Summary of the risks we will focus on

November 2018

About us

We are the independent regulator of social landlords in Scotland.

We safeguard and promote the interests of:

Around:

600,000

Tenants who live in homes provided by social landlords

Over:

123,000

Home owners who recieve services of social landlords

Over:

45,000

People and their families who may be homeless and seek help from local authorities

Around:

2,000

Gypsy/Travellers who can use official sites provided by social landlords

We regulate:

Around:

200 Social landlords

Around:

160 Registered social landlords

32 Local authorities

Our equalities commitment

Promoting equalities and human rights is integral to all of our work. We set out how we will meet our equalities duties in our Equalities Statement.

Our role:

To monitor, assess and report on social landlords' performance of housing activities and RSLs' financial wellbeing and standards of governance. We intervene, where we need to, to protect the interests of tenants and service users.

Our Regulatory Framework explains how we regulate social landlords. It is available from: www.scottishhousingregulator.gov.uk

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Read more about our 2018 risk assessment process in our how we work publications:

- [How we asses risk in RSLs](#)

- [How we assess risk in local authorities' housing and homelessness services](#)

As part of our Regulatory Framework consultation, we propose to publish engagement plans for all landlords from 1 April 2019. [Find out more>](#)

By the end of April 2019 we will:

✓ publish engagement plans for all landlords
✓ contribute to the National Scrutiny Plan which is published by Audit Scotland for local authorities; and
✓ publish a summary of the outcomes from both the RSL and local authority risk assessment.

The main risks we will focus on

Our risk assessment is the main way we work to safeguard and promote the interests of tenants, people who are homeless and others who use the services of social landlords. We will focus our risk assessment on the things that present the most significant risks to this.

We will continue our focus on **good governance**, **financially healthy RSLs** and **good quality homes and services** for all tenants and service users.

It is vital people who are homeless can quickly and easily access the home and services they need. So, we will continue to have a strong focus on how local authorities deliver **homelessness services**. And how local authorities and Registered Social Landlords work together to tackle homelessness.

The main risks we will focus on

Service quality	Homelessness	Stock quality	Financial health	Governance

Current and emerging issues

Each year, we review the risks we focus on in our annual risk assessment to ensure that the risks we consider are relevant and that our approach is proportionate.

Current and emerging risks and issues for RSLs and local authorities

RSL financial performance remains strong – but we are seeing tightening of sector finances which means, for many RSLs, there will be less financial capacity to deal with adverse events which may occur.

Future planned rent increases may create issues in terms of affordability for tenants in receipt of housing benefit as well as tenants in work whose pay may not keep pace with inflation.

RSLs need to demonstrate transparency on costs and value for money, taking into account discussions with tenants and other service users about the service levels they consider important.

While voids, bad debts and arrears remain under control, landlords will need to take account of the planned roll out of Universal Credit and the impact that this will have on tenants and other service users together with the financial impact on landlords themselves.

There are increasing expectations on local authorities to meet their statutory duties to people who are homeless or threatened with homelessness and on RSLs to play their role in preventing homelessness.

Building sustainable governance and leadership capacity is crucial in managing all of these challenges.

The areas we will focus on

Service quality
The Scottish Social Housing Charter sets the standards and outcomes that all social landlords should aim to achieve when performing their housing activities.

We base our risk assessment of service quality on social landlords' Annual Returns on the Charter (ARC). This year we will continue with a focus on the areas that tenants tell us matter most to them and where there is a legislative duty on landlords:
- ✓ tenant satisfaction
- ✓ complaint handling
- ✓ repairs
- ✓ gas safety
- ✓ anti-social behaviour
- ✓ tenancy sustainment
- ✓ rent collection
- ✓ re-lets and managing empty homes
- ✓ lets to people who are homeless.

The main information we use in our risk assessment:
The Charter indicators we use to assess risk are available at the appendix.
We will also consider the satisfaction of factored owners and landlords compliance with the minimum standards for Gypsy/Traveller sites.

Other information we use:
- supplementary information provided in the ARC
- information from our programme of thematic inquiries
- our previous engagement with a landlord
- other information we gather as part of our regulatory work.

Assessing trends
We use year-on-year Charter data to look for trends and identify consistent poorer or deteriorating performance.

When we will engage with a landlord:
We will normally engage with a landlord about service quality where we have concerns around 5 or more indicators.

*We may engage on the basis of fewer, if we need to, in order to protect tenants and service users for example around gas safety.

