staff pay award and possible outcomes, that once agreed will be backdated to 1 April 2018 and options around capital funding; and
- potential for BI savings.

The Board considered the budget and discussed:

- how SHR pays for utilities, noting it is pro-rata based on the office space used within Buchanan House;
- how SHR can maximise staff resources, noting the Management Team will bring forward proposals to the Board in May;
- the ambitious nature of the proposed capital programme and that the extent to which it can be delivered will depend on staff resource capacity to review and specify requirements and to manage capital projects alongside operational priorities. It noted that SHR is discussing timing flexibility with Scottish Government;
- how SHR could further enhance its BI system, noting the automated analysis work that is being developed; and

- spend on media subscriptions, noting this spend happens later in the year and can be reviewed at mid-year.

The Board approved the 2018/19 budget including:

- financial approval to procure a new contract for the national panel of tenants and service users with a budget of £12,000 for 2018/19; and
- the proposed allocations for the capital budget, noting further approval would be sought for any elements over £25,000.

It also noted further information on staff resourcing will be brought forward in May 2018.

4. Draft Operating Plan 2018/19

MC presented the draft operating plan for 2018/19. He highlighted the backdrop of intensive regulatory engagement and the work to deliver the review of the Regulatory Framework, that this sets the context for the proposed prioritisation of work streams. He explained the Management Team would ideally like to be able to commit to resourcing further workstreams, and highlighted plans to monitor resource capacity each month and keep priorities under review. The Board discussed the current work pressures on staff. It also discussed:

- how the operating plan relates to SHR's risk register;
- when the operating plan could be set in the context of an enhanced workforce, how this relates to the approved budget assumptions and the potential challenges around the recruitment process. It also noted that an enhanced workforce capacity may have to be directed to intensive casework;
- its concerns around some of the work streams not prioritised for 2018/19 and the fit with the key messages emerging through the review of the Regulatory Framework, noting some of this work could be prioritised in future years;
- statutory appointees onto RSL Boards, agreeing it wanted further information on this process;
- work that SHR will do during 2018/19 to consider the Charter indicators and look at EESSH data collection; and
- the work SHR will do in 2018/19 to highlight data it gathers and the risk assessment considerations it will take in connection with Gypsy/Travellers, governance and gas safety. It also noted potential for some joint work with the Health & Safety Executive.

The Board noted the work pressures and agreed with the Management Team's desire to be able to commit to more. It asked MC to provide it with further information on the stress points and set out how the approved budget could impact the operating plan. It encouraged him to prioritise enhancing resources and noted that he will bring forward proposals to the May Board meeting.

The Board approved the operating plan and asked the Management Team to consider feedback on the concerns raised in particular in relation to thematic work and verification visits. It noted that SHR will publish a summary of the operating plan by May 2018.

Action: MC to provide it with further information on the resource stress points and set out how the approved budget could impact the operating plan and bring forward recruitment proposals to the Board in May 2018.

5. Draft Annual Performance Report

MC presented the draft narrative for SHR's 2017/18 performance report, which will accompany SHR's annual accountability report and financial statements. He explained the format follows the FReM and that SHR will repeat the approach of maximising the use of info-graphics, which had been welcomed by stakeholders. MC highlighted that this year SHR will carry out the design work in-house for the first time. The Board discussed and noted that:

- some year-end information on publications and key performance information will be added after 31 March 2018;
- the report sets out information about the Charter and financial analysis that is based on 2016/17 submissions and that this is due to this analysis work being done and reported within 2017/18;
- the report will be laid before Parliament and published in September 2018;
- in August 2018, SHR will have published Charter and financial analysis based on 2017/18 submissions, but that this could not be included in the annual performance report as this analysis would take place in 2018/19 and the purpose of this report is to account for SHR's work in 2017/18.

The Board requested:

- further information on RSL finances and development in the welcome message;
- using design to highlight the statutory intervention information in the overview section;
- embedded links to SHR's publications referenced in the report;
- further consideration of the location of SHR's work on tenant safety;
- reordering of the statutory intervention information so the accounts for intervention are ahead of the summary of interventions;
- further information on SHR's work with local authorities;
- that SHR thank the statutory appointees that have supported effective regulation; and
- expansion of how SHR has used platforms and publications to promote the things that tenants say matter.

The Board approved the draft annual performance report, noting it will be developed in consultation with the Chair for external audit in May 2018. It asked MC to take account of its feedback as the report is finalised and designed. The Board noted the next steps up to the report being laid before Parliament and published in September 2018.

Action: MC to take account of the Board's feedback as the report is finalised and designed.

6. Regulatory Framework Review Update Report

MC updated the Board on progress with the Regulatory Framework review programme. He reported that all the round table discussions and stakeholder engagement in relation to the discussion paper was completed and SHR had gathered very useful feedback. MC reported the programme is on target and formal discussion paper responses are expected by the end of March, but that SHR has agreed to extend this by one week for one membership organisation which has gathered a volume of feedback from its members.

The Chair thanked all the Board members for participating in the events and highlighted the need for further stakeholder engagement work when the Framework goes to formal consultation. The Board reflected on the round table meetings and welcomed that stakeholders were able to express and discuss diverse views. The Chair thanked everyone involved in supporting the engagements.

The Board noted the update.

7. Chair's report

GW presented a summary of his activity and forthcoming plans. He highlighted the recent tour of Easterhouse that most of the Board had attended, hosted by the Easterhouse Housing & Regeneration Alliance. The Members who attended agreed this was worthwhile and it was grateful to the Alliance. It agreed it would be useful to repeat this in another location in Scotland later in the year. The Board reflected on the feedback from Alliance members around the type of relationship they want to have with SHR. The Board also agreed that it was useful for all Board Members to have attended the CIH conference and it should look for similar opportunities during the year.