Homelessness

Local authorities have specific statutory duties to people who are homeless or threatened with homelessness. RSLs also play a key role in preventing homelessness through managing arrears, providing temporary and settled accommodation and supporting homeless people to help them maintain their tenancies.

We will consider the following areas in our risk assessment:
- ✓ how easy it is for people to find and use the service they need
- ✓ the range of help and information available for people who need a home
- ✓ how quickly people get a permanent home after the local authority has assessed their needs (including the number of lets landlords provide to homeless people)
- ✓ how long people spend in temporary accommodation.

The main information we use in our risk assessment
We set out the Charter indicators around homelessness at the appendix.
Scottish Government Guidance

Stock quality

Since 31 March 2015 social landlords have been required to ensure their houses meet the Scottish Housing Quality Standard (SHQS). Landlords are also required to ensure their houses meet the Energy Efficiency Standard (EESSH) for Social Housing by 31 December 2020.

We expect effective social landlords to have robust asset management strategies and plans. We also expect landlords to have good quality information in place to inform planned investment costs, liabilities and projected spend. Therefore when we assess risk to the quality of tenants' homes and decide the level of assurance we need we consider:
- ✓ how landlords are addressing houses which fail SHQS and EESSH
- ✓ whether landlords have good quality, up-to-date information about the quality of their existing homes and future survey plans.

We will also look at a landlord's ability to meet its maintenance obligations in general. Where a landlord is not meeting the requirements of the SHQS or EESSH or there are other potential issues highlighted from the stock quality risk assessment, we may seek additional assurance from the landlord.

The main information we use in our risk assessment
The Charter and EESSH indicators that we use are available at the appendix.

Financial health

RSLs must comply with our [Regulatory Standards of Governance & Financial Management](#). Regulatory Standard 3 is the principal standard governing financial management and requires an RSL "to manage its resources to ensure its financial well-being and economic effectiveness". When we consider financial health we look at the risk or probability that an RSL will not comply with this standard.

This year we will consider the same themes as last year:

- ✓ **General financial well-being**: we use a range of ratios and trend information to measure an RSL's financial performance. We also consider each RSL's ability to provide accurate forecasts of its financial performance
- ✓ **Rent levels and the impact of welfare reform**: we measure the impact and potential impact of changes in the welfare system by considering the trends in voids, bad debts, arrears and rent increases
- ✓ **Pensions**: we consider each RSL's pension position and the impact and potential impact upon the RSL's financial well-being
- ✓ **Other activities and group structures**: we consider the risk that diversification into non-social housing activities (for example factoring or care and support activities) may present to each RSL. And where the RSL has a parent, we will also consider its performance
- ✓ **Development:** we consider the impact of any programme to build new houses
- ✓ **Treasury:** we consider the degree of complexity of each RSL's funding strategy and debt repayment profiles
- ✓ **Other regulatory information**: we consider other relevant information including auditor reports under S72 of the Housing (Scotland) Act, notifiable events, whistleblowing and auditors' management letters.

The main financial information we use is the information we collect annually from RSLs which is available on our website [here](#) and on our social landlord [directory](#).

Governance

Good governance underpins the delivery of financial health and good services to tenants. We assess RSLs' governance against our [Regulatory Standards of Governance and Financial Management](#). We expect all RSLs to comply with these standards. We know that all of our recent statutory interventions have come about as a result of governance failures and while there are no universally agreed indicators of risk, we have considered the governance characteristics of the statutory interventions to date.

We consider a range of factors or circumstances that indicate risk. We look at a combination of the statistical data we gather about landlord performance as well as other information from our engagement with landlords. We consider whether this information could indicate a risk to the governing body:
- ✓ delivering good tenant outcomes
- ✓ demonstrating strong and effective leadership
- ✓ managing and mitigating risk sensibly
- ✓ being open and accountable
- ✓ meeting its legal obligations in relation to equalities
- ✓ maintaining ethical standards.

Assessing good governance

We will look at information from the ARC and Financial Returns including:
- on governing body membership
- the length of tenure of governing body members
- the length of tenure of the Chair
- the number of members on the governing body
- staff turnover and the use of external and internal audit, including the frequency with which the external auditor is rotated.

We will also consider;
- ✓ information and intelligence from our previous engagements with the RSL
- ✓ any concerns raised directly with us by tenants and other service users, including Significant Performance Failures
- ✓ any whistleblowing or allegations about improper conduct reported to us
- ✓ notifiable events
- ✓ information from applications for consent to constitutional change or disposals
- ✓ information gathered during our inquiry work (including thematic inquiries)
- ✓ any complaints about the RSL to the Scottish Public Services Ombudsman
- ✓ information from statutory auditors
- ✓ broader performance or financial issues that raise concern about its governance
- ✓ the findings from the governance assessments and thematic work on governance which we have carried out.

We will also include intelligence that we have received from our engagement with a small number of RSLs where we have reviewed their self-assessment against the Regulatory Standards of Governance and Financial Management.

We will evaluate all of the intelligence that we hold on governance to determine the level of risk to our objective and therefore the level of engagement we need to have about governance.

Appendix
Service Quality Indicators – all landlords

Indicator	ARC Ref.
Percentage of tenants satisfied with the overall service	I1
Percentage of tenants who feel their landlord is good at keeping them informed about services and outcomes	I3
Percentage of tenants satisfied with opportunities to participate in the landlords decision-making process	I6
Percentage of tenancy offers refused during the year	I18
The percentage of all complaints responded to in full	I4&5
The percentage of all complaints responded to in full within SPSO timescales	I4&5
The percentage of lets to homeless people	CI8
Average length of time taken to complete emergency repairs	I11
Average length of time taken to complete non-emergency repairs	I12
Percentage of reactive repairs completed right first time	I13
Percentage of tenants who have had repairs and maintenance carried out in the last 12 months satisfied with the service	I16
Percentage of properties that require a gas safety record which had a gas safety check and record completed by the anniversary date	I15
Percentage of anti-social behaviour cases reported last year which were resolved within locally agreed targets	I19
Percentage of rent lost due to property being empty during the last year	I34
Average length of time taken to re-let properties in the last year	I35
Rent collected as a percentage of the total rent due in the reporting year	I30
Gross rent arrears as at 31 March as a percentage of rent due for the reporting year	I31
The percentage of new tenancies sustained for homeless people	I20
The percentage of new tenancies sustained for others	I20
Percentage tenants satisfied with the quality of their home	I10
Percentage of tenants who feel the rent for their property represents good value for money	I29

Homelessness indicators – local authorities only

Indicator	Ref.
Number of applications	SG data
Number of assessments	SG data
Repeat all applications	SG data
Percentage of people who slept rough the night before they made a homeless application	SG data
Number of repeat homeless assessments	SG data
Number of Housing Options cases	SG data
Number of Housing Options cases presenting for homeless reasons	SG data
Number of Housing Options cases recorded as homelessness applications	SG data
Outcomes for people under Housing Options	SG data
Percentage of homeless people who sustained a tenancy for at least 12 months	SG data
Percentage of not homeless decisions	SG data
Percentage of intentionally homeless decisions	SG data
Percentage of applicant resolved homeless decisions	SG data
Percentage of homeless applications withdrawn	SG data
Percentage of homeless assessments completed within 28 days	SG data
Percentage of applicants that lost contact prior to the local authority determining whether an applicant is homeless	SG data
Percentage of all applicants who lost contact before the local authority discharged its duty	SG data
Average length of time in temporary accommodation – by type	ARC 25
The number of offers of temporary/emergency accommodation the local authority was required to make	ARC 26
Number of offers of temporary/emergency accommodation the local authority made	ARC 26
Offers of temporary/emergency accommodation made as a percentage of offers required	ARC 26
Percentage of offers of temporary/emergency accommodation refused – all types	ARC 27
Percentage of households homeless in the past 12 months satisfied with quality of temporary /emergency accommodation	ARC 28
Number of households satisfied with the quality of temporary/emergency satisfaction	ARC 28
Number of satisfaction surveys completed	ARC 28
Percentage of total households in temporary accommodation who completed surveys	ARC 28
Breaches of the unsuitable accommodation order	SG data
Outcomes for people where the local authority has a duty to house	SG data
Percentage of all homeless applicant's allocated Scottish Secure Tenancies	SG data
Percentage of homeless lets from RSLs as a percentage of all homeless lets made by local authorities	SG data
Percentage of cases where the local authority lost contact with a homeless person before it discharged its duty to provide accommodation	SG data
Case duration (how many weeks it takes a local authority to close a case from the date a homeless application is made until the local authority discharges its duty or decides it has no duty)	SG data
Percentage of local authority's own stock/lets allocated to homeless people	SG data
Backlog of cases open from previous years awaiting assessment and awaiting final action	SG data

Stock quality indicators – all landlords

Indicator	ARC Ref.
Stock condition survey information	C24
Stock failing SHQS	C26
Percentage of stock compliant with EESSH	