The Board noted the update.

8. Chief Executive's report

MC presented an update on issues and developments of significance in regulated bodies, the wider housing environment and SHR. He highlighted that:

- SHR has been accepted on the CivTech programme;
- value achieved in the BI contract negotiations; and
- partnership work that SHR is doing to contribute to the Scottish Ministers' Child Poverty Delivery plan, which was welcomed by the Board.

MC updated the Board on SHR's work on homelessness in Glasgow and the process that will lead up to a report on its findings being published at the end of March 2018. The Board welcomed the engagement with Glasgow stakeholders and noted the communication plan. It agreed that it was important to promote any lessons that could apply to other Scottish local authorities and RSLs so that organisations can self-assess.

The Board noted that work to map out landlords' legal obligations in relation to tenant safety expectations has been completed and it asked SC to circulate this around the Board.

The Board also noted that some of SHR's resources in the last month have been diverted to work on new cases and this has led to deadlines for some planned work being rescheduled and that SHR is using a risk based approach to engagement strategies to help it prioritise responsive work.

The Board noted the report.

Action: SC to circulate the Landlords' legal obligations in relation to tenant safety expectations.

9. Members' report

There were no written or verbal updates from members.

10. The 2018 RSL and LA risk assessment

IB, HS, SK and CM presented to the Board on progress with the 2018 RSL and local authority risk assessments. They highlighted:

- SHR's approach to assessing risk;
- the training investment in SHR's analysts during 2017/18; and
- how SHR applied the risk methodology the Board approved in September 2017.

HS & CM reported on the expected outcome of the risk assessment of RSLs and local authorities. They highlighted changes in levels of engagement since 2016/17 and set out the in-year movement for context. They also highlighted the principal reasons for engagement including development activity, governance and homelessness. HS set out some of the assessment considerations around tenant safety, pensions and Universal Credit roll out. SK set out more detail for the Board on the financial aspect of the RSL risk assessment process and shared an example of how financial health is summarised for each organisation. CM highlighted how SHR assesses risk for local authorities using the same indicators for service and stock quality as for the RSL risk assessments. She set out how this inputs into Audit Scotland's shared risk assessment for local authorities.

The Board considered the update and discussed:

- if SHR considers the term of internal auditors, noting feedback SHR has had to date on proposals around audit and audit committees;
- pension funding;
- if SHR considers the terms of senior staff and staff turnover. It also considered scope to strengthen expectations around supporting the skills and experience of senior staff;
- how SHR liaises with Scottish Government around developing organisations which may be high engagement, agreeing effective communication was essential;
- how the risk assessments are resourced;
- how systemically important RSLs are regulated, noting that any failure in a systemically important RSL is more significant for SHR to manage;
- how SHR uses natural statistical gaps or breaks to separate performance categories in the financial risk assessment;
- the sort of things that can influence changes in stock quality and service performance in local authorities;
- the previous financial risk assessment for RSLs that SHR has had to intervene in; and
- that SHR engages with the most senior officer within local authorities responsible for housing and or homelessness services and will also present on its scrutiny to the most relevant committee of elected Members.

The Board noted that the assessment work is ongoing until the end of March 2018 so there will be some variation as final figures and assurances are clarified before publication on 29 March 2018. The Board noted that for the first time SHR will publish its summary report on the outcome of the risk assessment at the same time. It noted the updates and thanked all involved in the risk assessments.

11. Update on RSL finances

IB presented SHR's analysis of the RSL sector finances. He highlighted that SHR has found that:

- sector finances remain strong, but there is less financial headroom than in previous years;
- rents rose by less than inflation in 2017, but are forecast to be above inflation going forward;
- there have been significant changes in pension provision;
- there has been a substantial increase in investment in new and existing housing;
- in future more RSLs are planning to borrow more money than ever before; and
- voids, bad debts and arrears remain under control.

The Board considered IB's presentation and discussed:

- the spread of pension type within the sector and the potential risks associated with these, noting the level of defined contribution pension arrangements;

- CPI and RPI assumptions that landlords may make and potential sensitivity analysis work, and if there is any benefit in SHR being more prescriptive;
- if there are any risks to future private investment due to the level of properties already being used to secure finance; and
- security on pension debt.

The Board noted the update and that a summary report on the analysis will be published on 26 March 2018. It thanked all those involved in the analysis work.

12. AOB

GW reported to the Board on discussions to bring together a group of key stakeholders to focus on thought leadership in Scottish social housing. GW confirmed this was in response to feedback from stakeholders and that although SHR will offer to facilitate the first session it would be looking to other partners to take it forward. The Board noted the update and agreed it was worthwhile exploring.

GW also reported that he has invited a Chief Executive of an RSL to discuss experience of working through a transfer of engagements with SHR Board. The Board noted and welcomed the opportunity.

13. Effectiveness of meetings and papers

LS thanked the Board for the opportunity to observe the meeting and fed back on her observations.

The Board agreed that there could have been more detail in the covering paper for the operating plan around resource assumptions. It also debated if the operating plan could be considered at an earlier point in the year.

The Board agreed that overall the Board pack was effective and welcomed the format of the papers.

13. DONM

The next Board meeting will be on 29 May 2018.

(Post meeting note: The Board agreed to hold a further strategy session on 23 April 2018 to consider the Regulatory Framework)

14. Private session

The Board and the Chief Executive held a private session.